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January 9, 1942  
11:20 a.m.

Oscar  
Cox:

Hello.

HMJr:

Hello, Oscar.

C:

How are you this morning?

HMJr:

Oh, all right. How are you?

C:

Fine. Two quick ones. One I've already cleared, on this gift statute, with Ed.

HMJr:

Gift statute? What?

C:

Gift statute.

HMJr:

Oh, yes.

C:

There's a possibility that we'll go up in the next couple of days on a second war powers bill.

HMJr:

Good.

C:

And that'll mean a fast way of getting it through.

HMJr:

Yeah.

C:

So I'll check it with him.

HMJr:

Yeah.

C:

And secondly, McCloy was over yesterday.

HMJr:

Who?

C:

McCloy.

HMJr:

Yes.

C:

And he was excited about some stuff that Ed had been talking to Hopkins on as to the slowness of the War Department in getting their money obligated.

HMJr:

Yes.

C:

And he mentioned that the newspaper reporters

already had it, and that.....

HMJr: Had what?

C: Had some of the statistics that Ed had gotten out.

HMJr: When you speak of Ed, you mean Ed Stettinius.

C: Yeah.

HMJr: Yes.

C: And he seemed to imply that it got out from the Treasury, and I said well, he hadn't any business implying that; and I thought I'd just tip you off on that. I don't.....

HMJr: Who implies that?

C: McCloy.

HMJr: Where would I get the statistics?

C: Well, Stettinius sent out to all the Procurement heads, that is, yourself and Secretary of Agriculture, these executive statistics which show the - what each department's been doing on Lend-Lease.

HMJr: Oh. Well.

C: It isn't anything to worry about.

HMJr: I haven't time to worry about McCloy's worries.

C: Okay.

HMJr: No.

C: In about another twenty-four hours, we'll have a draft on that thing I talked to you about the other night.

HMJr: Well, I want to again say that both Stimson and Knox would have to personally ask me to do it

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before I'd consider it.

C: Oh, I agree. I think you're a hundred per cent right.

HMJr: I wouldn't consider that.

C: Yeah. Well, if it makes any sense we'll see what we can do on that on their requesting it.

HMJr: Okay.

C: Thanks.

HMJr: Thank you.



TREASURY DEPARTMENT  
Washington

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FOR RELEASE, MORNING NEWSPAPERS,  
Friday, January 9, 1942.

The Secretary of the Treasury, by this public notice, invites tenders for \$150,000,000, 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 January 14, 1942, and will mature April 15, 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, Monday, January 12, 1942. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

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 January 14, 1942, provided, however, any qualified depository will be permitted to make payment by credit for Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its district.

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

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.

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January 9, 1942  
11:35 a.m.

FINANCING

Present: Mr. Haas  
Mr. Morris  
Mr. Lindow  
Mr. Bell  
Mr. Hadley  
Mrs. Klotz  
Mr. Shaeffer

H.M.JR: All right, Dan.

(Mr. Shaeffer entered the conference).

H.M.JR: Hello, Shaeffer. Were the boys satisfied?

MR. SHAEFFER: Yes, sir.

H.M.JR: I don't have to say anything?

MR. SHAEFFER: They are satisfied, as far as I know, sir. They are up there now.

H.M.JR: Were you?

MR. SHAEFFER: Yes, sir.

H.M.JR: O.K. If you need anything or need any advice, speak to Paul and Sullivan.

MR. SHAEFFER: Right.

H.M.JR: But they are all right?

MR. SHAEFFER: Yes, I think so.

H.M.JR: That statement was O.K.

MR. SHAEFFER: Thank you.

H.M.JR: Thank you. Go ahead, Professor Bell.

(Mr. Shaeffer left the conference).

MR. BELL: I have not talked to Eccles.

H.M.JR: Shame on you. Why don't you say literally what you mean, "I haven't listened to Mr. Eccles."

MR. BELL: Same thing. I talked a few minutes to Bob Rouse, but a very few, because I wanted him to finish his conferences by the time we got in here. The market, he says, as he has gotten it so far, is leaning toward a note, and a few people want a bond, but those that want a bond call attention to the pressure a bond is liable to have on the '51-'55's we put out last month. Our group is still leaning toward one issue, in the '49-'51 area.

H.M.JR: A new issue?

MR. BELL: Yes, a new issue. Piser, I think, is leaning toward a three-year note, and possibly reopening the bond. Am I right on that? I haven't talked to him.

MR. HADLEY: No Piser doesn't like any bonds.

MR. BELL: Put if you are going to have a bond, he wants to reopen the '48-'50?

MR. HADLEY: No, he would prefer none.

MR. BELL: Well, I haven't talked to him.

H.V.JR: Stop talking like a lot of WPA workers and leaning up against each other, and make up your own minds.

MR. BELL: I thought I got that in there. I haven't

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talked to Piser and I haven't talked to Eccles and I haven't talked to Sproul, because they hadn't finished their conferences, and they thought they would by eleven thirty. I tried to get McLucas in Detroit, and Sihler in Chicago, but it is pretty hard to get telephone connections these days, and I didn't get them before I came in here.

H.M.JR: Well, why don't I go to work right now?

MR. BELL: They have calls in for those people.

H.M.JR: I hope to leave here at five minutes of three today for the farm.

MR. BELL: How many of these securities are held in New York, about nineteen per cent?

MR. LINDOW: Right.

MR. BELL: So I thought it might be well to get a little outside viewpoint on it. Rouse says that the market wants a note. Devine --

H.M.JR: Who says the market wants a note?

MR. BELL: Rouse says the market wants a note. There is some indication that we ought to give the market what it wants, which is a note, and some people want a bond, so for that reason they suggest a reopening of the '48-'50's at a hundred and three quarters to a hundred and one. Devine says, "Don't under any condition open it for less than a hundred and one, because of the pressure it will have on the other two. They think the emphasis ought to be put on the note. I think that is what Rouse will tell you. I thought I would also call Graham when I got out of here, because he has about twelve or thirteen million of these. The First of Detroit has thirty million, and they have the FFMC bonds, which they might give us some good advice on. It is hard for us to see why a note wouldn't have the

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same pressure on the note market, which hasn't been very good, that the bond will have on the intermediate bonds, especially the twos.

H.M.JR: You don't know yet how much money you will want in January - in February, do you? Does that make a difference?

MR. BELL: Does that make a difference?

H.M.JR: Yes.

MR. BELL: No, why?

H.M.JR: Well, I mean whether you are going to - if you are going to need a billion and a half you couldn't do that with a note. If you needed a billion in February, you might do it with a note.

MR. BELL: No, we certainly will need not less than a billion.

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

January 9, 1942  
11:45 a.m.

HMJr: Hello.

Allan  
Sproul: Good morning, Mr. Secretary.

Robert  
Rouse: Good morning.

HMJr: How are you? Do you gentlemen down there know what you want?

S: We know what we're ready to recommend, I think.

HMJr: Well, I'd like to have it.

S: Well, we've thought it over and discussed it somewhat with the market, and our first opinion is that this - as you know, as you indicated the other day - it's not just a refunding, it's the beginning of the whole war financing program and involves particularly next February's financing.

HMJr: Yeah.

S: Therefore, we think it's desirable to keep as steady a market as possible, have as little churning as possible, and as little encouragement to any bulge in the market in either direction as possible.....

HMJr: Yeah.

S: .....so we feel that if you give the person holding only a note, that the bond market is liable to go up temporarily and then may decline again before your February financing, and that would be undesirable.

HMJr: Yeah.

S: On the other hand, if you give them only a bond, it would probably have some undesirable effect out in the area of the '51-'55's, which are pretty well placed but which are still undergoing some distribution.

HMJr: Yeah.

S: So our recommendation would be for a two-way issue, probably a one and a quarter per cent note of about June '45.

HMJr: Wait a minute. One and a what?

S: One and a quarter per cent note of June '45.

HMJr: June '45, yeah.

S: And reopen the '48-'50's at par and a half.

HMJr: Reopen '48-'50's at a hundred and a half. Right?

S: And that we think would give the holders of maturing rights a choice of whichever kind of a security they want; it would put the premiums on the two securities near enough together so that there shouldn't be much switching around to take advantage of a higher premium on one than the other, and it shouldn't unsettle either market unduly.

HMJr: Let me just - wait a minute. (Talks aside)  
Just wait a minute.

S: Yeah.

HMJr: Just hold on, will you please?  
Hello.

S: Yeah.

HMJr: You wouldn't go out five years for me, would you?

S: With a note?

HMJr: Yes.

S: Not and combine it with the reopening of the '48-'50's. I think it would be better to go out only the.....

HMJr: Too close, you mean?

S: .....three years and five months. I think you



get it too close together to meet the requirement of giving the holders a choice of the two different types of securities.

HMJr: Well, what would you do in February?

S: Well, in February, I think you could either come in the medium term market or I think, as I said the other day, that involves the whole question of speeding up the Savings Bond sales plus some provision of a longer term issue at two and a half per cent for investors.

HMJr: Well, I tell you what I think we'll have to do. I haven't talked to Eccles yet. Could you gentlemen be available to talk to me at two o'clock?

S: Yes, we can be.

HMJr: Both of you?

S: Right.

HMJr: I'll call you right around two.

S: All right. We'll be here.

HMJr: And - I'm not going to - I had hoped to do it in one issue, but you think if you do it in one - whatever one you do, whether it's a note or a bond - you upset the other.

S: I think so, yes.

HMJr: Uh huh. You feel pretty sure about this?

S: Yes, I do.

HMJr: Uh huh. Just a minute. (Talks aside)

I'll call you back again at - you be ready, if you don't mind, from two o'clock on.

S: We'll be ready at two o'clock on.

HMJr: Thank you so much.

S: All right. Good-bye.

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MR. BELL: That isn't bad.

H.M.JR: No, it is not bad.

MR. MORRIS: That isn't bad.

MR. BELL: Not going to put the emphasis on the note.

MR. MORRIS: I think the greatest thing against it is it looks timid, but not very.

H.M.JR: Granted, but --

MR. BELL: It won't be considered timid if the market wants it.

MR. MORRIS: That is right.

MR. BELL: It will go then.

MR. MORRIS: That is right.

H.M.JR: You fellows don't know what Eccles wants?

MR. BELL: No.

MR. MORRIS: Higher interest rates. I mean fundamentally that is what he does want. That is what you have got to think about.

H.M.JR: You know, it is amazing, this stuff that they have done on time payments, how little anybody hears about it.

MR. BELL: Time payments? You mean instalment credit?

H.M.JR: Yes.

MR. BELL: How little they have done?

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H.M.JR: No, how little you hear about it.

MR. BELL: Well, it is not a drastic thing at all. They are still feeling their way.

MR. MORRIS: He made some mention yesterday that Henderson's office was beginning to push him on it again, somewhat to his surprise, because he thought there wouldn't be any, but apparently it is up a little.

H.M.MR: I think the cumulative effect of this budget is going to sink in on the people, but they haven't got it yet.

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

January 9, 1942  
11:50 a.m.

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HMJr: Hello.

Marriner  
Eccles: Hello.

HMJr: Marriner.

E: Yes, Henry.

HMJr: We here haven't made up our minds. I talked to New York. You know what they recommended?

E: I haven't talked to them this morning. I understand what they were talking about was an option.

HMJr: Well, what - I just hung up - and what they suggested was this. Half in a one and a quarter per cent, June '45 note, and the other half to reopen the '48-'50's at par and one half.

E: I don't agree with them. (Laughs)

HMJr: He says optional, not half. Optional.

E: Yeah. Well, I tell you, on a refunding issue where fifty-six per cent is held by the banks and the Fed has eighty million, which makes it two thirds of this issue is held by the banks, I think that when you begin to give an option on a refunding issue, it looks like we're scared. It's looks like we've got a problem on, and I personally don't think that this justifies an option; and what I would - what we would favor here - and I think we're - in fact I know we're unanimous on it.....

HMJr: It makes it sound suspicious.

E: Well.....

HMJr: I'm being a little funny.

E: Well, I think you may have reason to be. (Laughs) But - Ransom said that he hadn't thought very much about it and he didn't care one way or the other, I mean, and.....

HMJr: Look, old man, just give me the results. I'll take it as long as it's unanimous.

E: September, 1946.

HMJr: September.....

E: In a note.

HMJr: Wait a minute. September 1946.

E: That's right. No, I mean December. Not September - December '46.

HMJr: Yes.

E: That's practically a five-year note.

HMJr: Yeah.

E: One and a half.

HMJr: One and a half. All in that?

E: All in that. The whole thing.

HMJr: Sink or swim.

E: Yes, sir. Now, the reason that we favor a note is that it - you can price it pretty well so far as rights are concerned and it fits into the policy we've discussed of holding rights values down. Secondly, the commercial banks own a substantial amount, and we think it desirable that they get their stuff in short-term.

Third, the market is possibly less able to take bonds at the present time, and we'd just as soon and we'd like to see bonds kept out of the picture - let them get a little more hungry for bonds than apparently they are now. The opening up of either the two's of '48-'50, which as I understand, New York is suggesting at a premium, or the putting out of a new issue of '49-'51's at two's does have a relationship - pretty close relationship to the two's of '51-'55 which were just put out, which are selling now at very close to par.

HMJr: Yeah.

E: And as long as these two's - that is the opening up of the '48-'51 or a new issue of '49-61 - would have to be priced at possibly a higher rights value or premium than the note issue, and then in effect we would freeze that premium, because we would have to support the '51-'55's at par, and in supporting that at par, it would largely freeze the premium on either a '49-'51 issue, or a '48-'55 issue; and I think that there's no call for a bond and the last thing I would do is give the option. If you want to put a bond out then the second choice to the note, I would favor the - say the '49-'51 two per cent bond.

HMJr: Well, this note that you're recommending. That's a five-year note, isn't it?

E: Yeah, that's five years. Practically five years. It would be five years lacking a month - lacking a - yeah, lacking a month.

HMJr: Well, now, let me tell you, Marriner, what I'd like you to do. Our boys here still haven't made up their minds. I told them yesterday that if we were going to do either a bond or a note, I wanted to do it all in one or the other, see.

E: Well, I agree - we agree with that one hundred per cent.

HMJr: New York doesn't. Let me give you the reasons, then you can talk to them yourself. They say that if you do a bond, then the note market will get out of line; if you do a note, the bond market will get out of line. Well, I don't know what's correct.

E: Well, I don't - that doesn't make sense.

HMJr: Well, what I'd like you to do is this. Could you talk to them?

E: I'll be glad to talk to them.

HMJr: And then what I'd like to do would be - I told them to be ready at two o'clock.

E: Yes.

HMJr: And I'd talk to them and to you between two and two-fifteen.

M: Yeah.

HMJr: Now - but we have still got tomorrow morning to make up our minds. But between now and two, if you and New York could anyway get together, it would be helpful to us.

E: Well, I will call New York. I didn't get in touch with them this morning. We didn't have very much time and notice, and by the time I got all the Board members and we had a discussion of it here, why we didn't have a chance to talk to them.

HMJr: Well, right after two o'clock I'll be in touch with you. Will you be available?

E: Yes, sir. I'll make it a point to be available and I'll get in touch with New York and discuss the thing with them between now and then.

HMJr: Thank you so much.

M: All right. Good-bye.

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H.M.JR: Look, boys, I don't know, but you all kind of get together and I can still have until tomorrow morning.

MR. BELL: Oh, yes, you have got until tomorrow at one o'clock.

H.M.JR: I frankly don't like to do a billion dollar issue in two bites. I just don't like to do it. I said that yesterday. And I also said I wanted to do a note, didn't I?

MR. HADLEY: You said a note or a bond.

H.M.JR: And my own feeling from past experience, for whatever it is worth, you do a bond and then you do a note and then you do a bond and give the bond market a little time to take care of itself. Right now if I had to make up my mind, I would do a note.

MR. BELL: A billion dollars in the note issue is a little heavy at one date, and that near. It rolls around pretty fast.

H.M.JR: Well, would you all come back at two o'clock and do as much on this as you can?

MR. BELL: Yes.



January 9, 1942  
2:05 p.m.

FINANCING

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

H.M.JR: All right, Dan.

MR. BELL: We like New York's suggestion. It is the safest and we think we will have the least trouble with it that way.

H.M.JR: Is that the way you want it?

MR. HAAS: Yes, sir.

H.M.JR: Who do I call up first?

MR. BELL: I think I would get Marriner first and see if he has been changed over.

H.M.JR: Are you all together on this?

MR. BELL: Yes, we are.

MR. MORRIS: Yes, sir, we are.

MR. HAAS: There was no struggle.

H.M.JR: Good.

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MR. BELL: We went back in there and discussed it.

MR. MORRIS: As a matter of gossip, I had lunch with Ed Smith of the Northern Trust of Chicago, and he told me what we were going to do.

H.M.JR: He told you what you were going to do?

MR. MORRIS: No, he said that was what the gossip was in the market, that we were going to do. He said the gossip in the market is the New York proposal. I mean, he didn't say it that way, but he said a three and a half year one and a quarter, and reopen the twos. He said the market is ready for it, and happy about it.

MR. BELL: We want to keep him happy.

MR. MORRIS: Of course I laughed.

H.M.JR: Don't you think it is good to send this telegram?

MR. BELL: I assume you are doing it hoping that he won't say anything to disturb the market?

H.M.JR: Well, I think it is a billion dollars, and he is entitled to know.

MR. BELL: Of course I suppose you would want to give him a letter sometime tomorrow.

H.M.JR: Oh, yes.

MR. BELL: What arrangements do you want to make for getting that letter, through the Secret Service?

H.M.JR: If they can get it up to me. Well, you will have to get it to me, have the Secret Service bring it up, and then I can sign it and you can take it over to the President.

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MR. BELL: Sunday morning?

H.M.JR: Well, you won't be ready Saturday afternoon?

MR. BELL: Yes, but I didn't know whether he could get it up there Saturday or not. You see, he could leave here probably before one.

H.M.JR: Why don't you get him a seat on the two o'clock plane? Do you suppose it would be ready by two?

MR. BELL: Yes. It will be ready shortly after twelve.

H.M.JR: I would get a seat on the two o'clock plane. I think there is a one thirty plane, and he can have a car meet him at LaGuardia, and he can come up to my place in an hour and a half or an hour and three quarters, and I will sign it. The President is supposed to be over here, across the street, but he isn't.

(Mrs. Klotz entered the conference).

H.M.JR: What do you think, Mrs. Klotz? First these people come in and they shiver. Then they have all gone bankerish on me.

MRS. KLOTZ: I don't believe it, Mr. Secretary.

H.M.JR: Absolutely.

Is somebody looking at how much it costs to telephone from here to Chicago?

MR. BELL: I told you how much it was.

H.M.JR: How much is it?

MR. BELL: It is something like three thousand a month.

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H.M.JR: Don't we use that a lot?

MR. BELL: I wouldn't say an awful lot. I don't think it will be justified.

H.M.JR: I wonder if they have teletype in Chicago.

MRS. KLOTZ: Surely they must.

MR. BELL: I will tell you what McLucas said. He said that he would like to have a two per cent bond in the '48-'50 area. I asked him if he was interested in a note, and he said "No".

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

January 9, 1942  
2:15 p.m.

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Operator: Go ahead.

HMJr: Hello.

Allan  
Sproul: Hello, Mr. Secretary.

HMJr: Yes. Well, has Chairman Eccles worked on you?

S: Chairman Eccles worked on me for about forty-five minutes.

HMJr: (Laughs) You're on the loudspeaker, and that gets a chuckle. No wonder you sound a little weak.

S: (Laughs)

Robert  
Rouse: (Laughs)

S: Well, we came out here.

HMJr: Have a drink on me, boys.

S: (Laughs) I needed it.

HMJr: All right.

S: We came out here that I still felt that the better offering was the split offering, or the shorter note and the re-opening of the '48-'50 bond. I said that my second choice would be as it had been to offer one note which was approximately a five-year note, which he had recommended.

HMJr: Yeah. Well, did you budge him?

S: No, I didn't budge him.

HMJr: I see.

S: We left it this way, that our objective was the same to try to do something that would cause the least churning about in the market and the least arbitraging and buying and selling just to take

advantage of the issue, but that we differed in our judgment as to which way would accomplish that objective.

HMJr: Well, how much have you talked to the market?

S: Well, Mr. Rouse and I between us have canvassed quite a bit of the market - that is, both the people who hold some of these maturing rights in substantial amounts, and others who haven't that interest. Between Mr. Rouse and me, we've perhaps talked with ten people.

HMJr: Well, have you put up these two alternative plans?

S: Well, we've let them do the talking, and these two alternative plans I should say have come out as the majority view, although they're not unanimous on it.

HMJr: Well, I think I'll let the thing simmer until tomorrow morning, and there's no reason why - what time do you people get down? Are you down there by ten o'clock in the morning?

S: (Laughs) Why we're down here always at nine-fifteen. That's not very early.

HMJr: Well, sometime ten and eleven I'll get in touch with you.

S: All right. We'll be here.

HMJr: Because there's no reason why I can't make up my mind because that'll help Bell. And you know we're thinking of announcing it - putting it in the Sunday papers.

S: Yes, I know you are.

HMJr: What do you think of that?

S: I think it's a good idea.

HMJr: I don't see why not.

S: No.

HMJr: It lets the fellows.....

S: Gives them a little time to think about it and get ready for Monday.

HMJr: That's right. Now - well, I don't - Bell may be talking to you again, but I don't - I personally lean toward the note.

S: You do?

HMJr: Yeah. But I haven't talked - I mean, my contacts are just limited to the Federal Reserve and my own people.

S: Well, I think if we had just sat down with the figures and the charts and tried to figure it out without consulting the market, at all, we probably would have come out at that conclusion; but I think after our discussions with the market, we think the reception would be better of the split offer.

HMJr: That just makes me a long-haired professor.

S: (Laughs) Just a theorist.

HMJr: Okay.

S: An academic decision.

HMJr: Okay. I'll be in touch with you in the morning.

S: There's one variation which we are considering which your people might want to consider, and that is putting the bond out at par and three quarters instead of par and a half just to weight it in favor of the note.

HMJr: Well, you're getting down to shavings now.

S: (Laughs)

HMJr: I mean.....

S: Well, it's - the attempt is to make the premiums as close together as possible so there will be as

arbitrage as possible, and it's a matter of guess partly there.

HMJr: But my reason - I'd like to do a note this time, and then in February I'd like to do a bond.

S: Well, I think if you'll do it this way, you would still be able to do your financing in February, with our idea being to keep the market steady with as little churning about as possible. Now, it's just to keep it in shape for February's financing.

HMJr: Well, let me - just let me switch for a minute. I know that Dave Morris has been in contact with you on what I call my new outlets.

S: All right.

HMJr: Getting these corporations that have the plan in - how's that coming along?

S: Well, as I told him, we sent letters to a great number of corporations with large staffs and a great many of them already having the payroll allotment plan - those went out on Thursday - and the indications are we'll get a good response but we really haven't the facts yet to give you.

HMJr: No crossing of wires with the state committee, is there, on this?

S: No, I don't think so. Mr. Rouse sits in with them continuously and is in touch with them, and I don't think we're crossing any wires with them.

R: I've kept them informed, Mr. Secretary.

HMJr: Good.

R: And I don't think there's any problem there at all.

HMJr: And any of your banks or post offices out of bonds?

S: They are out of some denominations. We're still not able to supply them with their full requisition in all denominations, but we keep - we give them



some bonds of each denomination.

HMJr: But you're still short?

S: Yeah. Still short.

HMJr: Well.....

S: But we're - and fortunately, not in the lower denominations. I think we have plenty of \$25.00 pieces now.

HMJr: You have?

S: Yeah. It varies from day to day.

HMJr: Well, I think the worst of our production problems are behind us and next week we really ought to get into our stride on production.

S: Well, that would be fine. We've been sort of promising them from week to week that next week would.....

HMJr: Well, I think that the worst is behind us. You know what our troubles were?

S: I know, yes.

HMJr: Our troubles were with the IBM.

S: Yeah. They couldn't provide the machines.

HMJr: No, but now - no, the cards.

S: The cards.

HMJr: But now they've got that, and our troubles - I think another week will see us in good shape.

S: Well, we can go along as we're going along and.....

HMJr: This is no - I mean, it looks as though another week that we'll really - oh, by Monday week, we ought to be really in good shape.

S: Yeah. The sales here have been very satisfactory

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the first five days.

HMJr: Fine. Thank you.

S: We'll be on deck tomorrow between ten and eleven.

HMJr: Wonderful.

S: Righto.

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

January 9, 1942  
2:23 p.m.

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Operator: Go ahead.

HMJr: Hello.

Marriner  
Eccles: Hello, Henry.

HMJr: Hello, Marriner. Well, have you changed any?

E: No. No, not at all. I talked for fifteen or twenty minutes with Sproul, and he gave me his arguments for the two issues, and I thought they were pretty thin. As I got them, it was that there'd be less churning or secondary market if you gave the holders of these exactly what they wanted, whereas if they were all given the note, they'd take it and then there'd probably be some selling of the note and the buying of some bonds, and you might run the bond market up a little. And I said, "Well, that would be a good thing. The Treasury and ourselves have been buying some of these bonds, and we certainly could prevent that. We could keep that - if that should happen, why we'd be very glad to let them have some of the bonds that we've purchased and be in a position to buy later." So I said, "That doesn't make much of an argument with me." And I said, "The difficulty, it seems to me, is in trying to price a short note and the bond, and especially where you put a premium on the bond. And wherever there's a difference in the premium, which there may well be, then you're going to find a lot of arbitrage operations and more churning and switching than you'll get with a straight note."

Now, he didn't feel very strongly, and when I got through talking to him, he said, well the other happened to be his first choice but he didn't feel very strongly about it. That's - I - he didn't - his argument didn't change my views of the situation, because I just didn't feel that they were very strong, very effective. I still favor the December '46 note.

HMJr: I see there's nothing in '46 after June 15th clear.

E: You say there's nothing clear after that?

HMJr: I say that's clear.

E: Yeah, that's right. It comes at a good time, it comes at a good time, and the fact that these are held sixty - two thirds of them by the banks and the Fed, it seems to me that that kind of an issue ought to be looked upon with a good deal of favor. I don't like to see the idea of a billion dollar issue thinking that a billion dollar refunding issue causes you to have to give options. It just looks to me like an element of weakness in feeling that you've got to cater to the market so you've got to give them a chance to exchange it into what they want.

HMJr: Well, Marriner, Bell will work on it the rest of the afternoon, and I'll be on the phone again tomorrow morning, and....

E: How do you feel about it?

HMJr: Well, I personally lean a little bit towards the one note.

E: Yeah. Well, I - we're all unanimous here - Pizer and Goldenweiser, the Board - I mean, we all feel more or less the same way that I've expressed myself now, and - it's just those boys - those market boys up there. They get so damn close sometime to a market situation, that it's just like they can't see the forest for the trees. And I think sometimes we can see it a little better - being a little farther removed from it.

HMJr: Well, they've just called me a long-head theorist, at least I called myself that, because I'm too far away from the market.

E: Oh, hell. You don't believe that?

HMJr: No. They're all right. They're doing their best.

E: Well, that's right. I mean, after all, I told Allan that - I said, "We want your judgment, of course." I said, "If we can get together, that's fine," but I said, "if we can't, we expect you to

give your best judgment, but," I said, "How strongly do you feel on this thing?" He said, well, he didn't feel very strongly. He said he didn't think that there was really any difference in the objective. It was just that he thought there would be maybe less of a market adjustment in the one case than I did.

HMJr: Okay, Marriner. Very much obliged, and either Bell or I will be in touch with you between ten and eleven tomorrow morning.

E: Fine. Okay.

HMJr: Thank you very much.

E: Good-bye.

H.M.JR: What have you got there, Dan?

MR. BELL: Here is Chicago.

H.M.JR: Please.

MR. BELL: "Following comments regarding exchange offering. First National for own account. They have five million notes, having sold some of their holdings. Prefer not over five year maturity, with one and five eighths per cent rate. Northern Trust. Suggest double issue, three year note at one and a quarter per cent and a seven year bond at two per cent, limiting subscribers to fifty per cent of each issue. Knight at Continental. Own no rights. Recommend single issue of notes priced to command three quarter per cent premium. Say December, '44 at one and a eighth per cent. They believe single issue would also help to keep matter of rights subdued and to build up appetite for cash bond offering in February."

That is in line with your thought on it.

H.M.JR: Let's have it again. It sounds smart.

MR. BELL: It is impartial, because he doesn't own any rights.

H.M.JR: Say it again. That is me.

MR. BELL: You have got them all.

"Recommend single issue of notes, priced to command three fourths per cent premium, say December, 1944, one and an eighth per cent. They believe single issue would also help to keep matter of rights subdued and to build up appetite for cash bond offering in February. Harris Trust. Have March notes. Prefer new note issue from two to five years, priced to command one half point premium. Preferring single issue. Also believing this will help subdue right values. Greer at First National prefers

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two issues, two and one half year note at one percent, and bond issue with either maturity or optional date seven and one half to eight years at two per cent. He leans toward limiting subscribers to fifty per cent on each issue."

Here is one from Lincoln, Nebraska. This fellow usually comes in to see me when he is in town. He is the executive vice-president of the First National Bank out there. "Contact with various bond brokers seems to indicate Treasury refunding bond might be a two per cent seven or eight year bond. It is our judgment that a twelve to fourteen year two and a quarter bond would be ideal at this time. Should be worth about one point premium on market, resulting in two fifteen yield, which would not affect present market of two and a half of '54-'56 or the ten-fifteen year twos. Also would make a nice comparison favoring the Defense twelve year two and a half. For our own use, we would much prefer this suggested bond as against shorter two per cent issue, and think the reception would be much better and also create no disturbance to existing issues. Hope we are not presuming in suggestion. Thank you."

McLucas says that he prefers the two per cent bond of the '48-'50, one issue. I asked him if he would take a note, and he said "No," he didn't want a note, and I asked him if it was a two-way issue of a note and a bond, and if we reopened the '48-'50's at a slight premium, would he take it, and he said, "I don't like a premium"-or what I would take. He said, "I don't like a premium at all, but I would take the bond with the premium in preference to the note."

H.M.JR: Your balances must be pretty good. We have taken in a hundred and ninety-eight million dollars in eight days on these bonds.

(Mrs. Klotz left the conference).

MR. MORRIS: Can I make one comment which is just for consideration in this one note thing when it gets



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out close to the five-year, if you do a one and a half, I am just a little worried about the psychology of getting into a one and a half note there. I would much rather make it a little shorter and at least keep it one and three eighths, and the other side of this refunding is that there are four issues of a very mixed sort that are being refunded. It isn't quite the problem of where you refund a single issue.

H.M.JR: But how much of it, Dave, is in the hands of the Fed and the banks?

MR. HAAS: Fifty-five per cent in the banks and eight per cent in the Fed.

H.M.JR: Sixty-three per cent?

MR. MORRIS: That is right.

MR. HAAS: But the insurance companies hold - and the mutual savings hold, fifteen per cent and other holders which probably could favor a long bond hold twenty-two, so there is thirty-seven.

H.M.JR: Boys, I don't think we can do business on less than a billion dollars of anything. Now, we open up this '48-'52 for five hundred million, and you knock it down, and then we come along and open it up once more, because I certainly would have to open it up a second time. On the other hand, if I keep the '48-'52, I could open it up for a billion if I wanted to. If I do a note, it is going to help the bond market, isn't it?

MR. BELL: I suppose it would starve the bond market. The people who want a little higher coupon would not go into this, certainly, the insurance companies, but there would be some churning because the insurance companies wouldn't want this, and they would unload it.

MR. HAAS: This doesn't hurt you.

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H.M.JR: How far back would you have to go for one and three eighths, how many months?

MR. HADLEY: Back to June.

H.M.JR: Six months. Well, that is a bad time.

MR. MORRIS: Yes, it is a heavy maturity.

H.M.JR: That is bad.

MR. HADLEY: You might do it in September, but it would be a little thin.

MR. BELL: What is the matter with one and a quarter?

MR. HAAS: That gets away from the --

MR. BELL: Heavy maturities, and you are a long way from the one and a half.

H.M.JR: One and a quarter? Where is the one and a quarter.

(Mrs. Klotz entered the conference).

MR. HADLEY: June, '45.

H.M.JR: What is it?

MR. HAAS: June, 1945.

MR. BELL: Almost three years and a half.

H.M.JR: No, I don't like that.

MR. MORRIS: I don't like that either.

H.M.JR: Look, Bell, I am not fixed, but I have got certain ideas, and just so that you get them, you remember I think it was the last time - when was it I said - it was before Pearl Harbor, wasn't it, that

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I said, "We have got a big job and I can't do less, we have got to do this thing in a big way"? Do you remember?

MR. BELL: It was the October 20 issue.

H.M.JR: And they wanted me to do it in - how did they want me to do it then, do you know?

MR. BELL: They wanted you to --

MR. HAAS: Two bonds, I think, an intermediate and a long.

MR. BELL: A short bond, a two per cent bond, and a two and three eighths, and then drop to the '60-'65.

H.M.JR: How much was it?

MR. BELL: It was a billion one.

H.M.JR: And I insisted on doing it all in one.

MR. BELL: That is right.

H.M.JR: We can't be fooling around with five hundred million dollar issues or two options on the billion dollar refunding, but I am going to sleep on it --

MR. BELL: Well, that is what we started out with, thinking of that --

H.M.JR: Well, I am going to sleep on the --

MR. BELL: Statement.

H.M.JR: And I will be in touch with you gentlemen tomorrow morning. Now, the only hedge I am making against what I am saying is, and all this is confidential, but this is extra confidential, because I don't want to frighten anybody - I don't think, you see - I don't

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know whether I said this to you or not - that the market yet appreciates what this --

MR. BELL: The size of this?

H.M.JR: No, the whole thing. I mean, the way the stock market and the bond market have been acting, I just don't think they understand.

MR. BELL: You are probably right.

H.M.JR: And fortunately we had our tax meeting this morning, and these boys will be talking all day, and there will be a story in tomorrow morning's paper, and we can see how it affects the market, if at all.

MR. HAAS: We should, Mr. Secretary, be able to do it. You take the British situation which in terms of national income is as large as our projected effort in this country, and they have accomplished that in terms of their bond market at increasing bond prices, so I think people in the bond market - in other words, their bond market has been going up since the war.

H.M.JR: Well now, wait a minute. Since when?

MR. HAAS: Since about August, '39, if you take the British war loan, that '52-'60, I think it is.

H.M.JR: Well, George, that may be true, but don't forget you are dealing there with five or six institutions.

MR. HAAS: That is right. It is a much easier job than you have here.

H.M.JR: And I have yet to get the velocity at which you take the money out and at which you take the money in, and Dan, don't forget you are sitting there with a balance of about two billion six, which is more or less sterilized, isn't it, in the sense that it is out of the market and --

MR. BELL: Yes, but we are putting it back in.

H.M.JR: Yes, but you have got about - well, a billion more than you need.

MR. BELL: For the moment.

H.M.JR: Yes. I still don't know and nobody knows. You borrow this money, and you give it to the people to spend for defense. How long does it take to flow back into the peoples' pockets and back into the banks. Now, how long does that thing take, see, and we just don't know. There was the Christmas shopping and - you just don't know.

MR. BELL: Of course the biggest part of our balance, Mr. Secretary, is in the banks.

H.M.JR: I know, Dan, but this thing - but this whole business of - you take out the money and give it to the Army and Navy, and they spend it and they have got to pay for wages and steel, and it has got to flow back into the banks, and it has got to be there for these people to be investing. I just don't know. That is why this time I am inclined to go to a note which gives us another month, and we might even go to March with a two billion dollar bond issue. I don't know.

MR. BELL: Don't hit March. We have got an income tax problem in March.

H.M.JR: Maybe you people have got all the answers. I haven't.

MR. BELL: We haven't any answers.

H.M.JR: I just haven't got the feel of it. That is why I would rather have a note, and then when the thing settles down a little bit, maybe we will be able to pick up what we need in bond money very nicely.

MR. HAAS: I don't like the one and a half. I feel like Dave on that, because I think, Mr. Secretary, you establish that rate on the five, and it is going to weaken that structure on your bonds.

H.M.JR: Well, you fellows figure - you won't have to fight with me at one and three eighths, if that is what you want to do, shave an eighth off.

MR. MORRIS: It may make it a bad place, but if what you say is right, and I think it is, you are going to be dealing in three billions by '48 just as easily --

H.M.JR: What do you think I say is right, Dave?

MR. MORRIS: You want at least a billion minimum for at least one thing. I think by '46 it will be three billion. It won't worry you any more to refund than a billion does now.

H.M.JR: But if you people, after thinking it over, and I want you to think about it and talk with New York and the Fed and the rest of them, and if you decide -- if it is going to be a note, should we steer clear of the one and a half? I mean, you wouldn't have an awful lot of argument with me on that.

MR. BELL: You don't like the one and a quarter?

H.M.JR: No. No, I want to throw it into '46.

MR. MORRIS: I may be all wrong, but the one and a half is the one thing I have some conviction of.

H.M.JR: You are afraid of trying to fix it there?

MR. MORRIS: Yes. I don't like the one and a half.

H.M.JR: I think you are right. No, I want to get out - that would be four and a half years, wouldn't it,

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or four years and five months, something like that?  
O.K. gents, thank you all.

January 9, 1941

TELEGRAM FOR THE PRESIDENTTo be transmitted by the White House (See Myra's file)

Treasury contemplates a refunding operation on Monday and Tuesday of next week of maturing or called securities aggregating one billion seventy-six million dollars consisting of Reconstruction Finance Corporation notes of three hundred ten million dollars maturing January fifteenth, Treasury notes of four hundred twenty-six million dollars maturing March fifteenth, Federal Farm Mortgage Corporation bonds of two hundred thirty-six million dollars called for payment January fifteenth, and Federal Farm Mortgage Corporation bonds of one hundred three million dollars called for payment March first. Expect to make decision about noon tomorrow after which I will present usual letter containing my recommendation for your approval.

H.K.  
1/15/41  
12:15 pm



January 9, 1941

TELEGRAM FOR THE PRESIDENTTo be transmitted by the White House

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TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

45

DATE January 9, 1942

TO Secretary Morgenthau

FROM H. H. Hadley

TREASURY NOTES

<u>Approx. Term</u>	<u>Maturity</u>	<u>Coupon</u>	<u>Yield</u>	<u>Price</u>	<u>Premium</u>
5 years	12/15/46	1-1/2%	1.30	100.31	31/32nds
			1.35	100.23	23/32nds
		1-3/8%	1.27	100.16	16/32nds
			1.32	100.9	9/32nds

TREASURY BONDS

7 - 9 yrs.	1948 - 50 Dec. 15	2%	1.80	101.10	1 pt. 10/32
			1.82	101.6	1 pt. 6/32
7 1/4 - 1/4 yrs.	1949-51 Mar. 15	2%	1.83	101.4	1 pt. 4/32
			1.85	101.	1 point
7 1/2 - 1/2 yrs.	1949-51 June 15	2%	1.85	101.1	1 pt. 1/32
			1.87	100.29	29/32nds
8 1/4 yrs.	1950 Mar. 15	2%	1.80	101.16	1 pt. 16/32
			1.82	101.11	1 pt. 11/32

\* Less 1 month

REOPEN ISSUE

<u>Issue</u>	<u>Amount Outstanding</u>	<u>Present Price</u>	<u>Reoffer At:</u>	<u>Premium</u>
1/2 2% 3/15/48-50	115 million	101.15 *	100 100-1/4 100-1/2	1 pt. 15/32 1 pt. 7/32 31/32nds

\* A re-opening of the 2% of 1948-50 would probably result in the price of 1948 issue automatically falling to 101.

Calendar of Direct and Guaranteed Bonds and Notes <sup>1/</sup>

January 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues <sup>2/</sup>			
		Direct	Guaranteed	First callable		Final maturities	
				Direct	Guaranteed	Direct	Guaranteed
1942-Jan.15	RFC 7/8%		310				
Jan.15	FFMC 3%		236				
Feb.							
Mar. 1	FFMC 2-3/4%		103				
Mar.15	Note 1-3/4%	426					
Apr.							
May							
June							
July 1	RFC 1%		276				
July 1	HOLC 2-1/4% (1942-44)				875		
Aug.							
Sept.15	Note 2%	342					
Oct.15	RFC 7/8%		320(T)				
Nov.							
Dec.15	Note 1-3/4%	232					
	Total	1,000	1,245		875		
1943-Jan.							
Feb.							
Mar.15	Note 3/4%	66(T)					
Apr.							
May 1	CCC 3/4%		289				
June15	Note 1-1/8%	629					
June15	Bond 3-3/8% (1943-47)			454			
July15	RFC 1-1/8%		324(T)				
Aug.							
Sept.15	Note 1%	279					
Oct.15	Bond 3-1/4% (1943-45)			1,401			
Nov.							
Dec.15	Note 1-1/8%	421					
	Total	1,395	613	1,855			
1944-Jan.							
Feb. 1	UBRA 1-3/8%		114				
Mar.15	Note 1%	515					
Mar.15	FFMC 3-1/4% (1944-64)				95		
Apr.15	Bond 3-1/4% (1944-46)			1,519			
Apr.15	RFC 1%		571(T)				
May 1	HOLC 3% (1944-52)				779		
May 15	FFMC 3% (1944-49)				835		
June15	Note 3/4%	416					
July 1	HOLC 2-1/4% (1942-44)					875	
Aug.							
Sept.15	Note 1%	283					
Sept.15	Note 3/4%	635(T)					
Oct.							
Nov.							
Dec.15	Bond 4% (1944-54)			1,037			
	Total	1,849	685	2,886	1,709		875
1945-Jan.							
Feb.15	CCC 1-1/8%		412(T)				
Mar.15	Note 3/4%	718					
Apr.							
May							
June 1	HOLC 1-1/2% (1945-47)				755		
July							
Aug.							
Sept.15	Bond 2-3/4% (1945-47)			1,214			
Oct.15	Bond 3-1/4% (1943-45)					1,401	
Nov.							
Dec.15	Bond 2-1/2%	541					
Dec.15	Note 3/4%	531(T)					
	Total	1,700	412	1,714	755	1,401	

<sup>1/</sup> Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

<sup>2/</sup> Callable issues with respect to which a definite notice of call had been made are listed as fixed maturities.

## Calendar of Direct and Guaranteed Bonds and Notes 1/

January 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues 2/			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1946-Jan. 1	Conversion 3% -----	16					
Feb.							
Mar. 15	Note 1% -----	503(T)					
Mar. 15	Bond 3-3/4% (1946-56) -----			489			
Apr. 15	Bond 3-1/4% (1944-46) -----					1,519	
May							
June 15	Bond 3% (1946-48) -----			1,036			
June 15	Bond 3-1/8% (1946-49) -----			819			
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
	Total	519		2,344		1,519	
1947-Jan. 1	Conversion 3% -----	13					
Feb.							
Mar.							
Apr.							
May							
June 1	HOLD 1-1/2% (1945-47) -----					454	755
June 15	Bond 3-3/8% (1943-47) -----						
July							
Aug.							
Sept. 15	Bond 2-3/4% (1945-47) -----					1,214	
Oct. 15	Bond 4-1/4% (1947-52) -----			759			
Nov.							
Dec. 15	Bond 2% -----	701					
	Total	714		759		1,668	755
1948-Jan.							
Feb.							
Mar. 15	Bond 2% (1948-50) -----			1,115(T)			
Mar. 15	Bond 2-3/4% (1948-51) -----			1,223			
Apr.							
May							
June 15	Bond 3% (1946-48) -----					1,036	
July							
Aug.							
Sept. 15	Bond 2-1/2% -----	451					
Oct.							
Nov.							
Dec. 15	Bond 2% (1948-50) -----			571			
	Total	451		2,909		1,036	
1949-Jan.							
Feb.							
Mar.							
Apr.							
May 15	FFMO 3% (1944-49) -----						835
June 15	Bond 3-1/8% (1946-49) -----					819	
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec. 15	Bond 3-1/8% (1949-52) -----			491			
Dec. 15	Bond 2-1/2% (1949-53) -----			1,786			
	Total			2,277		819	835

1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds and Notes <sup>1/</sup>

January 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues <sup>2/</sup>			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1950-Jan. Feb. Mar. 15 Apr. May June July Aug. Sept. 15 Oct. Nov. Dec. 15	Bond 2% (1948-50)					1,115(T)	
	Bond 2-1/2% (1950-52)			1,186			
	Bond 2% (1948-50)					571	
	Total			1,186		1,686	
1951-Jan. Feb. Mar. 15 Apr. May June 15 July Aug. Sept. 15 Oct. Nov. Dec. 15 Dec. 15	Bond 2-3/4% (1948-51)					1,223	
	Bond 2-3/4% (1951-54)			1,627			
	Bond 3% (1951-55)			755			
	Bond 2-1/4% (1951-53)			1,118			
	Bond 2% (1951-55)			533(T)			
	Total			4,033		1,223	
1952-Jan. Feb. Mar. 15 Apr. May 1 June July Aug. Sept. 15 Oct. 15 Nov. Dec. 15	Bond 2-1/2% (1952-54)			1,024(T)			
	HOLO 3% (1944-52)						779
	Bond 2-1/2% (1950-52)					1,186	
	Bond 4-1/4% (1947-52)					759	
	Bond 3-1/8% (1949-52)					491	
	Total			1,024		2,436	779
1953-Jan. Feb. Mar. Apr. May June 15 July Aug. Sept. Oct. Nov. Dec. 15 Dec. 15	Bond 2% (1953-55)			725			
	Bond 2-1/2% (1949-53)					1,786	
	Bond 2-1/4% (1951-53)					1,118	
	Total			725		2,904	

- <sup>1/</sup> Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.
- <sup>2/</sup> Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

## Calendar of Direct and Guaranteed Bonds and Notes 1/

January 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues 2/			
				First callable		Final maturities	
		Direct	Guaranteed	Direct	Guaranteed	Direct	Guaranteed
1954-Jan.							
Feb.							
Mar. 15	Bond 2-1/2% (1952-54)					1,024(T)	
Apr.							
May							
June 15	Bond 2-3/4% (1951-54)					1,627	
June 15	Bond 2-1/4% (1954-56)			681			
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec. 15	Bond 4% (1944-54)					1,037	
	Total			681		3,688	
1955-Jan.							
Feb.							
Mar. 15	Bond 2-7/8% (1955-60)			2,611			
Apr.							
May							
June 15	Bond 2% (1953-55)					725	
July							
Aug.							
Sept. 15	Bond 3% (1951-55)					755	
Oct.							
Nov.							
Dec. 15	Bond 2% (1951-55)					533(T)	
	Total			2,611		2,013	
1956-Jan.							
Feb.							
Mar. 15	Bond 3-3/4% (1946-56)					489	
Mar. 15	Bond 2-1/2% (1956-58)			1,449(T)			
Apr.							
May							
June 15	Bond 2-1/4% (1954-56)					681	
July							
Aug.							
Sept. 15	Bond 2-3/4% (1956-59)			982			
Oct.							
Nov.							
Dec.							
	Total			2,431		1,170	
1957-Jan.							
Feb.							
Mar.							
Apr.							
May							
June							
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
	Total						

1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

## Calendar of Direct and Guaranteed Bonds and Notes 1/

January 1, 1942

[In millions of dollars]

Date	Description	Fixed maturities		Callable issues 2/			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1958-Jan. Feb. Mar. 15 Apr. May June 15 July Aug. Sept. Oct. Nov. Dec.	Bond 2-1/2% (1956-58)					1,449(T)	
	Bond 2-3/4% (1958-63)			919			
	Total			919		1,449	
1959-Jan. Feb. Mar. Apr. May June July Aug. Sept. 15 Oct. Nov. Dec.	Bond 2-3/4% (1956-59)					982	
	Total					982	
1960-Jan. Feb. Mar. 15 Apr. May June July Aug. Sept. Oct. Nov. Dec. 15	Bond 2-7/8% (1955-60)					2,611	
	Bond 2-3/4% (1960-65)			1,485			
	Total			1,485		2,611	
1961-Jan. Feb. Mar. Apr. May June 1 July Aug. Sept. Oct. Nov. Dec.	Panama 3%	50					
	Total	50					

- 1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.
- 2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds and Notes <sup>1/</sup>

January 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues <sup>2/</sup>			
				First callable		Final maturities	
		Direct	Guaran- teed	Direct	Guaran- teed	Direct	Guaran- teed
1962-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.							
	Total						
1963-Jan. Feb. Mar. Apr. May June 15 July Aug. Sept. Oct. Nov. Dec.	Bond 2-3/4% (1958-63)					919	
	Total					919	
1964-Jan. Feb. Mar. 15 Apr. May June July Aug. Sept. Oct. Nov. Dec.	FFMC 3-1/4% (1944-64)						95
	Total						95
1965-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec. 15	Bond 2-3/4% (1960-65)					1,485	
	Total					1,485	

<sup>1/</sup> Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

<sup>2/</sup> Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.



Calendar of Direct and Guaranteed Bonds and Notes 1/

January 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues <u>2/</u>			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1966-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.							
	Total						
1967-Jan. Feb. Mar. Apr. May June July Aug. Sept. 15 Oct. Nov. Dec.							
	Bond 2-1/2% (1967-72)			2,666(T)			
	Total			2,666			
*	*	*	*	*	*	*	*
1972-Sept. 15	Bond 2-1/2% (1967-72)					2,666(T)	

- 1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.
- 2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

January 9, 1942

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: Tax conference with legislative leaders  
January 9, 1942.

(The following report of the conference is from memory, based on notes taken by Mr. Blough.)

The conference was held in the office of the Secretary of the Treasury, Friday, January 9, 1942, from approximately 9:20 to 11:15 a.m. Present at the conference were Senator George, Senator Vandenberg, Congressman Doughton, Congressman Treadway, Mr. Stam, The Secretary, Under Secretary Bell, Mr. Sullivan, Mr. Paul, Mr. Tarleau, and Mr. Blough. Mr. Stam came in a few minutes late and Senator Vandenberg left at 10:40.

The Secretary said that he had called the meeting because he wanted to talk about the problem of the tax bill and let the tax leaders in Congress see what ideas the Treasury was working on and try to reach an agreement insofar as possible before he appeared on the Hill.

Senator George asked if the Treasury had any plans to recommend. The Secretary said no, that there were some preliminary ideas which the Treasury had been working on. Senator Vandenberg asked if the plans the Treasury had in mind contained any new methods. The Secretary said they did not. Mr. Doughton said that at the last tax bill more or less of a promise had been made to taxpayers that the administrative changes would be taken up first. Mr. Doughton said he wondered if the Treasury wanted to put something else ahead of those changes. This question was not directly answered.

The question of the Social Security tax bill was then raised. The Secretary said he had hoped that the tax bill would be taken up before the social security changes. Senator George, Mr. Doughton and Mr. Treadway expressed agreement.

Mr. Treadway asked if there was any general sales tax in the Treasury plans. The Secretary said there was some difference of opinion about it; that the Budget Bureau has one tax man and has some ideas on the subject. The Secretary said he took the view that it might be necessary to come to it later but it should be the last resort; that in the Treasury thinking selective excises were preferable at this time to a general sales tax. Senator Vandenberg asked what new excises there were and said that the more new excises were added, the nearer to a general sales tax the law came. Mr. Sullivan said that the new excises were on commodities competing with the defense program.

Mr. Doughton said he hoped that it would be possible to avoid the kind of embarrassment that they had had last year. The Secretary asked him what he meant. Mr. Doughton said he referred to the letter from the President, sent after the House Committee had reported its bill, and giving positions opposite to those taken by the Treasury on joint returns, excess profits tax, and personal exemptions. The Secretary said he would do the best he could but that he was just a hired man and could not guarantee what would happen. Mr. Doughton said of course no one can guarantee but they would like to avoid that sort of thing happening again.

Senator George said, in considering corporation taxes, he was disturbed about the maximum rate. He asked Mr. Paul what the maximum rate was now and Mr. Paul told him about 72 percent. Senator George asked how much the Treasury contemplated in corporation taxes. Mr. Paul explained that several different schedules had been worked out and it was found that if the present excess profits tax were retained it would take marginal rates of from 61 to 88 percent to yield \$3 billion of revenue from this source; that some schedules had been worked out eliminating the excess profits tax and making the tax substantially a flat rate one. Mr. Paul said that the Treasury was just thinking about these different approaches. Mr. Treadway asked if the Secretary would make definite recommendations when he appeared before the Committee. The Secretary said he did not know; that it depended to a considerable extent on the outcome of the conferences.

(continued by State  
Page 1-9-42.)

Mr. Paul then showed three charts, one showing corporate rates, a second individual rates, and a third the present individual rates compared with Canada and Great Britain.

Mr. Paul then went to the subject of loopholes. He mentioned the taxing of outstanding issues of State and local securities and said that was included in arriving at the \$300 million; that if only future issues were taxed the immediate revenue would be small. He then mentioned mandatory joint returns. Mr. Doughton said everyone knew how controversial that was. Mr. Paul said that a provision had been included for a separate earned income credit. Mr. Doughton said that was also controversial. Mr. Doughton went on to say that they would not get a sales tax, at least not his vote, until the joint returns loophole was closed. He said he had fought the sales tax in the past but did not say he would now.

Senator Vandenberg said the retroactive taxation of State and local interest would never get by. The taxation of future interest might be approved but there is such a basic resistance to taxing outstanding issues that however equitable a plan was worked out, it was a "dead duck" right now. Mr. Paul said that meant the revenue must be secured somewhere else. He asked Senator Vandenberg about a special war tax on tax-exempt interest. He said that Mr. Harrison of the New York Life Insurance Company thought that life insurance companies should be taxed for the war. Mr. Treadway then asked how they proposed to tax life insurance. Mr. Paul explained some of the Treasury ideas and said the whole thing was still uncertain and that Mr. Harrison thought the tax should be on premiums or outstanding insurance.

Senator Vandenberg reverted to the tax-exempt securities issue. He said the taxation of outstanding issues collides with the protection of local governments, which is strong in Congress. For example, the proposed treaty with Great Britain to exempt British war materials from local taxation did not last five minutes in the Foreign Relations Committee. Senator George said he was not prepared to say that outstanding tax exempts could not be subject to taxation during the war. It is true

there are many small holders who do not get large amounts of income but in a war we may have to shut our eyes to this fact. It might be possible to get a moderate tax. Mr. Paul asked Senator George if he would be interested in plans for improving the equity of taxing outstanding issues. Senator George said he would and asked Mr. Paul to go over the matter with Mr. Stam. He pointed out that in the past they had always had a tough fight in the Senate on taxing future issues.

Senator Vandenberg asked what Mr. Paul thought about a gross income tax with no exemptions, as a war tax. Mr. Paul said he was fearful that there would be great inequities since, for one thing, there might be no net income.

Senator George asked if the Treasury was still considering the withholding tax. Mr. Paul said that it might be found desirable to withhold the normal income tax and the lowest surtax and to provide flexibility in collection at source so that the tax would not be withdrawn if it was not needed but could be withdrawn if it was desirable to combat inflation. Mr. Doughton asked if the collection at source was not very difficult to defend on the grounds of equal treatment, since the tax cannot be withheld from lawyers, doctors and many other people. Mr. Paul said that Mr. Tarleau was working on a plan to extend withholding to lawyers and other groups. Mr. Tarleau said that several plans had been developed and that he thought could be worked out in such a way as to get substantial justice. Mr. Stam asked if the withheld tax would be a credit against the regular income tax. Mr. Paul said yes, it would in effect be an advance collection. Senator George said that the collection at source had great virtue from the viewpoints of both the Treasury and the taxpayer and that it is very desirable that we should move in that direction. It would be almost impossible to get taxes of the necessary magnitude without it. He said he had the idea of superimposing a supplementary tax which would reach tax-exempt interest and he thought this would be easier to pass than taxing such interest under the income tax law. Mr. Treadway and Senator Vandenberg agreed. Mr. Paul said that the reason for not making it a supplementary tax was that it would not be in the interest of simplicity. Mr. George said that the withholding idea was in the right direction

and that he had almost concluded that something closely akin to a gross income tax on primary profits should be imposed. Senator Vandenberg said that would be a way to impose a tax on bonds.

Mr. Paul then turned to the subject of percentage depletion. He said he had conferred with Mr. Davies, Assistant Petroleum Administrator. There is some concern about the lack of new sources of oil supply. Mr. Paul said he was thinking along the lines of changing percentage depletion so as to promote new discoveries but not to allow depletion for the established fields. Some oil men think this practical. Mr. Doughton said that that was a plain distinction which should be properly recognized in the tax. Mr. Sullivan said there was particular injustice in the royalties field. Mr. Tarleau explained how royalty owners received percentage depletion although they took no risk. Mr. Doughton said if percentage depletion was not a loophole he did not know of one. Mr. Stam asked about percentage depletion on properties, which had been brought in heretofore with the understanding that such depletion would be allowed. Mr. Paul said it would not be necessary to take it away from them but it should be eliminated if the oil field was sold. Mr. Stam said he would like to talk about that subject.

Senator Vandenberg expressed the view that there would be tremendous resistance to new and additional selected excises; much less to a general sales tax. Mr. Paul said that the basis of selection was in part competition with the defense program and in part on commodities which would not enter the cost of living or parity indices. Since taxes entering into these indices would cause a movement to increase wages, the sales tax would make wage increases more likely. Senator Vandenberg said that popular reaction would be very strongly against the selective excises because the industries picked out for the excise are those which are already suffering from special burdens such as priorities. To add excise taxes would result in one awful squawk. Mr. Doughton said that the excises had always been imposed on the basis of getting money and to impose them on these commodities would undoubtedly arouse indignation. The Secretary pointed out that the commodities taxed would compete with national defense. Senator Vandenberg said that controlling that competition had been done by priorities. He cited the case of automobiles and said

that at 11:00 he was meeting with Mr. Knudsen to see what could be done about the unemployment in the automobile industry. Mr. Sullivan asked whether all the automobiles made would not be sold regardless of the tax. Senator Vandenberg answered yes but that public opinion was overwhelmingly hostile to the tax.

Senator George said that as a legislative matter it would be easier to put over a general sales tax than drastic increases in special excises. The question in his mind he said was the exemptions which would be demanded. There might be so many of them that not much money would be raised. Mr. Treadway agreed and cited the example of the 1932 proposals. Mr. Doughton said that of course the excise taxes were passed along and gave effects similar to the general sales tax. Mr. Paul referred to the fact that the excises were not heavily weighted in the cost of living or parity indices. He then agreed that Detroit was in bad shape now but asked whether later it would not be making lots of money. Senator Vandenberg agreed but said it would take fifteen months to make the transition as it had taken nine months in Great Britain, during which time the chaos was terrific.

Mr. Treadway asked whether with the decrease in automobile production the revenue would not fall off rather than increase, as shown in the schedule. Mr. Paul and Mr. Blough pointed out that the falling off in revenue had been taken into consideration in current budget estimates and that the revenue estimate was the amount in addition to what would be received under the present law. Mr. Treadway and the Secretary then discussed briefly the question of purchasing government automobiles and tires through retail dealers. The Secretary pointed out that if a subsidy was to be given it should not be up to him to give it since he had a legal responsibility to buy at the lowest price.

Mr. Paul then brought up the subject of capital gains and losses, pointing out the large amount of losses which had been taken at the end of 1941. He said the losses should be offset only against the gains with a liberal carryover against capital gains in later years. Senator Vandenberg asked whether this result would not be reached with a gross income tax. Mr. Paul said he did not think it could be reached in this manner.

The Secretary brought up the question of how to interpret the amount the President expected to be raised. Mr. Stam at first did not get the point but the Secretary made clear he had in mind the difference between annual rate and fiscal year collections for 1943. The Secretary said he had sent a telegram to the President and read it at the meeting. The telegram was to the effect that the Secretary understood the President's desire was to have a tax program of \$7 billion on an annual basis.

Mr. Stam and Senator George said they had gone over the question yesterday and that the Secretary was correct about the amount, since \$7 billion in fiscal 1943 would be \$10 or \$12 billion on the basis of full year. The Secretary said that the collection basis runs throughout the budget tables but that he was in complete disagreement with the Budget Bureau. He said he had received no answer from the President and so was going to take the position publicly that the intention was a \$7 billion tax program. He said he had sent a copy of the telegram to the Director of the Budget.

The Secretary said if the Congress wanted \$10 billion, that was up to it. Mr. Doughton said we need every dollar we can get without disturbing the system. He suggested going over the taxes and deciding with respect to each source how much can be raised. If the total is more than \$7 billion, all right; and if less, all right. The Secretary said that unless the President changes his views the Secretary must go after \$7 billion. If the Congress raises more than that the Budget Bureau would be happy and the Secretary would not object.

Mr. Treadway asked whether, in view of the Secretary's statement of the sales tax as a last resort, the comments of Senators George and Vandenberg on the excises had changed his ideas on the sales tax. Mr. Treadway said he was in accord with them with regard to increasing the present excise taxes and felt that the 1941 \$3½ billion program had about put the limit on excises. The Secretary said he would consider the matter again; that his mind is wide open on the subject.

Senator Vandenberg left at this point.



Mr. Paul then said that it was also intended to eliminate hardships and that this item did not appear in the schedules. Senator George said that he understood that. He again referred to the sales tax as being easier to get than selective excises but indicated he did not know if it would be possible to escape wide exemptions. He and Mr. Doughton and Mr. Treadway agreed that it would not be possible to get both the increases in excises and the general sales tax. Mr. Doughton said that the Secretary's choice would carry great weight and that the country should know which he thought was the better.

Mr. Treadway said he thought it was advisable to know what attitude the Treasury takes on telling the rest of the Committee about various proposals, for example, joint returns, which would cause an awful fight. The Secretary said he would leave it to the congressmen present. Mr. Doughton said the attitude of the Administration would be determining in the joint return fight. Senator George said it was true that a united front was necessary but he did not see how the war was to be financed without doing that sort of thing. The Secretary said it would be necessary to get Senator Barkley's approval. Mr. Treadway said he must also get Speaker Rayburn's approval. The Secretary said that could not be done. Mr. Doughton said that they could override the Speaker with Administration support.

Senator George said he did not think going away from the excess profits tax was a real alternative. He said many people in Congress want a special tax on war profits. He said he recognized the difficulties but the psychology was strongly against getting rid of the excess profits tax and there was no use in wasting time on an alternative plan. Mr. Paul, Mr. Sullivan and Mr. Doughton agreed.

Senator George asked what suggestions there were to continue; should Mr. Stam and the Treasury staff sit around and eliminate their differences, or what. He said the Treasury should not bring a half dozen alternatives to the Committee. Mr. Treadway asked if the Treasury intended to revise suggestions before going to the Committee. The Secretary said yes and that he hoped this would be one of several conferences. Mr. Treadway told the Secretary the Republican members would stand with him.

The Secretary asked when the Committee on Ways and Means would want a program formally. Mr. Doughton said any time the Treasury was ready and suggested about the 25th. Mr. Treadway objected to postponement beyond the 15th, saying the people expected action about that time. The Secretary said he would prefer to see some further wait in order to get together. Mr. Doughton said that any time up to the 20th would not hurt the Committee. The Secretary said that the Treasury was ready to sit down with Mr. Stam any time but does not know how long it will take to get together. Mr. Stam said he would like some time before sitting down with the Treasury representatives and that it would take him a few days to get ready. Mr. Doughton suggested it would be better to have criticisms of delay than to go into the bill prematurely. He suggested that the Treasury take a week longer if it needed it. The Secretary said that was not the point; that Mr. Stam said he needed the time. He suggested that the date be left in the air and not fixed at this time. Mr. Doughton said it would not be possible to fix it now but that it should be as soon as the Treasury can get ready. The Secretary said it also depended on when Mr. Stam would be ready. Mr. Stam said it would take him some time. Mr. Doughton suggested that they might get together Monday. Mr. Paul said that was fine and Mr. Treadway said it was soon enough. Mr. Doughton suggested that after Mr. Stam and the Treasury people had completed their meetings, a second conference could be called. There was general agreement that this procedure was correct.

Mr. Treadway then raised the question of whether the figures would be given them at this time. The Secretary assured them they could have a copy of the figures. It was understood that they would all be kept confidential since they were in such preliminary stage. Senator Vandenberg did not take a copy, having left before the point was determined. (After the meeting the Secretary said he thought the Senator had preferred not to take a copy but indicated that Mr. Sullivan might call and find out if he wished one.)

It was decided that the Congressional members would give out the only statement to the Press and would indicate that the purpose of the conference was to talk generally about the tax program.

RR

January 9, 1942

My dear Mr. President:

We have just held a very good meeting with Senator George, Senator Vandenberg, Congressman Doughton, Congressman Treadway, and the Treasury staff.

I am sending you herewith, for your information, the preliminary data which we presented at this meeting and three charts which are keyed to the schedules.

The Congressional tax staff and our tax staff are now going to go to work and see if we can have a meeting of the minds.

If, after reading this material, you have any questions or suggestions, I am at your services.

Yours sincerely,

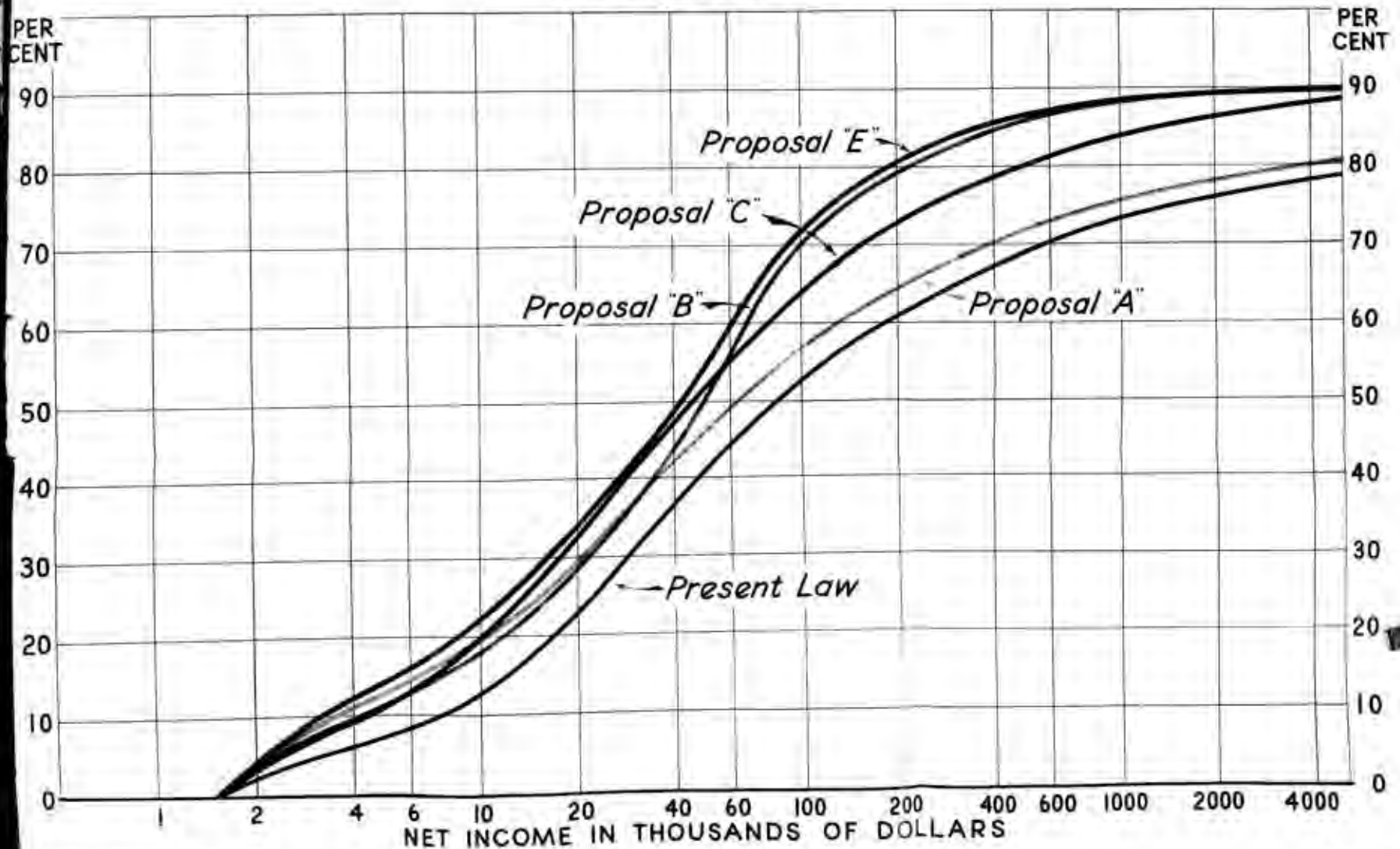
The President,

Hyde Park, New York.

(Via White House Mail Pouch)

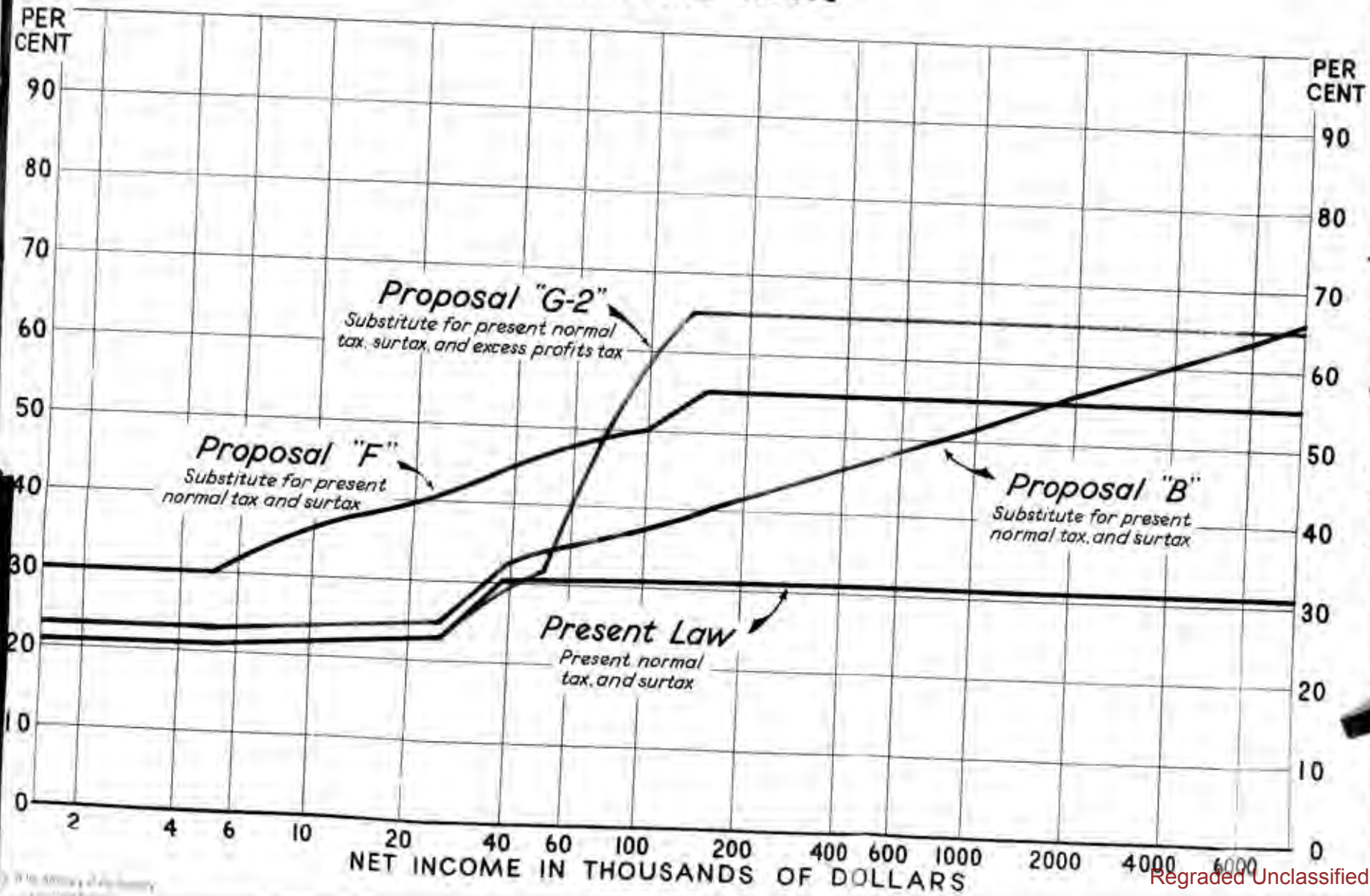
# INDIVIDUAL INCOME TAX

## Effective Rates for Married Person without Dependents Present Exemptions



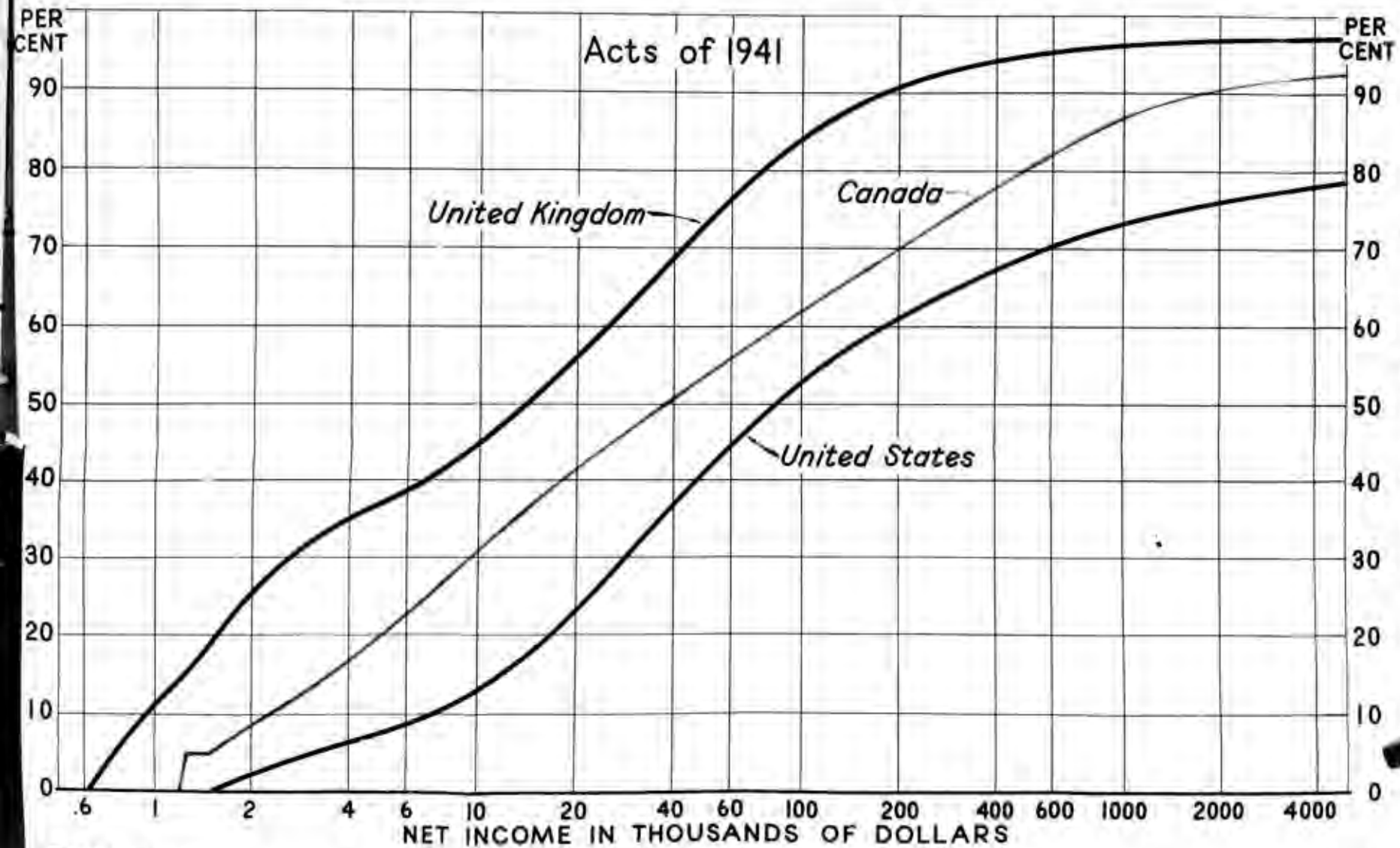
# CORPORATION INCOME TAX

## Effective Rates



# INDIVIDUAL INCOME TAX UNITED STATES, UNITED KINGDOM AND CANADA

Effective Rates for Married Person without Dependents



960 in the Secretary of the Treasury

✓

Excerpt from Daily Report of Mr. Sullivan  
for January 9, 1942.

1:00 - Hearing before House Ways and Means Committee.  
Present: Jesse Jones, Secretary of Commerce, Floyd Odlum  
of OH, Robert Patterson, Under Secretary of War, James  
Forrestal, Under Secretary of Navy, and John I. Sullivan,  
Assistant Secretary of Treasury. Discussion re H.R. 257,  
repealing Sec. 12A (1) of the Internal Revenue Code, relating  
to certificates of non-reimbursement for amortization. All  
of us testified and the Bill was reported out without a  
minority report. I explained that this was not a Treasury  
problem, but that the Treasury would not object to the  
legislation.

January 9, 1942

My dear Mr. President:

I can't begin to tell you how much I appreciate the copy of your addresses from July, 1940, to January, 1941.

Please accept my very best thanks.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,  
The White House.

By Messenger *Dec 4. 30*

*L.M.C.*



## TREASURY DEPARTMENT

68

## INTER OFFICE COMMUNICATION

DATE January 9, 1942

TO Secretary Morgenthau  
FROM Mr. Thompson

With reference to the telephone call received at your home from the OPM employee, Morris W. Scheffer, he has been in and interviewed and I have the impression that he is somewhat of a psychopathic case, which no doubt would be greatly aggravated should he be dismissed. He was given to understand that he could not continue to annoy Government officials and gave reasonable assurance that this practice would be discontinued.

Arrangements were made to have his plans gone over by a Mr. Underwood, consulting architect in charge of defense housing for the Public Buildings Administration, who advised him as to the best procedure to follow to put these plans to practical use. The Office of Production Management agreed that they would reinstate him effective January 9th for a period of six months on probation.

He seemed pleased about the interest shown him, and I do not anticipate further difficulty so far as the Treasury Department is concerned.

He is married and has a small child.

*for*  
I want to thank Mr. Thompson  
and Mrs Klotz for taking care  
of this situation for me.  
*Wm R*

*The full file must  
be returned to me*

69 ✓

January 9, 1942

My dear Mr. Baruch:

This will acknowledge receipt of your letter of January 5th, with which you enclosed a letter dated December 8th from Mr. Isaac W. Digges, both letters referring to the dismissal with prejudice of J. Homer Butler, formerly Assistant Treasury Attache in Paris.

I am satisfied that no injustice was done in this case.

I appreciate your writing to me on the matter and in view of your interest I regret that it is not possible to come to any other decision.

Sincerely yours,

(Signed) H. Wessenthau, Jr.

Mr. Bernard M. Baruch,  
597 Madison Avenue,  
New York, New York.

*Wm L. Phillips  
Adm. Sec.*

## ASSISTANT SECRETARY OF THE TREASURY

January 9, 1942.

MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Gaston

Mr. Digges' letter adds nothing that we do not know. It is consistent with the record, although it does not contain all the facts. Knowing what we do of Butler's character, we never suspected him of accepting a bribe. Digges says that Butler readily admitted, when questioned by the British agent, that the cases containing the oils did not belong to him. This is true, but it occurred after the British had learned the facts from examination of the baggage in the hold and the admissions of the real owner, Robert.

*WJG*

BERNARD M. BARUCH  
597 MADISON AVENUE  
NEW YORK

January 5, 1942.

Dear Mr. Secretary:

The enclosed letter is  
self-explanatory.

I have known Homer  
Butler for a good many years and my  
judgment is that he might do a stupid thing  
but never a dishonest one. He has told  
me his story and I believe he is guiltless  
and did not deserve the severe punishment  
meted out to him.

I think we should be  
severe but I think we should be just. I  
know you are both, particularly the latter.

Sincerely yours,

*Bernard M. Baruch*

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

Bureau of Ordnance,

. 19

MEMORANDUM:

Mr. Klotz

Mr. Montgomery, yesterday mentioned that he would be interested in seeing the enclosed memo sent to all officers of the Bureau of Ordnance

see Ince

NAVY DEPARTMENT  
BUREAU OF ORDNANCE  
WASHINGTON, D.C.

73

(Ad4)

20 December 1941

MEMORANDUM FOR "ALL HANDS" IN THE BUREAU OF ORDNANCE:

Subject: A Christmas Present of "WAR BONDS".


1. THIS Christmas is Different! You and I know Why! We are in a War to WIN!


2. In this War - We need money from everyone to buy Christmas presents for our Country in the shape of guns, projectiles, bombs, torpedoes, mines and death charges! IT WILL BE THESE which will bring pleasant Christmas days for us in the future.

3. Each of us should buy part of a bond, or as many bonds as we can afford until it really "hurts". We can give these as presents to our family, our friends, or - put aside for even our grandchildren. It will be these bonds and our backing here in the Navy Department which will help make possible a VICTORY at sea.

4. I urge that you stop in Room 3016 of the Personnel Section - or see the representative in your section - and act at once to give a "WAR BOND", or more, as your Christmas contribution to our shipmates at Hawaii, Cavito, and on the "the Seven Seas".

5. Let's give --- Before it is too Late!

  
Rear Admiral W. H. P. Blundy, U. S. Navy  
Chairman, National Defense Bonds Committee  
Bureau of Ordnance

  
Captain W. R. Van Anken, U. S. Navy (Retired)  
Vice Chairman

Lieut. Douglas Fairbanks called at the request of Miss Mary Pickford.

Miss Pickford is sending a wire to the Secretary and will try to reach him by telephone this afternoon. Someone has suggested to Miss Pickford that she take a specially chartered train through the country and she would like to come East and talk to the Secretary about it.

It would be a special drive throughout the country. She would have several prominent people who would help to draw crowds. It would be a streamlined version of her activities with the old Liberty Loan Drive. She is very anxious to swing her prestige and weight, throughout the country, in the sale of defense bonds and stamps.

Lieut. Fairbanks said there is no one in the profession who has her prestige and dignity. With anyone else it would be almost a circus, whereas with her it would have distinction about it.

I suggested to Lieut. Fairbanks that he also talk to Mr. Kuhn about this (which he did) and that I would pass the above message along to the Secretary.

nmw

TREASURY DEPARTMENT

75

INTER OFFICE COMMUNICATION

DATE January 9, 1942

TO Secretary Morgenthau

FROM Mr. Kuhn

Albert Kircher, a Chicago advertising agent, sent us the plan which prompted this editorial. Another copy was forwarded to you by Senator Brooks of Illinois.

We returned all Mr. Kircher's plans to him with a letter strongly disapproving that portion of it which would hold up citizens "to public ridicule and scorn" for not buying Defense Bonds. We also sent a letter to the same effect to Senator Brooks.

Copies of our replies are attached.

J. A.

Attachments



January 8, 1942

Dear Mr. Kircher:

On behalf of Secretary Morgenthau I am writing to acknowledge your letter and plan dated December 18. Our policy is that all such plans be taken up for discussion and recommendation with the nearest State Administrator for Defense Savings, in your case Mr. Norman B. Collins, Defense Savings Staff, 1357 Federal Reserve Building, Chicago. I suggest that you send your plan to Mr. Collins and his organization.

Many interesting plans are received here daily and we cannot pass on the merits of any unless it is first presented in the manner I have suggested.

There is, however, just one comment that I should like to make so that you may understand the Treasury's position. We not only do not countenance, but we disapprove any attempt to hold up any one to ridicule or scorn in connection with Defense Savings. We do not believe in the effectiveness of intimidating Americans, and this aspect of your plan, at least, would be entirely contrary to our policies and our purposes.

We appreciate very much the trouble you have taken to draw up this comprehensive plan, and we are sure that it was, as you say, "conceived in the sincere desire to be helpful to our Government in these difficult days."

Sincerely yours,

(Signature) Ferdinand Kuhn, Jr.

Ferdinand Kuhn, Jr.  
Assistant to the Secretary.

Mr. Albert Kircher,  
President, The Albert Kircher Company,  
111 North Canal Street,  
Chicago, Illinois.

PK/hkb

January 8, 1942

My dear Senators:

I am enclosing a copy of a letter sent on behalf of Secretary Morgenthau to Mr. Albert Kircher, 111 North Canal Street, Chicago, about whom you wrote to the Secretary on December 24.

You will notice that we disapprove strongly of that part of Mr. Kircher's plan which would hold up any of our citizens to "public ridicule and scorn" for not buying Defense Bonds. We do not believe that such intimidation will sell bonds or build public morale, and we have avoided it like the plague.

Sincerely yours,

(S) Ferdinand Kuhn, Jr.

Ferdinand Kuhn, Jr.  
Assistant to the Secretary.

Hon. C. Wayland Brooks,  
United States Senate,  
Washington, D. C.

Enclosure.

FK/hkb

JAN 7 1942

**INGENIOUS, BUT NO THANKS**

An advertising agency sends us, in a handsome brochure, an ingenious plan for stimulating the sale of Defense Bonds and Stamps.

The proposal is that non-buyers of the bonds and stamps be exposed to "public ridicule and scorn." This would be accomplished by issuing each month, to those who do invest, lapel buttons, automobile stickers and home-window posters, each bearing a bold "V" for Victory—all three of these devices to appear in a new color each month. (For those who bought only stamps, and not bonds, one "leg" of the "V" on the button would be omitted.)

"The vast majority of people," says the advertising agency, "must be constantly prodded by every form of emotion to recognize and honor their obligation to the United States of America."

The plan has been submitted to Secretary of the Treasury Morgenthau. We doubt if he will go for it. We doubt if he subscribes, any more than we do, to the theory that threats of public ridicule and scorn are necessary to the success of the Defense Bonds and Stamps plan. If such a scheme were adopted, we might as well reconcile ourselves to an early reappearance of the hysterical and cruel anti-"slacker" measures that were a disgraceful feature of the Liberty Bond drives in the last war.

*F. Hoover*

*These are the  
only things we  
saw at the...*

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UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During  
First Six Business Days of January 1942 and December and November 1941  
(November 1-7, December 1-6, January 1-7)  
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	January 1942	December 1941	November 1941	January over December	December over November	January over December	December over November
Series E - Post Offices	\$ 36,385	\$ 11,142	\$ 10,660	\$ 25,243	\$ 482	226.6%	4.5%
Series E - Banks	<u>86,171</u>	<u>20,364</u>	<u>17,860</u>	<u>65,807</u>	<u>2,504</u>	<u>323.2</u>	<u>14.0</u>
Series E - Total	122,555	31,506	28,520	91,049	2,986	289.0	10.5
Series F - Banks	13,573	5,360	5,738	8,213	- 378	153.2	- 6.6
Series G - Banks	<u>60,150</u>	<u>40,922</u>	<u>40,534</u>	<u>19,228</u>	<u>388</u>	<u>47.0</u>	<u>1.0</u>
Total	<u>\$196,279</u>	<u>\$ 77,788</u>	<u>\$ 74,792</u>	<u>\$118,491</u>	<u>\$ 2,996</u>	<u>152.3%</u>	<u>4.0%</u>

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

January 8, 1942.

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

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

## UNITED STATES SAVINGS BONDS

Daily Sales - January, 1942  
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
January 1942									
1	\$ 3,982	\$ 10,229	\$ 1,964	\$ 7,605	\$ 19,798	\$ 14,211	\$ 1,964	\$ 7,605	\$ 23,780
2	4,802	10,736	2,056	7,779	20,571	15,538	2,056	7,779	25,373
3	4,457	9,557	1,278	5,453	16,289	14,015	1,278	5,453	20,747
5	9,684	26,724	3,240	13,704	43,668	36,408	3,240	13,704	53,352
6	6,711	7,659	1,341	6,778	15,778	14,369	1,341	6,778	22,489
7	6,748	21,267	3,692	18,832	43,790	28,015	3,692	18,832	50,539
Total	\$ 36,385	\$ 86,171	\$ 13,573	\$ 60,150	\$159,894	\$ 122,555	\$ 13,573	\$ 60,150	\$196,279

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

January 8, 1942.

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

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

Unfilled Orders for Savings Bonds at the  
Federal Reserve Banks and the Post Office Department  
December 31 to date  
(In thousands of pieces)

Day	Unfilled orders at opening of business	New Orders Received Today	Bonds manufac- tured today	Unfilled orders at close of business	IBM Deliveries this day		
					A type	B type	Total
Dec. 31	919	285	375	829	350	-	350
Jan. 1	829	none - no mail	400	429	125	200	325
2	429	932	370	991	55	345	400
3	991	600	420	1,171	400	-	400
4	1,171	none - no mail	none - closed	1,171	400	-	400
5	1,171	257	173*	1,255	310	-	310
6	1,255	425	272*	1,408	520	-	520
7	1,408	639	450	1,597	520	-	520

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

January 8, 1942

\* "A" type only. The Bureau manufactured 272,000 "B" type bonds on January 5 and 178,000 such bonds on January 6, but these bonds were not shipped out of Washington and are not counted for the purpose of this table.

## UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During  
 First Seven Business Days of January 1942 and December and November 1941  
 (November 1-8, December 1-8, January 1-8)  
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	January 1942	December 1941	November 1941	January over December	December over November	January over December	December over November
Series E - Post Offices	\$ 43,894	\$ 14,424	\$ 11,950	\$ 29,470	\$ 2,474	204.3%	20.7%
Series E - Banks	<u>107,467</u>	<u>25,128</u>	<u>20,973</u>	<u>82,339</u>	<u>4,155</u>	<u>327.7</u>	<u>19.8</u>
Series E - Total	151,362	39,552	32,922	111,810	6,630	282.7	20.1
Series F - Banks	17,394	6,371	6,089	11,023	282	173.0	4.6
Series G - Banks	<u>73,022</u>	<u>44,732</u>	<u>41,991</u>	<u>28,290</u>	<u>2,741</u>	<u>63.2</u>	<u>6.5</u>
Total	<u>\$241,777</u>	<u>\$ 90,655</u>	<u>\$ 81,003</u>	<u>\$151,122</u>	<u>\$ 9,652</u>	<u>166.7%</u>	<u>11.9%</u>

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

January 9, 1942.

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

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

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Federal Reserve Banks and the Post Office Department  
December 31 to date

(In thousands of pieces)

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Dec. 31	919	285	375	829	350	-	350
Jan. 1	829	none - no mail	400	429	188	200	388
2	429	932	370	991	55	345	400
3	991	600	420	1,171	400	-	400
4	1,171	none - no mail	none - closed	1,171	400	-	400
5	1,171	257	173*	1,255	310	-	310
6	1,255	425	272*	1,408	520	-	520
7	1,408	639	450	1,597	525	-	525
8	1,597	460	460	1,597	450	-	450

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

January 9, 1942

\* "A" type only. The Bureau manufactured 272,000 "B" type bonds on January 5 and 178,000 such bonds on January 6, but these bonds were not shipped out of Washington and are not counted for the purpose of this table.



## UNITED STATES SAVINGS BONDS

Daily Sales - January, 1942  
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
January 1942									
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6	6,711	7,659	1,341	6,778	15,778	14,369	1,341	6,778	22,489
7	6,748	21,267	3,692	18,832	43,790	28,015	3,692	18,832	50,539
8	7,509	21,297	3,821	12,871	37,989	28,806	3,821	12,871	45,498
Total	\$ 43,894	\$107,467	\$ 17,394	\$ 73,022	\$197,883	\$151,362	\$ 17,394	\$ 73,022	\$241,777

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

January 9, 1942.

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

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

## MEMORANDUM FOR THE SECRETARY.

January 9, 1942.

Mail Report

The radio address on Sunday, January 4th, brought in one of the most voluminous fan mails we have ever received. On the whole, it was an exceedingly favorable response. The sour notes were few, and not so terribly sour. To 11:00 a.m., Friday morning, 202 comments on the speech had been received -- 11 of which were telegrams. This does not include a few letters from personal friends, nor those which were obviously inspired by the speech but did not make any mention of it, and so could not fairly be counted as other than the regular Defense Bond mail.

Nine firms asked for speakers to address their employees; 37 asked information on the payroll deduction plan -- most of these letters being from firms, and a few from employees. Eight firms stated that the payroll deduction plan, or a similar one of their own, was in good working order. Eighteen writers wanted jobs in connection with the campaign, and many made suggestions as to its conduct. There were 7 letters from school teachers, nurses, or hospital workers so employed that salary deductions could not be made, but who were anxious to subscribe to some regular plan. There were 4 complaints -- 2 of them of lack of Bonds; 1 of Post Office indifference; 1 of refusal to accept coins.

There were 3 abusive, anonymous communications.

In the general bond mail, complaints have somewhat increased, but I would say the tone is not so violent as in past weeks. There is more understanding of the pressure under which the Treasury has been working. There continue to be requests for a button or some sort of symbol, and these are the usual suggestions that we call them Victory Bonds; that we have Bonds of smaller denominations, etc. Two writers have said that if we would take their automobiles off their hands, they would put the money into Bonds; and

- 2 -

Memorandum for the Secretary.

January 9, 1942.

there are always depositors in closed banks, investors, etc., who offer to turn over such assets to the Government in exchange for Bonds.

There has been another wave of suggestions for tax revenue. A national lottery still has its adherents, many of whom are now sending their ideas to Congressmen, who in turn, forward them to us.

Inquiries concerning individual income tax cases are being referred to us again, after almost stopping. An average of about 10 a day come from individuals who want advice.

The Secretary's attitude toward the farmer has elicited some very interesting letters. Three of them say that there is no use bringing suggestions or statements as to conditions to the attention of the A.A.A., and ask if the Secretary will not personally pass upon their ideas.

Contributions are not quite so heavy. An interesting one was that of Post #3, American Legion, Marion, Ark., which sent a check for \$110, representing gifts from 22 Italians of the town who asked the Post to accept and convey their contributions. A few representative quotations from letters conveying such gifts are included in the following pages.

*W. F. Jackson*

Favorable Comments on THE SPEECH

Anglo American Trading Corporation, N.Y.C. (Telegram)  
Heartily in accord with policy outlined your broadcast  
Sunday regarding Defense Bonds. Our Corporation and  
employees will support plan advocated and undertake to  
subscribe to the fullest extent.

Francis J. Temple, Drexel Hill, Pa. I listened with  
pleasure to your radio address of last evening, and I  
enclose my check for \$18.75 for one Defense Bond, and  
I intend to make a special effort to purchase a Bond  
each month.

Frank Garbarini, Cranford, N.Y. \* \* \* If some plan can  
be devised to buy Bonds and have the money deducted out  
of my pay, I would like to buy an \$18.75 Bond each month.  
I am employed at the Federal Ship Building and Dry Dock  
Co., of Kearney, N. J., operated by the Navy. \* \* \* There  
are many men that feel the same as I do, but working as  
we do, we find it inconvenient to purchase Bonds at the  
Post Office or at the bank.

Vally Szekely-Shelley, Havana, Cuba. I was listening to  
your animating speech last night in the radio, transmitted  
to Havana. Although it was not yet granted to me to im-  
migrate to the United States, which I have applied for a  
few months ago, I still feel already like one who will  
have the great privilege of becoming a U. S. citizen and  
therefore I have paid special attention to your appeal.  
I am earning just a little money, but I have already  
treasured up a certain amount to invest into U. S. Defense  
Bonds as soon as I will be admitted to the States. I wish  
to continue this by saving a 5% of my weekly earnings in  
the future too so as to be able to contribute with my  
dollars and cents to the victory of the democracies.

Clarence H. Taylor, Baltimore, Md. It was indeed with the  
greatest amount of interest that I read your statements  
that it may be necessary to force people now working to  
purchase National Defense Bonds. Personally, I am in hopes  
that such a procedure will not be necessary - to force  
those employed at this time into doing that which they  
should do as an obligation.

Timothy F. McInerney, Chicago, Ill. \* \* \* You mentioned that Labor Unions and corporations on the whole were giving splendid cooperation, but you never mentioned whether the employees of the largest labor employer in the United States, the Government's employees, were buying their share. \* \* \* On next Wednesday evening, as a delegate to the Cook County Council, American Legion, I will advocate more activity on behalf of the sale of Bonds by the Legion, and I will move that the Cook County Council Commander appoint a board chairman for every Post on our roster.

William A. Hahn, President, Standard Railway Fuse Corp., Boonton, N.J. I was impressed with your broadcast and realize the need for cooperation on the part of employers in getting their employees to subscribe to Defense Bonds. The first of the year I urged our employees to use all their increase in income towards the purchase of Defense Bonds. I have just received a report from our Boonton plant that 100% of our employees have purchased outright, approximately \$3,000 in Defense Bonds. Of course, I understand the above is not the solution to continuous buying. If you have a definite plan which we can submit to our employees, calling for the setting aside of a percentage of their salary per week, I will appreciate receiving it.

A. E. Johnston, U. S. Army Representative, Kansas City Life Insurance Co., El Paso, Tex. At this moment, 5:30 MST, you have completed your address to America, which to me has been most impressive. This is no responsibility of yours, or of our President, to raise and provide the necessary funds to carry to a successful end and victory the war which is now raging, but is a responsibility and a duty of each and every one of us. We are not doing anything charitable for our Govt. when we buy Stamps or Bonds - we are only performing a duty that is incumbent upon us to insure and provide liberty to our children, and their children in the future.

Moe W. Smith, Brooklyn, N.Y. \* \* \* Some years ago I was with the U. S. Government in the Internal Revenue Bureau, connected with the Prohibition Dept. known as Izzie and Moe. Izzie Einstein and Moe Smith. At present I am not doing anything and I thought this would be a good idea. I could be of service in going around to factories, business men and organize them into groups for buying Defense Bonds.

Mrs. Nancy G. Close, El Paso, Tex. I have just listened to your talk to the American people, on the purchase of Defense Stamps and Bonds. I think it was a wonderful talk, and one that should awaken us to our responsibilities, and make us "dig-in" farther and be more determined that we will win this fight. \* \* \* I have firmly resolved that I will redouble my efforts and buy more Defense Stamps to be converted into Bonds, and in my humble way, help defeat the dictators.

Ernest W. Ruegg, Boston, Mass. Your message yesterday on the radio made it very plain that you do not recognize the word "impossible", and this is what gave me the courage to approach you in this matter. Three weeks ago I wrote to the Secretary of the American Steamship and Tourist Agents Association about the idea of appointing Travel Agencies as "Deputy Offices" for the sale of Defense Stamps and Bonds. Certainly many business firms will, of their own initiative, collect funds for Bonds and Stamps each week, but the Travel Agents, if made to organize properly, could contact additional thousands of firms and help you drive more money the Treasury way.

Ludwig Stern, Brooklyn, N. Y. It is our intention to interest our employees (about 300) to buy War Savings Stamps and U. S. Defense Bonds. Not one of our employees whom I approached today knew about your last evening's broadcast, and it now seems advisable that your message be recorded or re-broadcast over leading radio stations. Furthermore, I recommend that transcription of your talk be available for use in factories and other establishments to acquaint employees with the timely and important message delivered in your forceful and excellent manner.

I. Allen Hanover, Brooklyn, N.Y. All the members of the Navy Yard Civil Service Association join me in requesting that you seek legislation that will permit the deduction from our Govt. semi-monthly checks, the same as pension deductions are now made. It is our belief that there is some prohibitory statute on the books which only permits the deduction of the 3½% for pensions. This law should be rewritten, so that subscriptions to Defense Savings Bonds may also be deducted from the pay check.

Walter N. J. Doyle, Laurelton, Long Island, N. Y. I am a veteran of the last World War, which was won by the people purchasing Liberty Bonds. You will recall that every man in the armed service was asked to buy these Bonds, as well as the people that stayed at home. I myself was glad, after I was discharged, to come out with these Bonds paid for while I was fighting in France. \* \* \* I had to send \$15 home for the support of my family; I paid \$5 a month for Liberty Bonds; and \$6.60 a month for insurance, out of my \$30 a month on this side and \$33 a month on the other side fighting. \* \* \* I have a son in the 105th field artillery, Battery C, and have been asking him to send part of his pay home to buy Defense Bonds, but so far I have been unsuccessful in making him see my way. He makes \$52 a month and pays \$6.50 a month on insurance, and with the rest he does what he pleases. \* \* \* It would be a swell idea if you or the President could impress upon these boys to buy Defense Bonds so that when they come home they will have money of their own.

Murry Melamed, Brooklyn, N.Y. I found your speech quite interesting because of more reasons than one. Mainly because of why and how we can help our country win this war. Deducing from your speech, I am more convinced that we who are not in the actual fighting army are part of another army just as big and important.

Thomas P. Milligan, N.Y.C. I enjoyed your radio speech the other night very much, and it seems to me that we are missing a bet by not organizing a Stamp and Bond Club in each office. \* \* \* I have started one in my own office and it seems to have met with great enthusiasm. You spoke over the radio of having each plant organize and I assume that you meant the manufacturing plant, whereas there are thousands of offices in New York that should be called upon and organized in this manner. \* \* \* I would be interested in receiving a copy of the plan that you spoke of and compare it with the one I have put in force.

Martin W. Lewis, N.Y.C. I listened with great interest to your address of yesterday, and congratulate you sincerely. Please send me information as regards employees savings plan developed by your Department.

Henry Modell, Chairman, Local Board, Selective Service System, Brooklyn, N.Y. Let me congratulate you for your wonderful radio talk of last evening. Your stirring appeal to all Americans to purchase Defense Bonds and Stamps was indeed inspiring. Perhaps you may recall meeting the writer at your office some time ago during Secretary's Roper's Smaller Business Men's Conference. \* \* \* In order to stimulate greater interest in the sale of Defense Stamps and Bonds, I respectfully urge you to launch a National Victory Slogan Contest. As an incentive, I will contribute \$100 toward the slogan fund.

Edw. D. Ibbotson, Utica, N.Y. Congratulations to you on your remarkable address, "The Job Ahead". Every American citizen will be inspired to do more and still more to help win this war. You will be interested to know that before Pearl Harbor we started Defense Bond Sales by distributing your address, "Inflation", to each of our employees. Following this with the request to each employee to sign up on pay deductions to buy Defense Bonds. Now, every one of our 432 employees are subscribing for Defense Bonds on authorized pay deductions. Total amount is \$24,000.

Sam Keener, President, Salem Engineering Co., Salem, Ohio. (Telegram) In response to your radio appeal, I am delighted to inform you that the entire organization of Salem Engineering Company, comprising over 150 employees, has whole-heartedly subscribed to the purchase of Defense Bonds and Stamps every month. Salem Engineering remembers Pearl Harbor.

Mrs. B. E. Bamberger, N.Y.C. (Telegram) After your appeal over the radio Sunday night, for buying Defense Bonds, I for one immediately held a meeting with my employees (Wards Millinery) and everyone enthusiastically shall buy each and every week from their weekly earnings Defense Savings Stamps. I pray in the name of God that one hundred thirty million Americans shall follow my example. May our American millions buy billions of bullets for the enemy.

Mrs. Clare Sutherland, Arlington Mills, Lawrence, Mass. I am doing as you requested, giving you the name of my firm, which has not, as yet, mentioned this wonderful idea of saving for Defense Bonds, and which many of us workers would be only too glad to acquire such an easy way of taking out of our pay before we could spend it other wasteful ways.



Cliff E. Myrick, Tucson, Arizona. I wish to state that I am 13 years old and have saved pennies and nickels for the past 10 years, which I have invested in three U. S. Bonds and three 25-cent Stamp books. Now, Mr. Morgenthau, I would like to have your opinion as to the probability of the Government furnishing a small, inexpensive, red, white and blue pin to wear as a symbol for those who have purchased bonds. It would at least show up the slackers, and I would know whom to approach in my classroom and see that they bought Stamps or Bonds.

R. R. Wright, Sr., Chairman, Citizens Committee, National Negro Bankers Assn., Philadelphia, Pa. I listened with rapt attention to your excellent radio address urging the purchase of Defense Bonds and Stamps for the financing of this war. \* \* \* We are definitely doing all we can here to encourage the sale of bonds and the promotion of morale among our depositors, stockholders and friends. During the last 45 days we have sold more than \$100,000 worth of Defense Bonds, and we are continuing to urge our depositors to purchase these Bonds.

C. F. Brown, American Calendar Company, Greeneville, Tenn. I heard over the radio last night that our salaries will very likely be taxed as much as 15%, and the amount must be invested in Government Savings Stamps and Bonds. This strikes me as a master stroke. I happen to be one of the common herd who wants to put forth every effort possible in the winning of this war, and I see in a move of this kind an opportunity to do this, and at the same time provide a little backlog that might carry me or my family through a spell of sickness, should such an eventuality materialize.

Milton H. Lees, San Francisco, Calif. Attached please find circular that was distributed to our employees this week. We are a small firm with a monthly payroll of approximately \$7,200. We are proud of the fact that based on the attached circular, we were able to have our employees buy \$3,000 of Defense Bonds in one week's time. \* \* \* True, it has cost us a few dollars, but we are sure that it has been invested in the greatest cause in our history.

Frank H. Livingston, Route #1, Mound, Minn. We heard your plea for "all-out" purchase of bonds by the common people. Have tried at the Excelsior Bank and the Mound Post Office to buy a \$100 Bond but they don't have anything but the E Bond. I want the G Bond because it carries the least interest. I believe we Americans should take Bonds and not even ask interest. I am willing to take a \$100 Bond without interest. The Bond is not an investment. It is a duty to my country. Will buy more as we can. \* \* \* Tire rationing may mean my job as I am on the road, but nevertheless, we are for "all out for America". \* \* \* Pardon the lengthy letter but your radio address invited a letter.

H. J. Shorter, Detroit, Mich. Congratulations on your radio talk Sunday evening. Your cool, calm and collected voice was not only very convincing, but reassuring as well. Let the public hear you more often.

Mrs. Lillian LaBrosse, Western Union Telegraph Co., New Orleans, La. Please send me the Treasury's plan for payroll buying of Defense Stamps and Bonds. I wrote to Major Bowes last week and he referred me to you. I work for Western Union, and no one asked me to do this. I think if I present my boss with your plan, it will go over. At present we are buying about \$60 per week - would like to treble that amount. Maybe our Company would make a study of your plan in all of our offices - anyway, here's hoping.

Morton Bodfish, Executive Vice Pres., United States Savings and Loan League, Chicago, Ill. I heard your talk on the radio Sunday evening on, "The Job Ahead", and thought it a very fair and appropriate statement which should give great impetus to the sales of Defense Bonds and Stamps. Savings and Loan Associations are making all plans to redouble their efforts in this connection.

Mrs. George Cone, Rensselaer, N.Y. Your talk Sunday night was most inspiring. The only disappointment was, you did not say anything to the children, so I do hope if you speak again, you will mention them, as I work in a store that has a postal sub-station, and we have many children buying stamps. One little fellow has his book - the \$18.75 in 10¢ stamps - nearly full, and he is very poor, and his book is very soiled and worn. I asked him why he couldn't keep it cleaner, and the answer I received was -- "Lady, it ain't the outside of the book, its the Stamps that will buy my Bond".

Albert Kircher, Chicago, Ill. Your radio broadcast Sunday has been favorably received. You are correct in stating that token purchases will not win the war. It has come to my attention that while some large employers of men and women have arbitrarily told their employees the amount that would be deducted each month from their pay checks, in many instances, these deductions are only loose, spare change purchases. \* \* \* I do not believe in a coercive effort, but do feel that a definite method to popularize and identify buyers of Defense War Savings Bonds and Stamps should be in the plan.

John H. Scott, Tulsa, Oklahoma. Your appeal to the American people yesterday was listened to with keen and sincere interest. Your voice impressed us as the voice of one who loves the light of truth and righteousness; of one who is sincere; of one who judges "Righteous Judgment" in all things, that Justice may prevail throughout the land. The poise and personality behind your voice impressed us with the vision of a man who would not knowingly betray or injure any man or set of men, far less, the safety of America.

Emmett J. Durr, New York State Hospital, Ray Brook, N.Y. After hearing your broadcast last Sunday evening, I decided not to postpone any longer from writing to you. I am working here at the N. Y. State Hospital, and have the opportunity of meeting and knowing all of the employees and patients, also many outsiders throughout this vicinity, and many of these members have suggested that I should sell Defense Stamps and Bonds. As our Postmaster does not seem to try to push the sale of these Stamps and Bonds, I am asking your permission and approval to try to sell these Stamps, and if possible, the Bonds.

Fred G. Pohl, Ozone Park, N.Y. After hearing your radio address last Sunday, I called our entire night and day forces together and asked them if they were willing to cooperate with our Govt. by purchasing Defense Bonds. I am pleased to report to you that every member of our organization has voted his approval to have 10% deducted from his weekly wages, to be accumulated until such time as he has sufficient money to purchase a \$25 Bond. These individual funds do not cease with the acquisition of a single Bond, but rather are to perpetuate until that time when the Govt. no longer finds it imperative to secure money through the sale of Defense Bonds.

Unfavorable Comments on THE SPEECH

Frank H. Spuhler, Camden, N. J. I am alarmed at the many warnings aimed by the New Deal Government at the wage-earner in regard to purchase of Defense Bonds, and the threat of compulsory deductions from pay envelopes for the purchase of these Bonds. 90% of the wealth is owned by 5% of the population, and none of these 5% can, by any stretch of the imagination, be termed "wage-earners". So you should direct your threats to the "coupon-clippers", "dividend recipients", and "unearned income plutocrats" who are now lying on the sands in Florida, giving their all (hot air) for all-out-defense.

Joseph J. Prussitis, Philadelphia, Pa. I am a railroad employee; payroll deduction sales of Defense Bonds have not been pushed as much as they could be. I do know it's not a one-man job, but if someone with authority and push gets behind the movement, the sales can be stepped up.

Katherine E. Bassett, Forest Hills, N.Y. Could we not have more definite information concerning the probable rate of taxes for 1942 and 1943 so we may have something on which to figure the possible amount we can spend for Bonds? I am sure the American people would welcome the truth, if they could get it - vague generalities give no information.

J. P. Gill, Morgantown, W. Va. I work at Morgantown Ordnance Works and desire to call attention to the no-check-off rule applied here. What can you do to remedy this situation?

C. N. Perry, N.Y.C. Your address was fine, but you said nothing as to saving on the general expenses of the Govt. and on the cost of production. Our President is a bit unbalanced on the subject of spending. \*\*\* Doesn't all this come under your Department? Surely something drastic should be done to cut costs and to SAVE. But my income is static and small, and it is getting harder and harder to cut down, and also, it is hard to see money being wasted by the Govt. Don't answer this - that is a waste of time. If you do anything, I will soon know.

Miss Elsie Kingdon, N.Y.C. I heartily agree with all you say, and personally will do my part. I know it is the policy of our Government to be fair about everything, and I therefore wish to bring to your attention certain things that have not seemed at all fair to me, a wage-earner. We seem always to stress that the "wage-earner" should deny himself everything to pay the costs of the war -- but there are thousands of citizens having excellent incomes, who live a life of ease -- Florida in winter, north in summer -- these incomes being derived from Government tax-exempt bonds, pensions, annuities, alimony, etc., on which, as I understand it, they pay no taxes. \*\*\* Why should they be exempt? \*\*\* If it is an ALL OUT FOR DEFENSE PROGRAM, let us make it an ALL out!

C. W. Zarbaugh, McWhorter, W. Va. I have just listened to your talk over the radio in which you said the employees of the industrial organizations were not buying Defense Bonds as they should. Well, I will agree with you. I for one am one of those employees and would like to buy just as many as I can, but the Government has left us in the dark as to the income tax we are going to have to pay, and we are afraid to sign for them until the income tax is paid, and we know where we stand. You know if we do not have the money to pay that tax, we are certainly in bad. I think after income tax is paid, you will find our boys will buy bonds the same as other patriotic citizens.

George O. Jackson, Jackson Engineering Co., Indianapolis, Ind. As a citizen, I believe it is my privilege and duty to take exception to two remarks you made in your "fireside chat". \*\*\* On two occasions you particularly complimented Union Labor on their support of the sale of Defense Bonds, and had nothing complimentary to say about unorganized labor, the farmer, the white collar worker, or industry. You had no kind word for those employers who are supporting the purchase of war Defense Bonds on a payment basis. It was definitely bad taste to promote disunity in the same speech in which you were asking everyone to purchase war Defense Bonds. I hope you will find it proper and fitting in future speeches to be fair and impartial and forget politics for once.

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Patrick Albert Flynn, N.Y.C. I am an average man. My salary is very modest. This year taxes will put a large dent into my income. How can I make any additional sacrifices to buy Bonds? It positively cannot be done. The Administration has dragged us in this mess, they have appropriated billions and billions of dollars to GIVE AWAY to England and Russia. If what they have appropriated is not enough, why blame us, why put this matter up to us?

Daniel A. Cotteral, North Haven, Conn. I am employed by the New Haven Clock Co., and there has been nothing done here about the Defense Bond sales.

Helen B. Sinclair, Indianapolis, Ind. Of course we are ready to do everything in our power, and in a voluntary way -- provided the Administration, from President Roosevelt down, cuts non-defense spending to the bone, clears out the thousands of New Deal bureaucrats who are still feeding at the Federal trough, and stops playing politics in these critical days.

Jack Braunstein, Rockaway Beach, N.Y. In your radio broadcast of Sunday evening, January 4, 1942, you stated that you would like to hear from employees of companies and corporations who have not as yet instituted a program for the sale of Defense Bonds to employees. I am an employee of the City of New York, which with over 140,000 employees has not as yet, to my knowledge, presented any plan for the sale of Defense Bonds.

Cyril Y. Boswell, N.Y.C. I fully believe in raising funds for the defeat of the Axis Powers. However, I think your talk noticeable for its serious omission. It was all aimed at workers, while you yourself admit that workers have generously responded. Yet you do not mention collection from the "economic royalists", the rich. You seem to side with the idea of putting all the burdens of the war on the poor. Two-thirds of the nation is still half starved as evidenced by the 40% of rejections of army draftees. You ask for money. This money goes to pay for the war contracts given by the officials of the big corporations to their own companies over the desks of the OPM. Mr. Knudsen has sabotaged defense production for over a year, and still remains on the job even while we are war. This aids Hitler and Japan.

FAVORABLE Comments on Bonds

W. A. Kielmann, President, The Peoples National Bank & Trust Co., Lynbrook, Long Island. \* \* \* Probably, owing to the fact that the bonds can be converted into cash, many persons who could well afford to accept larger denominations, are buying the smallest bonds. We have occasion to sell large groups of \$25 bonds, one woman taking as many as 75 of this denomination. We try to encourage the acceptance of larger bonds and the most common obstacle which we seem to meet, is instructed women who say that their husbands have told them to get certain denominations. We have, of course, always been careful not to discourage the sale of the bonds by reason of our efforts to save work, but if the public were apprised over the air and through other media that to take larger denominations will help their Government, through the saving of paper and labor, I feel sure that the public would be willing to accept larger denominations.

S. Gabel, President, Hagedorn & Company, Insurance, N.Y.C. We have introduced in our office a plan whereby Hagedorn & Co. present each employee with a \$25.00 Defense Stamp Album containing one dollar's worth of stamps with the understanding by the employee to thereafter faithfully buy from our treasurer each week at least one 25¢ stamp for insertion in the album until it is completed. This applies equally to the officers and clerks, down to the office boys, regardless of the amount of Defense and Treasury Bonds anyone possesses. Everyone certainly can afford to help our country in this manner.

Rev. Mr. E. Dean Ellenwood, Woonsocket, R. I. Receipt of your letter of Dec. 19th, in re "our" purchase of U. S. Defense Bonds leads me to report to you that Mrs. Ellenwood and I, together, have, during 1941 purchased the full quota of Series E Bonds permitted to us as "co-owners" in a single calendar year - according to instructions gleaned from your published announcements. We are now prepared to purchase, immediately after January 1, 1942, our second \$5,000 of these Bonds, which we will have registered to "either of us" as per those now owned by us. \* \* \* I did not intend to write a "Christmas letter" - but here's my heartiest wishes for Christmas for every member of your Department, and on up to F.G.R. for whom I have had the very great satisfaction of voting THREE TIMES!

Dorothy I. Moore, Brooklyn, N.Y. As a volunteer teacher of English to adult refugees, the following has come to my notice: One of my students who has been in this country since June, 1939, has found that, for the first time in many years he has been able to save money. He decided that the best investment he could make would be Government Bonds, and after the Defense Bonds were issued, he bought them, as he was able. About a month ago he received a form letter from you, thanking him for his purchase and urging on him the desirability of buying Defense Bonds systematically. The recognition of his efforts through your letter gave him such pleasure that he brought it to me in class, to show how the American Government commended those who give it support. His wife told me that he almost cried when he first read the letter. This man, I may say, was an educated and prosperous citizen of the middle class in his native country, and not a person to be emotionally overcome without real cause.



Unfavorable Comments on BONDS

B. E. Thompson, Publicity Director, Richwood Chapter, State Defense Administration, Richwood, W. Va. (Telegram) Prospective investors here want to know if their money spent for Defense Bonds would be applied to defense, or whether part of it would go for relief commodities which State Administration is issuing to CIO strikers here, including many able-bodied men and women who have refused to return to work, and are violently endeavoring to prevent many patriotic citizens from working on defense production. Many other patriotic citizens being prevented by CIO from working, request we advise you that they would like to invest in Defense Bonds but will be without income until they are permitted to return to work.

James McCall, Lawyer, N.Y. A lot of women in this community, and amongst others, my daughter, are trying to work their heads off to advance the sale of U. S. Defense Bonds, and you have allowed your Department recently to issue a regulation requiring every owner of any U. S. Bonds to attach a certificate to every coupon before he can cash it, an awful nuisance and a perfectly nonsensical thing, and apparently done to help the investigators of the different Commissioners of Internal Revenue to keep track of the income of the individual taxpayers, and it will be a perfect "Black Out" for the sale of Defense Bonds as soon as that is known to the public.

John F. Ewald, Secretary, Peoples Savings Bank of Yonkers, New York. As an officer of this bank, which is cooperating wholeheartedly in the sale of U. S. Defense Bonds and Stamps, I am concerned with the heavy withdrawal of savings for this purpose. It seems to me this defeats the purpose of the Bonds and Stamps, and if continued too far, it will simply mean that banks will have to sell bonds, possibly Government, to get the money to give the depositors to buy Defense Bonds and Stamps.

Suggestions Concerning DEFENSE BOND CAMPAIGN

Mrs. George Tolstoi, Fort Monroe, Va. The unfortunate reverse of the U. S. on December 7 has apparently immortalized the phrase, "Remember Pearl Harbor". The purchase of defense bonds has become a patriotic necessity. May I suggest, in commemoration, the issuance of a special series of defense bonds to be known as the Pearl Harbor Series? I believe that such a series, even for a large sum of money, would be subscribed and oversubscribed in a gratifying short period of time. In the event this suggestion is favorably accepted, may I be the first to purchase a \$100 Pearl Harbor Defense Bond?

Erwin S. Barrie, Director and Manager, Grand Central Art Galleries, N.Y.C. For sometime you have been using a reproduction of the "Minute Man" by Daniel Chester French in announcing the sale of Defense Bonds. Mr. French was a great American, and both his family and I, who was his art representative, feel that it would be a great courtesy if his name could be used in very small type when his work is reproduced. This is the customary procedure in the business world and I know Mr. French's thousands of friends, all of whom are loyal Americans, would appreciate this consideration from the Government.

Allen Prewitt, Lawyer, Frankfort, Ky. I desire to suggest the issuance of bonds, like those which taxpayers may buy to pay income taxes, which wealthy men could buy and which would be redeemable 100 cents on the dollar, under any conditions, for the payment of the holder's estate taxes. Many rich men try to find a safe reserve for such taxes; it might tap considerable funds for our war effort; and such bonds should also be made available to estates of decedents which are trying to liquidate against a later determination, often long drawn out, of estate tax liability.

Comments on PRESENT EMERGENCY

Valentine Schyniczek, Sandoval, Ill. \* \* \* I am a common workman, and I have no money left over, but I do have a collection of old Foreign Coins which can be melted over. I am sending them to the U. S. Treasury Dept., so that they can remelt them and construct at least one bullet that will help destroy the bloody oppressors. I am foreign born, lived 30 years in one, once Imperial Country, and have lived in my adopted Country of the U. S. America for 31 years, and I am sure I know the difference between freedom and oppression. Please accept my small donation to help win the war.

Irving C. Teahan, Holyoke, Mass. I am over the active military age and my son is only 12 years old, so in trying to do my part I am enclosing a check for \$100 to pay the interest on four \$100 Defense Bonds I gave to my wife and three children for Christmas. I trust you will use this in the same spirit with which it is given.

R. N. Sucher, Editor and Publisher, The Elmwood Gazette, Elmwood, Ill. The writer seeks permission of your office to make the following offer to the subscribers of the Elmwood Gazette, and to the Yates City Banner, newspapers which are published in this office. During the year 1942, or for the duration of the war, 25% of all subscription money collected by the Elmwood Gazette or the Yates City Banner will be turned over to the Treasurer of the U. S. to be used for defense purposes, in any way that that office might see fit. This offer is to include the same proportion of any back subscriptions collected at any time during this offer. We realize that this offer is a little unusual, but we ask that you please believe that it is made in all sincerity. For your information, the writer enlisted in the U. S. Naval Reserves on April 10, 1917, and would be enlisted in the present affair if physical condition permitted. Today, however, we cannot take part in person but we do feel that we can be of some use in other ways.

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George C. Terry, Terry & Tice, Real Estate, Louisville, Ky. This blind, 86-year old citizen, father of two World War veterans who saw service abroad, and grandfather of two seventeen-year old fellows who will soon be in the present war, wishes to call your attention to the enclosed article from this morning's Courier-Journal, and to tell you how very greatly I appreciate the quite extraordinary things you are now advocating, which looks to the saving of many useless expenditures, every dollar of which will be needed in the present conflict, which - with all your careful management of our Treasury - will cost us billions after your very best management. I congratulate you. I take my hat off to you. I shall tell my four children and my seven grandchildren about you and your noble work.

The first and only "kick" in connection with the recent announcement of limitation on the sale of tires comes from a salesman for a food product concern, M. C. Berkeley, of Baltimore, Md. Mr. Berkeley says that he writes from a patriotic as well as a personal standpoint. "First, from a standpoint of sales - to wit - the Dept. of Agriculture is pressing farmers to grow more foodstuffs, and the canner in turn, pack more. The canner employs no salesmen, depending on brokers, like myself, to sell their products to the wholesale grocer. As brokers, we represent and sell for some 200 canners throughout the country, so curtailing their sales efforts and expense. Even if the Federal Govt. takes 50% of the canners' products, there remains 50% to sell and get into the regular channels to the consumer. This is where we fit in. Second, from a standpoint of my earnings and becoming a public burden, and so depriving the State and Federal Governments of what is now a good revenue. \* \* \* I can't cover some 2,000 miles monthly by rail, or busses, since many of the smaller towns aren't on the schedule, and if they were, it would take three or four times the length of time to cover, and the terrific expense would not warrant it, or make it profitable to do.

Edward Lindsay, Decatur Newspapers, Inc., Decatur, Illinois. Local #419 of the International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators Union has turned over to me a check for \$37.50. The Union's idea is that the check will be used to buy a defense bond that will be given to the first Macon County pilot who bombs Tokyo, or to his family if he is killed.

Mr. V. Erame, Washington, D. C. As the father of a soldier at Hickman Field, and as a Veteran of the last War, I wish at this time to give one day's wages as a Guard, approximately \$4.25, to national defense, and also to purchase three bonds for national defense at \$18.75 each. Therefore, I enclose my personal check for \$59.50 and a dollar's worth of defense stamps to bring it up to \$60.50, for which please mail me the three bonds. Hoping this will do some good, on behalf of my wife, my younger son and myself, - Yours for Victory.

Johnny Forkish, Mt. Rainier, Md. I get 5-cents every day with which to buy my milk while eating my lunch. I'm pretty fat now, so I will drink water instead. I am sending you my next week's milk money. I hope it flaps a Jap.

Mrs. N. E. Bank, Beverly, Mass., sends two \$100 bonds, two \$5 stamps, one U. S. Treasury check for \$40. They say, "Remember Pearl Harbor." This morning I get a pension check for "Remembering the Maine." For a long time I put my pension in Postal Savings, and after you issued Defense Stamps, put it in those. Please Sir, ashamed I am, taking money from my country at war. They tell me if I give it up (the pension), someone will get a good thing out of it, so I send it to you, Mr. Morgenthau. More I cannot do. Please Sir, get out a pension payment bond fund stamp and please invite the rest -- that's within your reach and beyond me.

Pietro Fera - Recognizing that the Constitution of the U. S. of America is the only one approaching most closely the ideals of man, and desiring that the American people should triumph against the barbaric plots of three villains, headed by Hitler, I am sending my small contribution of \$10. Had I been able to give more, I would have never used the system of bonds and stamps. To the nation at war one does not lend at usury, but one gives what one can voluntarily. (Written in Italian.)

Mrs. Grace Fitzgerald, Los Angeles, Calif. \* \* \* Whenever anything is said or written about economy in the Government, WPA is the first thing spoken of. What is to become of the men and women over fifty who depend on WPA for a living? \* \* \* Women over fifty are not wanted, no matter how able or willing they may be. I have travelled this city over, trying to find work in private industry. On several occasions I have been encouraged until I had to tell my age, then I was sunk. \* \* \* It seems to me that this Government should do something to keep employed the people in the age bracket I have mentioned. There are thousands of men and women in their twenties, thirties, and early forties who never look for work in private industry. They are quite satisfied to stay on WPA, and some I know have refused other work offered to them. Some of them have never worked except on WPA. One young woman, a supervisor, told me that she could get work outside that would pay her better than does WPA, but, she said, "After this war is over, a lot of people in private industry will be out of work, but I will still have this." \* \* \* Not a person under fifty years of age should be on WPA unless physically disabled. They can get work in private industry, perhaps not just the work they would like to do, but work that will pay them well. \* \* \* There are many physically able, highly educated men and women over fifty, eating their hearts out to do some work for defense. They are not afraid of long hours. Many who, like myself, have tried desperately to get work in private industry, and, like myself, have failed. What is to become of us? The high rate of interest asked by insurance companies is responsible to some extent for the unemployment of older workers. So while Unemployment Insurance helps some workers, it hurts others. We older Americans want to help win this war. Can't some way be found to use our willing hands, our skill, and experience?

A very special offer of assistance from a real linguist --

Eli Vidak, Maybee, Mich. I am lisning you spiking on Radio. You urget as to bay Defence Bonds. I am ready to dut so bat I nidet job. Government shut put mi on job forst befor I kent help so baing Defence Bonds. \* \* \* I am American vidison born on Yugoslavia. I speac 7 langvech and reding vel, I tinging, so vil bi gut wach for Sabotaghes. Bat I am eabel to do any works. I am gout drivers aniy motor vehicle. Hau son I geat job? I ba glead to help may ontry.

Ralph B. Edson, Springfield, Mass. \* \* \* It may interest you to know that Mass. Banks are apparently taking advantage of war times to insist on amortization of their mortgages, which lessens the opportunity of mortgage holders to buy Defense Bonds. \* \* \* I have several pieces of property, purchased before the depression, and which I carried in the red during that time. Within the past month, I have been notified that I must amortize the mortgages held by two different Mass. Banks which carried those same mortgages through the depression without demanding this.

Dwight F. Braeken, Director, Placement Service, Fordham University, N.Y.C. The New York Times of today's date mentions that Mr. Walter Disney has been in contact with you regarding the preparation of a film to promote the sale of Defense Bonds. This to me seems to be a very practical project. However, I believe it should contain the assurance that inflation will not make thrift unwise - that our money will be useful in purchasing various goods after the war emergency is over. The public must be shown that research in connection with war activities will, for example, help make better automobiles, refrigerators, and radios, but that only he who has been thrifty will have the purchasing power in the future to avail himself of these goods.

D. R. Morrison, Takilma, Oregon. Being familiar with practically all mining operations on the Pacific coast, I feel duty bound in this grave crisis to mention these facts to someone who may be able to relieve the pressure which is now retarding the progress of many industries. I am wondering if the OPM is aware of the fact that there is no shortage of copper in the United States? \* \* \* Are they aware of the fact that there would not be an idle mine in the country if they could operate at a profit? Are they aware of the fact that aside from the big mines that are now idle, hundreds of thousands of tons of copper would be produced if the price would justify shipping the ore to the smelters? \* \* \* Chrome is another item that the Pacific coast could supply the demands for if the price would justify.

Comments on TAXATION

M. O. Goldman, Baltimore, Md. \* \* \* It will unquestionably be the case that a great many people who have not, for one reason or another, set aside money with which to pay the income taxes which will have to be met, will need to borrow from small loan concerns. \* \* \* The tax savings certificates will help, but not in 1941 tax payments. I would like to suggest that these certificates be more widely advertised this year. For the present tax payments which are shortly due, in order to protect those people who need it now, I would suggest that instead of allowing them to seek loans from these concerns under unfavorable conditions, you inaugurate a system of payments whereby when the small taxpayer, under oath, declares his inability to meet even the quarterly payments required, that an extended period of say ten months be permitted, and that a tax rate of a true 6% on unpaid balances be set up. A small charge might be made in addition to take care of the necessary expense in bookkeeping. The payments might be arranged for by Post Office Money Order, which would increase Post Office revenue and benefit all concerned.

J. W. Dargavel, Executive Secretary, The National Association of Retail Druggists, Chicago, Ill. (Letter addressed to the President, and referred to the Treasury by the White House.) \* \* \* We are concerned about the consequences of the tax program on the public health, unless the new revenue legislation contains a provision to allow deduction for doctor bills and other similar expenditures in the determination of net taxable income. Such a deduction is allowed in the Minnesota State Income Tax law, and there has been no consequential loss of revenue to the state. It is an almost universal trait of human nature that, when a curtailment of the family budget becomes necessary, the first item curtailed is medical care. If it becomes necessary for the Government to take from 1/4 to 1/2 of the people's income in taxes, the result, in terms of the health of the people, might become serious. It is a most important part of our task in fighting this war, to safeguard the nation's most important military resource -- public health. Germany has had to neglect this resource and there is reason to believe that she is weakening -- let us hope she is cracking. But let us not crack under the same impact!



For your information

January 9, 1942

To Archibald MacLeish  
From Alan Barth

EDITORIAL OPINION  
ON THE WAR:  
STATE OF THE UNION

Message

The American press accepted the President's message on the state of the Union as a challenge. The response everywhere was a resounding affirmation of the President's own words -- "Let no man say it cannot be done. It must be done -- and we have undertaken to do it."

The Cleveland Plain Dealer reported the message under a banner front page headline: "It Will Be Done!" Nation Booms Back to War Plea of Roosevelt. The Chicago Tribune did its own booming back in the form of an eight-column streamer in huge black type: We'll Do War Job: Industry. The Boston Herald bedecked its first page with giant letters announcing: U.S. Backs Huge Arming for "World-Front" AEF.

The editorial reaction of almost all newspapers showed intense fervor for the job at hand. "The President has given us a blueprint for victory," observed The Chicago Sun; The Christian Science Monitor called the speech "a Promethean

promise"; The Cincinnati Enquirer considered it "dynamic"; The Raleigh News and Observer found in it "inspiring leadership".

Most editorial writers applauded the President's designation of specific quotas for the production of planes, tanks, guns and ships. There was no disposition among them to regard the goals as unattainable. They united, however, in an insistence that the President's program could be accomplished only through profound changes in American living habits and an all-out work effort by the people of the country. The Cleveland Plain Dealer expressed the common feeling in simple terms: "America's gadget civilization must end."

#### Background

Mr. Roosevelt's words were delivered against a background of extreme editorial dissatisfaction with the progress of production to date. It is, of course, habitual with the press to charge that the present Administration inhibits industry. For a long time commentators have demanded a single responsible chief of production; they have little faith either in OPM or SPAB. Now they are renewing, in even greater volume than before, their cries for the coordination of all procurement activities under a Minister of

Supply. Many of them point to Lord Beaverbrook as a model for the United States, asserting that there is no individual here, save the overburdened President himself, qualified to meet the British supply chief on equal terms.

Lately, however, the press has displayed growing symptoms of impatience with industry itself. There is an occasional reproachful note in comments on the slowness of conversion. Columnists Lippmann, Clapper and Thompson have repeatedly pointed out that it was the influence of automobile manufacturers which thwarted the Reuther plan. Other commentators now acknowledge that "the crackpot CIO scheme" must be put into operation. The Washington Post openly endorses it; even The New York Herald Tribune gives it a kind of grudging and tentative approval.

But editorial writers show little sympathy with labor's desire to share in directing the conversion process. To most of their minds this raises the spectre of socialism. They were embarrassed by the CIO advertisement criticizing OPM and considered it not quite sporting of labor leaders to say, "We told you so." Yet a number of them feel that management, particularly the management of the automobile industry, has put itself in an untenable position.

The editorial reluctance to grant labor effective participation in the direction of the war effort springs from a deep general uneasiness over the consequences which the war may impose upon the American economic system. Heavy deficit spending remains a bugbear to the editorial mind; inflation, collapse, socialization of industry are vaguely feared. Yet this fear is subordinate to the fear of an Axis triumph. American victory in the war is everywhere held to be the primary and paramount need.

The more responsible commentators show some awareness that the cleavage between management and labor constitutes a serious threat to the recently welded national unity. Accordingly, they plead vehemently for compromise and solidarity. They are moved by a profound confidence in the capacity of American production to win the war, provided that productive resources are mobilized unsparingly. They show no hesitation about facing the temporary sacrifices involved; indeed, they are all but unanimous in urging rigid restrictions on civilian consumption of scarce articles such as rubber and metals. But they cannot exorcise their fear of some permanent change in the social structure.

The press accepted with enthusiasm the President's assertion that we will fight the enemy "wherever and whenever we reach him." And it gave special applause to the pledge "to maintain the security of the peace."

News

Newspapers reflect growing concern over the progress of the war in the Far East. Loss of the Philippines is now taken entirely for granted. The fall of Singapore is gravely feared.

Against this background of discouragement, the press continues to present as dramatically as possible every heartening incident in the Pacific. The Chicago Tribune, for example, employed a big, black banner headline to report: Japs Suffer Worst Defeat. The story disclosed only that four Japanese planes had been downed. The New York Herald Tribune gave a three-deck front page spread, so that those who ran might read, to the announcement: Army Bombers Pound Japanese Battleship, Sink Destroyer; 700 Luzon Invaders Killed; Navy Tender Fights Off 15 Planes 7 Hours.

The most common editorial generalization drawn from the Pacific fighting is that air power has now unquestionably demonstrated its superiority over sea power.

Allies

The designation of a Briton to the supreme command of allied forces in the Far East was accepted by editorial commentators without complaint and, in fact, by almost all of them with hearty approval. A supreme allied war council is generally urged and expected.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE January 9, 1942

TO Ferdinand Kuhn, Jr.

FROM Joseph Melia

EDITORIAL COMMENT  
ON DOMESTIC ISSUES:  
QUALMS ABOUT THE BUDGET

There is no editorial dissent with the need for a vast war program as outlined by the President in his budget message. Newspapers throughout the country agree that there can be no quibbling over the price of victory, which, they recognize, may go still higher as the war proceeds. Nevertheless, they are staggered by the 56 billion dollars in immediate expenditures and the 9 billion dollars in increased taxes envisioned by the President.

Editorial writers and columnists seize upon the incomprehensibility of these figures as dramatic evidence of the need for (1) holding government non-defense expenditures at a minimum by cutting to the bone, if not eliminating altogether expenditures for farm benefits, work relief, and youth aid, (2) spreading and "equalizing" taxes, (3) promptly passing effective price control legislation, (4) establishing in the United States an agency similar to England's Ministry of Supply in order to insure efficient war production.

Non-Defense Economies

While encouraged that some of the economies advocated by the Byrd Committee are contained in the budget, an overwhelming majority of the newspapers in all sections of the country criticize the President for not cutting deeper into non-military expenditures. Most editorial writers insist that there is no longer any need for such agencies as the WPA, CCC, and NYA. They make no distinction between the old peacetime and new defense activities of these agencies. The President is also severely criticized by the leading metropolitan newspapers for stating that parity should be maintained by government subsidy if farm prices drop.

The only note of warning against "penny-wise and pound-foolish" economies comes from such New Deal newspapers as the St. Louis Post-Dispatch and PM. Having opposed the economies suggested by the Byrd Committee and Brookings Institution, PM now evidences surprise and regret that the President should chop the appropriation of such an agency as the FSA while leaving the door open for parity payments which generally benefit well-to-do farmers. And the Post-Dispatch argues: "Reduction of non-defense spending should not be seized upon as an opportunity for clubbing agencies to death without



discrimination. Some of them have been given important defense jobs -- such as the Farm Security Administration's new task of organizing huge trailer towns for workers in the mushroom munition plants."

Taxes

The press agrees that the war must be financed as much as possible by taxation. But judging by the way most editorial writers over-stress one or two of the tax suggestions made by the President, the press is far from being in complete agreement with the Administration on the type of taxes that should be levied. In general, editorial writers stress the President's statement on the need for anti-inflation taxes and ignore his appeals to increase and tighten progressive, selective taxes.

Leading metropolitan newspapers, along with the business groups for which they generally speak, have consistently advocated a general sales tax. Delighted that the President has forsaken his opposition to this type of tax, they argue that a sales tax would curb inflation and at the same time "spread" and "equalize" the war burden. With most editorial comment centering around the possibility of a sales levy,

the President's other anti-inflation tax suggestions receive relatively little attention. Most newspapers are traditionally opposed to withholding taxes, however, and some attack the suggestion to increase Social Security taxes.

The financial journals, naturally, are upset by the President's appeal to recapture war profits and increase progressive taxes. The President's emphasis on the merits of progressive taxation indicates "trouble" to the Wall Street Journal and an "undermining of private enterprise and fostering of State Socialism" to the Journal of Commerce.

#### Price Control

Unless the Senate Banking Committee's price bill is passed without further delay, the press fears that inflation will drive the cost of the war out of all bounds. Many newspapers, including the Scripps-Howard chain, still favor over-all control of prices and wages, as well as more drastic controls over farm commodity prices. But they are not as insistent on these points as previously. Most editorial writers oppose any device which would give the Department of Agriculture jurisdiction over farm prices; such devices, they feel, would weaken the effectiveness of the bill.

1942

MEMORANDUM FOR THE PRESIDENT:

The Treasury is turning over to the Vice President for the immediate use of SPAB, important information with respect to a large quantity of strategic materials which were consigned to the Philippines and other points in the Far East and now will not be shipped. We assume that SPAB will take immediate steps to requisition all such material for war use.

With respect to other material of non-strategic importance, it is expected that the American banks which were financing the shipments will generally assume the responsibility of safeguarding and disposing of the goods pursuant to Treasury license. However, in cases where the banks are not willing or in a position to do this, and particularly in the case of goods which will deteriorate, the Treasury Department will proceed, with your approval, to take over the goods in the name of the United States and make appropriate disposition thereof. Resident Commissioner of the Philippines, is urging the Treasury to take some such action in the case of goods consigned to the Philippines.

If you approve of this procedure, it will be indicated if you will so indicate below.

(Signed) H. Morgenthau, Jr

Approved:

\_\_\_\_\_

Not - with  
Wash Post  
1-9-42

Revised 1/9/42

THE SECRETARY OF THE TREASURY  
WASHINGTON

JAN 9 1947

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If you approve of this procedure, it will be appreciated if you will so indicate below.



Approved:



January 22 1947 -

TREASURY DEPARTMENT

120

INTER OFFICE COMMUNICATION

DATE JAN 9 1942

TO Secretary Morgenthau  
FROM Mr. Foley

*AM*

The Foreign Funds Control is now obtaining over-all reports with regard to the applications pending not only in Washington, but in all the field offices. The over-all figures show that the amount of pending cases in all offices does not exceed 3 or 4 days' work.

*F. J. F. L.*

DRAFT OF CABLE TO FOINDEXTER CONCERNING LIQUIDATION OF  
JAPANESE BANKS IN HAWAII

You are authorized to liquidate, under laws applicable to Hawaii, by receivership or conservatorship as you may deem expedient, the offices in the Territory of Hawaii of: (a) the Pacific Bank, (b) the Sanitomo Bank of Hawaii, and (c) the Yokohama Specie Bank, Ltd. In connection therewith you may, by license or otherwise, authorize, among other things, payments to depositors, sales of securities, delivery of collateral, payments of salaries and other expenses, and all other acts appropriate to the orderly liquidation of these bank offices. Amounts due to blocked nationals should generally be transferred to blocked accounts in domestic banks. It is expected that complete records will be established and maintained in connection with the liquidation.

It is assumed that you have the personnel necessary to accomplish the orderly liquidation of these banks or that additional personnel can be acquired locally. Should you require additional trained personnel from here, you should promptly advise us of your needs.

*To be sent out by BB - 1-9-42.*

STRICTLY CONFIDENTIAL  
TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

122

DATE JAN 9 1942

TO  
FROM

Secretary Morgenthau  
Mr. Foley

*MA*

You may be interested in the following excerpt from a letter from A. E. Tree, the Foreign Funds Control man in Hawaii:

"The Military Governor of the Territory is the Commanding Officer, now General Kimmons. His Executive is Lieutenant Colonel Green, who held the same office under General Short. Our relations with the office of the Military Governor have been agreeable and cooperative since the beginning and Colonel Green has endorsed and supported our activities. Under military necessity certain alien property had to be surrendered for safekeeping and/or confiscation, such as firearms, explosives, cameras, binoculars and radios. Other property was removed from persons in custody, mostly personal effects. Under pressure of the attack, some equipment was commandeered for military purposes. Problems have also arisen in connection with protection of the property of enemy agents who were executed." (under-scoring added)

*S. W. F.*

JAN 9 1942

MEMORANDUM FOR THE PRESIDENT

In my memorandum of December 23, 1941, I outlined to you my recommendations for dealing at once with the emergency situation regarding enemy property in the Philippines. You approved my instructing the High Commissioner to meet the emergency by exercising any or all of the powers conferred upon you under Title III of the First War Powers Act, 1941.

The following message has just come to my attention with respect to a similar problem in Hawaii:

Fort Shafter HI 5 20 P

Dec 24

Adjutant General  
War Department  
Washington DC

Mr. A. L. Tree, Treasury Department, appointed temporary military alien property controller to accept, account for, and handle control of surrendered alien property until such time as a Federal alien property custodian may be appointed under some statutory authority.

Emmons

As in the case of the Philippines, Governor Peinaker has been handling freezing control for me in Hawaii and since July of this year I have provided him with a staff of experts to help him deal with the Japanese situation under freezing control. A. L. Tree, who has been appointed temporary military alien property controller by Emmons, is the Treasury man actually in charge of freezing control in Hawaii.



- 2 -

While the situation at this time in Hawaii is not comparable with that in the Philippines, I think it is a wise precaution to give Governor Poindexter now the same general powers, with appropriate limitations, that we have already given Sayre with respect to the Philippines. This action will give Governor Poindexter and Tree adequate statutory authority to meet the present emergency and still permit a coordination of the program in Hawaii with that in the United States. At the same time in the event communication with Hawaii should become difficult in the future, our men will have full authority to meet any emergency which might arise.

Attached to this memorandum is a draft of a proposed cable from me to Governor Poindexter covering this matter. If you approve I will have the cable dispatched at once.

As in the case of the Philippines, I do not think this matter should be delayed pending the issuance of an Executive Order relating to enemy property in this country.

(Signed) H. Morgenthau, Jr.

I approve the foregoing action.

---

THE WHITE HOUSE,

Sent via WH.  
mail pouch  
1-9-42  
to Pres at Hyde Park.

125

Processed Text of Cable to Governor Poindexter from Secretary of the Treasury

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Dec 24

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War Department  
Washington, D. C.

Mr. A. E. Tree, Treasury Department, appointed temporary military alien property controller to accept, account for, and handle control of surrendered alien property until such time as a Federal Alien Property Custodian may be appointed under some statutory authority.

Reasons

On December 18, 1941 the President approved the First War Powers Act, 1941 (Public No. 354, 77th Congress). Sections 301 and 302 of title III of such Act read as follows:

(Here take in text of Sections 301 and 302 of  
attached Act)

You will note that these sections amend section 5(b) of the Trading with the enemy Act of October 6, 1917, as amended, pursuant to which freezing control has been administered.

In order that you may be fully authorized to deal with any emergency which might arise in Hawaii and with the approval of the President, all of the powers and authority conferred upon the President under the above-quoted provisions of law are hereby delegated to you in so far as Hawaii is concerned. However, in the absence of communication difficulties or the need for emergency action where delay might

- 2 -

be prejudicial, it will be expected that the program with respect to enemy and other foreign property in Hawaii will be coordinated with that in continental United States in much the same manner as it is today. You will be advised from time to time as an over-all program is announced in Washington. We will, of course, continue to expect you to adapt any general instructions to local conditions in Hawaii.

The powers conferred by the statute are very broad. Congress expects that complete records will be established and maintained with respect to property seized or otherwise received in your custody. Please be guided accordingly.

Secretary of the Treasury.



THE SECRETARY OF THE TREASURY  
WASHINGTON

JAN 9 1942

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Hawaii.

ORIGINAL SENT TO MR. POLEY

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Attached to this memorandum is a draft of a proposed cable from me to Governor Poindexter covering this matter. If you approve I will have the cable dispatched at once.

As in the case of the Philippines, I do not think this matter should be delayed pending the issuance of an Executive Order relating to enemy property in this country.

*Wm. H. H. H.*

I approve the foregoing action.

*Franklin D. Roosevelt*

THE WHITE HOUSE,

*January 21, 1942*

Proposed Text of Cable to Governor Poindexter from Secretary of the Treasury

The following message has just come to my attention:

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Dec 24

Adjutant General  
War Department  
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The powers conferred by the statute are very broad. Congress expects that complete records will be established and maintained with respect to property seized or otherwise received in your custody. Please be guided accordingly.

Secretary of the Treasury.

JAN 9 1942

My dear Mr. President:

Attached for your information is a memorandum briefly setting forth some of the results to date of our investigation of General Aniline and Film Corporation.

When we entered the war we put a group of Treasury people into the various offices of General Aniline who have been supervising and investigating the company from the inside.

The investigation is still under way and some of the items uncovered are of such interest that I felt you would want to know about them at this time.

Sincerely,

(Signed) H. Morgenthau, Jr.

The President

The White House.

Attachment.

EHF:mp 1/7/42  
Copied vls 1/9/42



Secretary Morgenthau

January 7, 1942

F. A. Foley, Jr.

Since our entrance into the war we have had a group of Treasury people under Joe O'Connell supervising and investigating from the inside the General Milling and Film Corporation, which has been blocked under the freezing order. Several months ago we prevented the sale of this company to General Gystuff because we were convinced from our study of the German dominated industrial setup in this country that General Gystuff, like General Milling and Film, was part of the I. G. Farbenindustrie, the huge German dye trust.

Our investigation to date has disclosed serious situations affecting the national interest.

1. The Dyalis Division. This division, headed by A. von Elster, who came to this country direct from an association with German Zeppelin Works and related auto works, has succeeded by several devices in providing access for its men -- often German aliens or German-born American citizens -- to the drafting rooms of about 350 industrial plants, including defense installations and Government experimental laboratories, and in amassing valuable industrial information; the device used was the leasing, and then the continuous servicing, of a reproduction or microprinting machine. The corporation has also succeeded in obtaining contracts for the microprinting of United States Government archives. We already have found documentary evidence that United States Navy information so obtained has been transmitted to Germany by the corporation.

2. The Alfa-Rusco Division. It has been found that this company has succeeded in a variety of ways in obtaining access to confidential military files of the United States Government. For instance, a former laboratory, in charge of a German alien assisted by two other

- 2 -

German aliens, was found to be developing and processing films of experimental United States Army tanks, taken at the Aberdeen proving grounds. A related field under current investigation is the use of Agfa-Ansco for the development of military and reconnaissance film of value to the German Government. For instance, the company's laboratories were used in 1939 and in 1940 for the development of film taken in the Andean region between the Canal Zone and the Pacific Coast by a so-called "scientific" expedition sponsored by the German Government.

3. The Company as a cloak for subversive activities. The fact that the company has over 6000 employees and expends about \$60 millions annually, provides the German Government, through I. G. Farben, with unusual opportunities for the concealment of German agents and expenditures for propaganda and other subversive purposes. For example, a person, educated in Germany and a confessed Nazi Party member both in Germany and the United States was sent by the company "to the Homeland" to undergo training in various subjects with the avowed purpose of enabling him to become the "confidential assistant" to the head of the film and camera division of the company. Other instances have already been discovered where young Germans of military age were given temporary employment in the company after which they left for China and Japan for purposes not yet established.

The facts in these cases have been turned over by us to the Federal Bureau of Investigation and to Army Intelligence. We are continuing our investigation and expect to be in position, in the near future, to make specific recommendations as to personnel and other changes which should be made in the public interest.

(Initialed) E. H. F., Jr.

EHF:mp 1/7/42

JAN 9 1942

My dear Sir Frederick:

I have examined the documents that you submitted to the Treasury on December 31, stating that the British Government would like to sell to the Maritime Commission two British-owned shipyards in order to improve its dollar position. I am writing to inform you that I have written Admiral Land recommending that the Commission purchase these yards. A copy of my letter to Admiral Land is enclosed.

Very sincerely yours,

[Signed] H. Morgenthau. *HM*

Secretary of the Treasury.

Sir Frederick Phillips,  
British Purchasing Commission,  
Willard Hotel,  
Washington, D. C.

By Messenger *Brown 7 42**Copies to PA White's office**7-22-C*

HEW:AM:DV1

1-5-42

## TREASURY DEPARTMENT

138

## INTER OFFICE COMMUNICATION

DATE JAN 9 1942

TO Secretary Morgenthau  
FROM Mr. Foley

*KAT*

A despatch from our Embassy in Rio de Janeiro, Brazil, states that Norbert A. Bogdan of the J. Henry Schroeder Banking Corporation is strongly opposed to the plan of the Export-Import Bank to grant special lines of credit to approved banks in the American Republics and that Bogdan is trying to undermine the plan in Brazil. It is reported that Bogdan feels that the proposed credit facilities would interfere with the business of his company, and that a Brazilian banker recently remarked that Bogdan is doing his utmost to "torpedo" the Export-Import Bank's project.

*S.W.Fh.*

MEMORANDUM

The information below was received from a source in New York City and the information from that source is generally reliable.

The subject is married but her husband is not known. She resides at 148 East 35th, New York City, and is engaged at 95 Madison Avenue, New York City. She is about 32 years of age, has dark brown hair and eyes, is untidy in appearance and of medium height. She has no other business connections.

The subject is the organizer of the Young Men's Vocational Foundation, Inc., which organization is actively engaged in securing positions for boys and men who have been placed on probation or released from reformatories. In 1938 she edited a magazine and visited the New York City Reformatory at New Hampton, New York. During the year 1939-40, her organization, she claims, secured various permanent positions for the boys. The purpose of the organization is to handle only boys and men between the ages of 16 and 25, who are mostly sent to them by the authorities. She is closely affiliated with a Mrs. Lionel C. Perara, Sr., whose husband is the Vice-President and Secretary of this organization. She received a donation of \$5,000 from Marshall Field for the Young Men's Vocational Foundation, Inc. She claims to have been the originator of the American Youth Congress but was forced out. She is not known to be a 'Red.'

There are many prominent people mentioned as being associated with her present organization. About six months ago the agents of the building forced them to move due to the riff-raff and colored persons who were coming to her offices at 8 West 40th Street. They are now, as stated above, at 95 Madison Avenue, New York City. She claims to have a close association with Mrs. Eleanor Roosevelt, and has mentioned the fact on several occasions that she has attended luncheons and conferences with her at the White House."

A book entitled "American Women," which includes the standard biographical dictionary of notable women, Volume III, 1939-1940, found in the Public Library, Washington, D. C., lists the following: **140**

"Ilma, Viola, orgn. official; Born Mainz, Germany, April 24, 1910; daughter of Alfred and Henrietta (Stern) Ilma; Education, attended Julia Richmond High School; Present Occupation, Executive Director, Young Men's Vocational Foundation. Previously: Chairman, American Youth Congress; Editor, Publication, "Modern Youth."; President, Central Bureau for Young America; Church: Quaker; Member; American Woman's Association; Hobbies: horseback riding, dancing, theatre. Author: "And Now Youth." Home: 22 East 11th Street. Address: 345 Lexington Avenue, New York City."

It is understood that the Washington Post Magazine, Sunday, September 9, 1934, carried an article written by Osgood Nichols entitled "A Lone Girl Seeks to Lead Nation's Youth to Victory." Efforts are now being made to obtain a copy of this edition. In the event a copy is not available, we will search the files of the Library of Congress.

The "Literary Digest" of August 5, 1933, carries the following item:

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Miss, editor, "Modern Youth," her own brain child, declares that "However adults feel about militarism, the youth of the country wants no more wars. Fair of complexion, she is a good mixer and sufficient of an equestrienne to enjoy rides with Mrs. Franklin D. Roosevelt. Founding "Modern Youth", she decreed none of its staff be over 30. She will resign at 31."

"This woman organized youth groups, as a result of a trip to Germany some years ago, during the Hitler regime. She was much impressed by the youth movement in Germany. Her trip is said to have been financed by a Wall Street business man. After she organized these youth groups, according to her claim, the communists stole the movement from her by boring from within. She was in Washington for a time and people who knew her described her as being very emotional and unstable, stating that she played around with a lot of people in a sex way. She is married to a communist, name unknown. Her husband is an avowed communist. She switches from side to side. She should not be recommended for anything due to her emotional instability. She has done a lot of writing."

The above information comes from a person who requested that the source not be disclosed. The information has not been verified and the reliability of the source furnishing same is not known.





FOREWORD. "The voice in the wilderness today is the voice of youth, bewildered and groping in an age so materialistic that money has become an ideal as powerful and awe-inspiring as God once was." Thus does Ilma, the dynamic editor of "Modern Youth," a magazine which made a spectacular if brief impress on the thought of the young in 1933, open her discussion of the problems, hopes, and purposes of American youth in 1934. Young America's constructive impatience in a civilization which mills about constantly at the periphery of war, which spends billions of dollars for battleships while millions of its population exist without proper food or housing or constructive outlets for their energies, is vividly reflected in the pages of this book.

"While Miss Ilma was editor of "Modern Youth", she received letters from and had personal contacts with thousands of restless young persons who exhibited an amazing seriousness of purpose and serious intent to make a constructive effort toward better social, economic, and political conditions in America. The thoughts and feelings of this group have been passionately set forth by Miss Ilma in "And Now Youth."

"There is an amazing absence of radicalism in its pages and a tremendous sanity and insistence upon time-tried institutions, which in the conception of the author and apparently of her contemporaries have been mismanaged and must be reconstructed, but cannot be completely scrapped.

"The book carries an astounding conviction that in a badly mis-managed world there is a group about to come into its management who will perhaps do a better job than the group which preceded it."

Robert Ballou, Publisher.

The author devotes the first chapters of her book by relating how the Prohibition Era left youth in a condition entirely unfit and unsuited for the problems which were presented after the economic crash of 1929; that they were used to quick and easy living and after the crash there was nothing they could do; that they could not find jobs and were unable to follow their inclinations. She attributes this condition to self-centered materialism and ruthless capitalism.

The author devotes a chapter to politics, stating that young people are not particularly interested in politics and are prone to revolts and destruction; that politics is something of a mystery; and that the young men who are heard are radicals. She, however, continues by saying that young people do discuss politics among themselves and that while they always thought that the men at the top were experts, the young people have now found that they know as much about politics as those who are running it do. She states that in its best sense politics stands for ideas, ideals, cooperation, and public duty; that in this as in other things

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youth has continually faced a closed door, but a door which will now have to be kicked down or be opened from within; that in Europe they heard the knocking and opened the door—Stalin, Mussolini, and Hitler focussing their political progress by making youth the most important part; that they swept into power propelled by the vast energy of youth and by appealing to it emotionally; that they were hungry for attention; and that the leaders who made them feel individually necessary to the fate of the nation received support that swept everything before it; that all that was necessary was organization; and that the enthusiasm of the youth took care of the rest.

She states that the ruthlessness of capitalism is something of the past; that it was a system of life for the Mellons, the Morgans, the Insulls, the Mitchells, and the Harrimans; that this system collapsed on the economic side in the great depression and on the political side during the great war; that this loss has shown that new wheels are needed; and that youth can observe three roads.

The author lists the first of the three roads as the worn and rutted road of tradition, capitalistic democracy, the second as the road of Communism, and the third as the road of Fascism. She then continues,

"But isn't there a fourth road? Less discernible, but feasible, the "road of national democracy." According to this doctrine the state and the individual are indispensable components and it is designed to assure the individual a freedom of expression which is not possible in the old type of society, a society for a few individuals. By laying stress on the obligations of every individual towards the social unit of which he is a small part, instead of underscoring his rights irrespective of the effect upon the social group, national democracy seeks to contribute to the greatest good of all. It is directed freedom, neither the rule of Communism which does away with individual initiative, nor the rule of uncontrolled democracy, which leads to chaotic and suicidal competition; it is a reign of cooperation between the individual to whom is conceded the privilege of developing a nation economically, and the state, which makes the concession in the interests of the general group."

The author states that keeping in mind the purposes of youth, there is no doubt that Roosevelt is the leader to whom they should turn; that he is a young man's President; and that he must know that the future of America lies in the strength of youth to carry on.

She devotes a chapter to peace stating, "What could be more simple than a wholesale refusal to fight? Suppose a government issued a call to arms and three people volunteered. Can you jail a nation?" She contends that diplomatic relations between nations should be strengthened, however,

that in any particular instance diplomatic negotiations should fail; that a swift and concerted military pressure on a wayward and trouble-making nation would undoubtedly bring results; that the United States is a great power and in the event we see symptoms of war developing, we should cooperate and use our influence to swing the balance. Her arguments regarding peace and war seem at cross purposes.

The author states that she went to Geneva in September, 1933, as a representative young person, who was a good listener, but that she was disillusioned at the cross purposes of arguments and that apparently nothing was accomplished; that youth had no part in the program and was not represented; and that the meetings were little more than a series of speeches.

She relates that she visited in Germany for ten days, talking with as many young Nazis as possible. She found that Germany was miserably mangled by defeat and struggling with economic depression; that the youth of Germany had the prospect of paying for reparations, all of which was disheartening and which gave Hitler the opportunity he needed; that Hitler knew the power behind young people and knew how to capitalize on it; that youth is following him with religious fanaticism, so blindly loyal that it has led to the excesses which have brought the condemnation of the world upon it; however, that these errors were less the fault of youth than the fault of the leaders. She states, "In this book it is not my purpose to defend or attack Hitlerism; I am concerned only in pointing out objectively the fact that his methods are efficient to the highest degree. His methods if applied to a different and perhaps nobler cause would be just as efficacious." She censures his short-sightedness in connection with the Jews, intellect, and morality, but states, "This much is true, Germany has had a rebirth of opportunity; faces are full of laughter; there is little complaining and much cooperation."

The author devotes a short chapter to Fascism, stating that when Mussolini and his followers came into power they were absurdly young, but that whatever right or wrong there might be in their beliefs and their program, it cannot be denied that Mussolini correctly interpreted the feelings of his people; that he offered great leadership and magnificent courage and most important of all, he succeeded; that Mussolini's genius pushed Italy right into the front rank of world notice by always winning his young men and women; and that while she will not be interested in the details of Fascism in her discussion, that his success was a splendid example of power and dormant youth.

She states that the young people of England are more cautious than those of other countries; that they are not interested in war; and that this is a central plank upon which American and English youth stand. She believed

that from the shape of things in the rest of Europe it was apparent that English and American youth must combine to resist outside forces in the interest of peace. She further stated that the political programs of one country were generally not adapted to any other country and could not be expected to work there; that leaders must always rise from within and have a particular accommodated program.

The author devoted a short chapter to Spain, stating that there was little activity among Spanish youth by reason of lack of leadership, but that that might come.

She also devotes a short chapter to Russia, stating that young people are the primary cause of the rulers and that regardless of whether or not the Russian system worked, that youth was the dynamic force in the Government.

With reference to American youth the author stated that there was discontent, disillusionment in the past, and scepticism as to the future; that it was impossible to find jobs; that the exposure of the greed of our pre-war successful men has left them in a state of defeat. She provides the following answer to this condition: To build anew on an ideal of service whereby life might be made richer and fuller; that our old system was built up by trial and error; and that we must examine it carefully and discard that which is false and selfish and harness that which is worthwhile; that youth is content to wait for leadership which would take initiative; and that their aims bear little resemblance to the harsh and tyrannical organizations of Europe; that they hold none of the fanaticism and violence of the Nazis; and that they do not want to force all minds into one mold as do the Communists, but that they do believe in original and individual thinking; that their energy must be organized and centralized; that both organized and un-organized youth must be joined into one force with leaders to be drafted from its ranks; that dictatorship is not sought because belief in representative democracy prevails; and that leaders must not come for wealth or fame, but for service. She concludes by stating that we are at a turning point; that there are a few enlightened leaders among our parents who can carry on for a few years, but we are the leaders of tomorrow and we must study, work, and cooperate to lead the country and ourselves toward a higher life.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

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DATE January 9, 1942

TO Secretary Morgenthau  
 FROM Mr. Kaserck

Subject: Plane Shipments to British Forces in the year ending December 31, 1941

Summary

1. In the year ending December 31, 1941, British Forces received from the United States a total of 4,834 planes of all types (3,353 combat planes). This is equivalent to monthly average deliveries of 403 planes (278 combat planes.)

2. Light and medium bombers made up slightly more than a third of the total, while trainers and pursuit planes were each slightly less than a third. Only 109 heavy bombers were delivered to the British, or two percent of the total deliveries of all types. The distribution by types was as follows:

Type	Number	Percent of Total
Light and medium bombers	1,647	34
Trainers	1,445	30
Pursuit	1,418	29
Naval patrol bombers	137	3
Heavy bombers	109	2
Army Cooperation	42	1
Commercial planes	36	1
Total	4,834	100

3. Half of all the combat planes were delivered to the United Kingdom, while just over a third went to the Middle East. The British Pacific Forces received less than 10 percent of the total. The distribution of the combat planes by destination was as follows:

Destination	Number	Percent of Total
United Kingdom	1,673	50
Middle Eastern Forces	1,193	36
Pacific Forces	290	9
Canadian Forces	104	3
Forces in Russia	93	3
Total	3,353	100

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Type  
 Light & medium bombers  
 Trainers  
 Pursuit  
 Naval patrol bombers  
 Heavy bombers  
 Commercial planes  
 Army cooperation  
 Total

<u>No</u>	<u>% of Total</u>
1,798	35.35
1,512	29.80
1,418	27.28
137	3.3
109	2.2
62	1.1
42	1.1
<u>5,078</u>	<u>99.10</u>
5,016	96.96

Destination  
 U.S.A.  
 Middle Eastern Forces  
 Pacific Forces  
 Indian Forces  
 Forces in Russia

<u>No.</u>	<u>% of Total</u>
1,710	49
1,193	34
290	8
218	6
93	3
<u>3,504</u>	<u>100</u>

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Shipments of U.S. Planes on British  
Account for Year Ending December,  
1941

Table A - Shipments by Area (Year Ending December, 1941)

	<u>Total Reported in 1941</u>	
<u>To the United Kingdom</u>		
Light and medium bombers	1,161	
Heavy bombers	104	
Naval patrol bombers	102	
Pursuit	311	
Army Cooperation	32	
Trainers	24	
Commercial planes	<u>6</u>	
Total to the United Kingdom		1,740
<u>To the Middle East</u>		
Light and medium bombers	330	
Heavy bombers	5	
Pursuit	148	
Army Cooperation	10	
Trainers	142	
Commercial planes	<u>56</u>	
Total to the Middle East		1,391
<u>To the British Pacific Forces</u>		
Light and medium bombers	95	
Naval patrol bombers	27	
Pursuit	168	
Trainers	<u>105</u>	
Total to British Pacific Forces		395
<u>To the <del>British</del> Forces in Russia</u>		
Light and medium bombers	44	
Pursuit	<u>49</u>	
Total to <del>British</del> Forces in Russia		93
<u>To the Canadian Forces</u>		
Light and medium bombers	168	
Naval patrol bombers	8	
Pursuit	42	
Trainers	<u>1,241</u>	
Total to Canadian Forces		1,459
<u>Totals</u>		
Light and medium bombers	1,798	
Heavy bombers	109	
Naval patrol bombers	137	
Pursuit	1,418	
Army Cooperation	42	
Trainers	1,512	
Commercial Planes	<u>63</u>	
Total - All Types		5,078



Table B - Shipments by Types  
(For Year Ending December, 1941 )

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	<u>Total Reported in 1941</u>
Bell Airacobra	154
Boeing B-17C	20
314 Flying Boat (commercial)	3
Boston III	39
Brewster Buffalo	168
Cessna T-50	614
Consolidated Catalina	129
Catalina I-A	8
Consolidated L.B. -30 (B-24)	6
Liberator I (B-24A)	19
Liberator II (B-24B)	64
Curtiss C.W. 20 (troop carrier)	1
Tomahawk	593
Kittyhawk	382
Douglas Boston I	1
Boston II	81
Boston III	439
D.C. II (communications plane)	10
Fairchild 24 R-9 (reconnaissance)	22
Glenn Martin Maryland	150
Baltimore	68
Grumman Martlet II	41
Lockheed B-14	1
Electra (commercial)	10
Hudson III	502
Hudson IV	70
Hudson V	397
Lodestars (commercial)	28
Transports (commercial)	21
North American Harvard II	897
Mustang	80
Pittcairn Autogiro	5
Stearman	1
Stinson O-49 (observation)	4
Vought Sikorsky Chesapeake	50
Grand Total - All Types	<u>5,078</u>

Table A - Shipments by Area  
(For Year Ending December  
1941)

	<u>Total Reported in 1941</u>	
<u>To the United Kingdom</u>		
Light and medium bombers	1,124	
Heavy bombers	104	
Naval patrol bombers	102	
Pursuit	311	
Army Cooperation	32	
Trainers	34	
Commercial planes	<u>6</u>	
Total to the United Kingdom		1,703
<u>To the Middle East</u>		
Light and medium bombers	730	
Heavy bombers	5	
Pursuit	348	
Army Cooperation	10	
Trainers	142	
Commercial planes	<u>30</u>	
Total to the Middle East		1,365
<u>To the British Pacific Forces</u>		
Light and medium bombers	95	
Naval patrol bombers	27	
Pursuit	168	
Trainers	<u>105</u>	
Total to British Pacific Forces		385
<u>To the British Forces in Russia</u>		
Light and medium bombers	114	
Pursuit	<u>49</u>	
Total to British Forces in Russia		93
<u>To the Canadian Forces</u>		
Light and medium bombers	54	
Naval patrol bombers	3	
Pursuit	42	
Trainers	<u>1,174</u>	
Total to Canadian Forces		1,278
<u>Totals</u>		
Light and medium bombers	1,647	
Heavy bombers	109	
Naval patrol bombers	137	
Pursuit	1,418	
Army Cooperation	42	
Trainers	1,445	
Commercial planes	<u>36</u>	
		6,374

Table B - Shipments by Types  
(For Year Ending December, 1941)

	<u>Total Reported in 1941</u>
Bell Airacobra	154
Boeing B-17C	20
314 Flying Boat (commercial)	3
Boston III	39
Brewster Buffalo	168
Cessna T-50	548 614
Consolidated Catalina	129
Catalina IA	8
Consolidated L.B.-30 (B-24)	6
Liberator I (B-24A)	19
Liberator II (B-24B)	64
Curtiss C.W. 20 (troop carrier)	1
Tomahawk	593
Kittyhawk	382
Douglas Boston I	1
Boston II	81
Boston III	439
D.C.II (communications plane)	10
Fairchild 24 R-9 (reconnaissance)	22
Glenn Martin Maryland	150
Baltimore	68
Grumman Martlet II	41
Lockheed B-14	1
Electra (commercial)	10
Hudson III	351 502
Hudson IV	70
Hudson V	397
Lodestars (commercial)	23 28
Transports (commercial)	← 21
North American Harvard II	897
Mustang	80
Pitcairn Autogiro	5
Stinson D-49 (observation)	4
Vought Sikorsky Chesapeake	50
Grand Total - All Types	<u>4,834 5078</u>

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 8000

PLEASE QUOTE

REFERENCE NO. \_\_\_\_\_

With the compliments of British Air Commission,  
who enclose Statement No. 15 - Aircraft Shipped -  
for the week ended January 6, 1945.

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

January 9, 1945

Most Secret

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STATEMENT NO. 15.

AIRCRAFT DESPATCHED FROM THE UNITED STATES  
DURING WEEK ENDED JANUARY 6, 1942.

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA.
<u>CESSNA</u> T-50	Canada	—	—	—	1
<u>CONSOLIDATED</u> Catalina	Canada	—	—	—	5
<u>CURTISS</u> Kittyhawk	Middle East	Port Sudan	30	—	—
<u>FAIRCHILD</u> 2459	U. K.	U. K.	4	—	—
<u>GLENN MARTIN</u> Baltimore	Middle East	Port Sudan	23	—	—
<u>LOCKHEED</u> Hudson V	Canada	—	—	—	1
<u>NORTH AMERICAN</u> Harvard II	S. Rhodesia	Durban	8	—	—
TOTAL			65	—	7

British Air Commission,  
January 8, 1942.

January 9, 1942

Dear Lauch:

Thank you so much for sending me a copy of the statement on the war-time interest rate policies of Great Britain and Canada.

I read it with great interest.

Yours sincerely,

(Signed) E. Berenson, Jr.

Mr. Lauchlin Currie,  
Administrative Assistant to the President,  
The White House.

*File N.M.C.*

7 1. e - Bell  
157  
receipt has  
been filed

THE WHITE HOUSE  
WASHINGTON

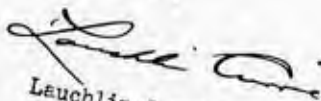
December 24, 1941.

Dear Mr. Secretary:

Some time back I had my assistant,  
Mr. Salant, prepare a brief statement on  
the war-time interest rate policies of  
Great Britain and Canada.

The present appears to be an  
appropriate time to bring this statement  
to your attention.

Sincerely yours,



Lauchlin Currie

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

noted by D. H. Bell -  
1/14/42 -

WAR-TIME INTEREST RATE POLICY IN GREAT BRITAIN AND CANADA

Great Britain and Canada have borrowed heavily to meet their war expenditures, yet in both countries interest rates are lower than they were at the outbreak of the war. Official policy is mainly responsible for this development. The British and Canadian Governments have pursued a policy of preventing any increase in rates, and this policy was clearly understood and accepted by the public.

A. Great Britain.

There was an initial period of uncertainty in Great Britain at the outbreak of the war as to the future of interest rates. Wars in the past had always meant high interest rates; the "five percent war" of 1914-18 was still fresh in the memories of the investing public. Furthermore, the Government hesitated in forming and announcing its policy.

By now, all doubts have long since been resolved. By frequent statements in the House of Commons, as well as by its borrowing and open market operations, the Government has made its position clear. For example, after the first two borrowing operations early in 1940, the Chancellor of the Exchequer emphasized that the terms of those loans established precedents for the remainder of the war, saying:

"The policy of the Government is to aim at stability of interest rates and to secure that the yields offered on future loans, whatever their type, shall, after making due allowances for such factors as the periods of the loans, be in agreement



with the level of interest rates as established by the recent two percent Conversion Loan and of the three percent loan just issued."

A year later, in February, 1941, the current level of interest rates was so well established that the Government consented to give up the power to borrow at higher rates. This occurred in discussion of the annual bill empowering the Treasury to issue loans. Following the wording used in previous years, the bill authorized the Treasury to borrow at a maximum rate of five percent. The Chancellor assured the House that he had no intention of allowing rates to rise, and agreed to change the maximum figure to three percent.

The easy money policy has received prominent mention in three of the four war-time budget speeches. The most recent statement occurred at the very beginning of Sir Kingsley Wood's April 1941 budget address:

"The measures we have taken have combined to make it possible for us to borrow at what, by the standards of any previous war, is a very low rate of interest.....We have no intention of borrowing on worse terms as the war proceeds. We shall hope to improve upon them."

The success of the policy is indicated by the course of interest rates. The yields on long-term Governments have not only failed to rise, they have shown a substantial decline. One long-term issue which was selling to yield four percent in September 1939, reached  $3\frac{1}{2}$  percent a year later and is now selling on a three percent

basis. Other yields have fallen correspondingly.

The terms of new Government loans have reflected this improvement in yields to some extent. The largest source of borrowed funds has been 2½ percent War Bonds, an intermediate term security which is "on tap" at the Treasury. The first issue of these bonds, put on sale in June 1940, had a maximum maturity of seven years. A new issue was just announced, carrying the same coupon but maturing in nine years. Taking all financing into account, the British Treasury has borrowed at an average rate of about two percent.

The amount borrowed at these rates has been substantial. Great Britain entered the war with a national debt about double her national income. In the first 18 months of war Treasury borrowing amounted to about 30 percent of the national income in the same period. One-third of this amount has been obtained from foreign sources, and should probably be deducted.<sup>1/</sup> The remainder, constituting 20 percent of the national income, may be considered as borrowed "from strictly domestic sources." Of this 20 percent, 8 percent was borrowed from the commercial banks and the Bank of England, leaving 12 percent borrowed from domestic sources other than banks. The corresponding figure for the last six months of the 18-month period, running from September 1940 to February 1941, is 15 percent, and for the most recent half year it probably would be considerably larger.

<sup>1/</sup> See British White Paper on War Finance. This amount represents the increase in foreign balances in London, which are largely invested in Treasury bills, and the re-investment by British residents of the proceeds of foreign investments which they have sold to the Government or on the market.

B. Canada

The Canadian experience with respect to interest rates has closely paralleled the British. Bond yields rose sharply at the outset, and there was a great deal of discussion of the future of interest rates for the first few months. But it soon became generally accepted that they would remain stable or drift downward, and Government bonds gradually recovered to their pre-war levels. The terms of the three war loans have become progressively more favorable to the Government.

The official policy was stated early in the war, in the budget speech of September 1939:

"What we cannot meet by taxation we shall finance by means of borrowing from the Canadian public at rates as low as possible. There may be some who expect or fear that interest rates will rise substantially, perhaps a few who are thinking in terms of conditions during the last war. Such a view completely overlooks the vast changes that have taken place. We do not expect that any material change in interest rates from peace-time levels will be necessary to attract a sufficient portion of the large increase in savings which should be produced by the expanding production and incomes under war-time conditions. And we refuse to believe that those of our people who will benefit from the new conditions would seek to take advantage of war necessities to demand any undue increase in the interest rates which we have paid in peace-time."

This statement was the only public declaration on interest rates. The leading banks and institutional investors constitute a small group, however, and they constituted the bulk of the war loan committees. It is quite probable that the Treasury and the Bank of Canada informed this group that they would allow no rise in rates.

The Dominion Government has relied heavily on borrowing, though in relation to national income its borrowing operations are smaller than the British. It is estimated that the Government loans in the current fiscal year will amount to 22 percent of the national income. If two-fifths of this amount is obtained from the banks, as in the past, the remainder will come to 13 percent.

TREASURY DEPARTMENT

1007

INTER OFFICE COMMUNICATION

DATE January 9, 1942

TO Secretary Morgenthau  
FROM V. F. Coe VFC

Subject: Reports of the British Ministry of Economic Warfare.

Attached is a copy of some strictly confidential reports by the British Ministry of Economic Warfare, for the week ending November 10, 1941, and sent to us from London by Mr. Coady. A few of the interesting points are the following:

1. The British Ministry of Economic Warfare wishes that the United States would refuse to transfer Swiss unmarked gold to Portuguese account, claiming that the refusal would prevent the Swiss from financing German purchases in Portugal until Swiss assets in the United States are exhausted.

2. The British have a quota for exports of oil seeds and nuts to Portugal, and evidence continues to accumulate of the passage of these products from Portugal to the enemy.

3. The British Ministry of Economic Warfare wants the United States to ban imports of dollar notes; and are specifically opposed to such imports from Spain, since this would give Germany a good market for dollar notes.

4. The British apparently are controlling Swedish imports to prevent Sweden from importing goods in excess of its own needs.



EMBASSY OF THE  
UNITED STATES OF AMERICA

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LONDON, ENGLAND, November 19, 1941.

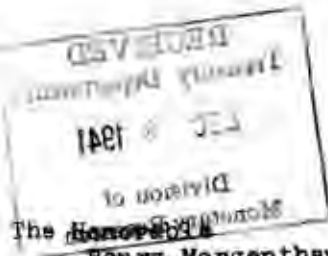
STRICTLY CONFIDENTIAL

Dear Mr. Secretary:

The enclosed material will be of interest to Dr. White's Division.

Enclosed are some strictly confidential notes made available by the Ministry of Economic Warfare. The material itself is not especially startling but I thought it would be of interest to you. It is, however, what the Ministry designates as "most secret" and should not, therefore, be given much circulation.

Sincerely yours,



Henry Morgenthau, Jr.,  
Secretary of the Treasury,  
Washington.

ENEMY TRANSACTIONS DEPARTMENT

Report for week ending 10th November, 1941.

1. We have now received the text of the amendment to U.S. General Licence 32, under which family remittances to Europe from the U.S.A. are regulated.

The position is more satisfactory than we had thought. Dollars resulting from these remittances can only be credited to the blocked account of a banking institution of the country in which the payer resides. Our fears that this traffic would continue should Portugal, for instance, be prepared to accept blocked dollars for escudos, should not be realized as Washington tell us that there is now no danger of remittances to Axis-controlled nationals over countries such as Portugal or Switzerland. In addition, the American paying bank has to satisfy itself as to the bona fides of the payer.

Misunderstandings as to the operation of the rapidly expanding network of U.S. freezing regulations are being gradually cleared up by correspondence with Washington, one of the outstanding points under discussion being whether branches in South America of U.S. banks are still to deal in dollars with Axis or Axis-controlled nationals resident in Europe.

- 2/ The American Embassy, Berlin has informed H.M.G. that the German Government now require that francs expended for the relief of British subjects in Occupied France must be purchased with free dollars. Hitherto the francs have been advanced by the Vichy Government against sterling credited to them in the Reciprocal Advances Account.

A sum of \$200,000 per month is involved in the proposal. On the other hand about 8,000 British subjects are more or less dependent (in many cases, entirely dependent) upon these relief payments.

The possibility of finding an alternative method of payment, less advantageous to the enemy is being explored, so far without success.

3. A telegram was received from Washington saying that the Swiss proposed to transfer 10 million dollars' worth of their earmarked gold in the U.S.A. to Portuguese account, against which the Portuguese would release to them the equivalent amount of gold held on their account in Switzerland. Stopford added that the Treasury Department were inclined to refuse permission for this transfer as they would also have to transfer other gold held on Swiss account in the U.S.A. We wired back to him that we hoped they would maintain their refusal, for apart from the general desire on the part of the Swiss to remove gold from the U.S.A., prompted no doubt by the feeling that sooner or later they might have

their/

their general licence withdrawn owing to the extent to which they realize they had become subservient to Germany. Permission to make the particular transfer suggested would enable the Swiss to go on financing German purchases in Portugal until their assets in the U.S.A. were exhausted.

The method adopted hitherto by which these purchases are financed is that the Swiss buy escudos from the Portuguese for transfer to German account, selling them Swiss francs convertible into gold in Switzerland. If this gold is now returned to the Swiss in exchange for the gold in the U.S.A. the only limit to such purchases is the extent of the Swiss assets in the U.S.A.

4. A telegram was received from Vigo informing us of a proposal by the Spanish Foreign Exchange Institute to ship \$50,000 in notes in the 'Magallanes' to New York and advising us that further shipments of notes were contemplated. We informed Vigo that permission should not be given either for this shipment or for subsequent shipments and advised Madrid of our reasons for this action. To grant exemption in this case would nullify the whole usefulness of the Enemy Currency Regulations, for not only would it enable the Spanish Foreign Exchange Institute to dispose of notes which may possibly have been obtained either directly or indirectly from Germany, but it would mean the continuance of the existence of a market in notes in the Iberian Peninsular thereby enabling the Germans to continue to obtain good prices for such notes as they desired to cash.

We have advised Washington of this episode and of the proposals to use notes in the case of the Campechano, now fortunately dropped, and have urged them to approach the U.S. Authorities again with a view to persuading them to ban the import of dollar notes.

5. A meeting was held with the Admiralty, Foreign Office, Colonial Office, Censorship and various members of M.E.W. to discuss the application of the Enemy Currency Regulations to passengers. It was decided, after consultation with Washington, that passengers should be allowed to take up to \$1,000 or its equivalent per adult passenger before rendering themselves liable to have their currency removed for seizure under the Regulations. All amounts above this figure and all amounts of securities will be liable to seizure. At the request of the Foreign Office it has been decided to allow existing procedure to continue for the time being, in so far as officials with diplomatic privileges are concerned, but we are asking the Colonial stations to report details of currency carried by such persons.

6. Following a telegram from the Insurance Mission last week giving the lines of a preliminary agreement with the U.S. Government, another telegram was received indicating that as much progress had been made with the proposals for cooperation as was possible before the Mission returned to London, adding that the Canadians had agreed them in principle. A further telegram from the Mission was received later giving the proposed



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basis for understanding between the British and U.S. Insurance Markets in regard to the grant of insurance to vessels holding American Ship Warrants, but without a British Ship Warrant. These proposals are being examined by the M.O.W.T. in conjunction with us.

We discovered that under the inverted navicert procedure, navicerts had been issued in respect of shipments from Switzerland and Ireland without any declaration having been made as to non-enemy insurance. We have arranged that in future all applications for Navicerts from those countries shall be accompanied by a Statement of Insurance.

It has been suggested by a London Insurance Broker recently in the Middle East that much Turkish and Persian re-insurance could be diverted from the enemy if London would make further efforts to obtain it. This claim is being investigated, but our impression is that

- (1) Turkish Re-insurance has in the recent past been unacceptable to the London Market owing to transfer difficulties.
- (2) Persian re-insurance with England is, or has been until very recently rationed by the Persian Government for political reasons, but that a substantial amount is already done in London. This is being confirmed by the J.I.C.

Information was received that the representative of a Lloyd's Broker in Persia was in relations with the enemy. We also learnt from the D.O.T. that this representative, a prominent man in Persia, was apparently misconducting the company's business and had come in conflict with the local Minister of Finance. The brokers in question have been told to investigate the matter and have taken it up through the D.O.T. Statutory Listing may follow.

D. W.  
12th November, 1941.

Copied in American Embassy,  
London, November 14, 1941.

ENEMY RESOURCES DEPARTMENTWork for Week Ending 10th November1. Memoranda prepared:

- a) Possible sources of substitutes for fuel oil in North Africa (for Oil Department).
- b) Review of available evidence of this year's crops in Europe (for Weekly Summary).
- c) Draft paper on price control in Germany.
- d) Labor in the German aircraft industry: influence on output of changes in design.
- e) Ship repair facilities available in Italy (for Oil Dept. in connection with assessment of damaged tanker tonnage now in port).
- f) Draft report on German tank and A.F.V. production.
- g) Pre-emption recommendations.
- h) Increase in spinning and weaving capacity in Turkey during the last few years.
- i) Comparison of clothes ration cards in Great Britain, Germany and Italy.
- j) Alcohol production in German Europe.

2. Portugal: Unshipped balances. In connection with an application from London to ship certain quantities of oil seed and nuts which were not shipped in the third quarter but would not be additional to the quota for the fourth quarter, it was once more pointed out that evidence continued to accumulate of the passage of vegetable oils from Portugal to the enemy. While it was decided to authorize the present applications it was agreed that the whole question of the Portuguese quota for vegetable oils and seeds should be reviewed when the quota for the first quarter of 1942 came up for decision.

3. Sweden: Sugar and Honey. A request had been received from the Swedes to permit the import of 200 tons of honey during the fourth quarter of 1941 in place of their quota of 5,000 tons of sugar. As this quantity of honey represented more than Sweden's imports for three years, the request was viewed with suspicion by the Committee, and it was suggested that the Swedes should be asked to give their reasons for wanting this quantity of honey, as well as an indication of the use to which it was to be put.

4. Furs and Fur Skins: It is known that Germany is making desperate efforts to obtain furs and fur skins of all kinds, and as a large number of applications to import these commodities into Neutral Countries have been received it seemed reasonable to connect the two facts. The suspension of imports into Switzerland has been obtained as a temporary measure pending a report from Berne, and applications for Spain, Portugal and Sweden are being closely scrutinized. It is hoped to present a reasoned memorandum to the Permits Committee in the near future.

5. A representative of Crookes Laboratories attended a meeting regarding Norwegian fish oil refineries.

6. Discussions have taken place with representatives of M.I.10b regarding methods of calculation of consumption of rubber by the German Army.

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7. A survey of wax exports to Japan (particularly from Brazil) has been carried out with the object of discovering whether the cooperation of the United States Government should be sought in pre-empting these supplies.

8. Arrangements have been made for members of the Engineering and Armaments Sections to inspect the German submarine which was recently captured complete and which is now refitting at a dockyard in the North.

NEXT WEEK

As for week ending 3rd November, together with:

- a) The strength of para military formations in German Europe.
- b) The strength of the Italian Army.
- c) Developments in Trade Agreements in German Europe since August 11th.
- d) Solvents in German Europe.

R. H. OWEN.

11.11.41

MOST SECRET

SHIPPING DEPARTMENT.  
REPORT FOR WEEK ENDING MONDAY,  
10th November 1941.

1. S.S. "NYASSA".

It was reported from New York that when this ship sailed therefrom recently for Lisbon, some forty of its officers and crew were each carrying amongst their personal effects a radio set. As there had previously been evidence from Censorship Sources which suggested that there might be a scheme on foot to import radio sets into Portugal by this means, with a view to avoiding Portuguese customs duties or for some other ulterior motive, the matter was brought to the attention of the Contraband Committee. The Committee decided in the first place that a holdback guarantee should be obtained from the shipowners, and this was duly done. It later appeared that, though on insufficient information as to the number of sets being carried, H.M. Consul General, New York, had not objected thereto. The matter was again referred to the Committee and it was decided that the holdback guarantee and the delay of some days, during which the sets were kept in the Customs House at Lisbon, would have been sufficient to impress on all concerned the fact that the carriage of identical articles by so many members of a ship's company, must necessarily arouse suspicion. This incident has drawn attention to the difficulty of deciding the propriety or otherwise of the carriage by individual members of a crew of neutral ships into their own country of goods which are said to be for the personal use of themselves or their families. The question of evolving some standard, whether by particular articles, or by value, or by quantity, for permitted imports of this kind, is now under consideration.

2. S.S. "MARIA RAMOS"

It was reported by Barcelona that certain ships among them the s.s. "Maria Ramos", which trades regularly between Malaga and Barcelona, had taken olive oil from the former port to the latter for transhipment to the German s.s. "Lisbos", for carriage to Genoa. When this matter was brought to the attention of her owners, who are Warrant holders, they stated that they only accepted at Malaga goods shipped on a "cabotaje" permit, i.e. one for ordinary coastal traffic only, whereas if goods are to be transhipped and exported, an "exportation" permit is required. Barcelona points out that this means that shippers of goods from Malaga for transhipment at Barcelona to Italy, are in fact, paying certain shipping taxes twice. This seems significant as it suggests that our control of Spanish shipping is sufficiently effective to make the shippers of such goods resort to expensive devices to conceal their eventual destination. As to this particular case, the

owners/

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owners of the "Mario Ramos" stated that whatever sort of permit is used, it would be possible for their Malaga office to ascertain the eventual destination of the goods, and they have agreed to give instructions that all goods intended for transshipment to Italy should be refused.

### 3. SMUGGLING ON LLOYD BRASILEIRO SHIPS.

As an addendum to the smuggling of lighter flints on board the ships of this company which was mentioned in the Report for the week ending October 24th, it has now been learned from Lisbon that a further attempt to smuggle these articles was made when the s.s. "Cuyaba" was there recently.

H.M. Consul General successfully intervened to prevent considerable quantities being taken on board.

### 4. SHIP WARRANTS FOR GREENLAND.

The most interesting warrant application of the week was in respect of three Greenland ships. These ships were to be employed between Greenland and the United States and application for Ship Warrants was made for them. It appeared that they were to be operated by the Greenland Government, but the status or existence of such a body is not entirely clear. It appears, however, that the affairs of Greenland are largely run by a Committee in New York, and there is a Governor of South Greenland who is a responsible and pro-Ally individual. He had signed the Warrant undertaking in respect of these ships, and after consultation with Neutral Trade Department, it was decided that his signature should be accepted, and the warrants issued to him. In case there should be any difficulty there is a safeguard in that the ships will, in fact, be managed by the Danish East Asiatic Company, who are already warrant holders.

### 5. INSURANCE

A very satisfactory reply has now been received from the Insurance Mission in Washington to the telegram which we sent raising questions relating to the insurance of ships holding United States Ship Warrants referred to in Weekly Report for week ending Monday, October 27th, 1941. Parts of the telegram were corrupt and it is therefore impossible to give full details at present, but it is clear that the United States have agreed that the possession of a British Ship Warrant shall normally be the sine qua non, and although in certain instances they suggest that insurance on either the United States or London Market should be withheld if vessels do not also possess United States Ship Warrants. There seems very little doubt that we shall readily be able to agree to their

proposals/

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proposals when the full details have been clarified.

6. VLASOV.

Negotiations with this Statutory Listed shipowner were broken off about a month ago as all our efforts to secure the services of his 3 ex-Roumanian, now Panamanian vessels, have proved fruitless.

It will be recalled that Vlasov went to the Argentine some months ago and that soon after his arrival there, reports reached us that the 3 ships were being transferred to the Argentine flag. The Argentine Government were immediately informed that we would not recognise these transfers and that we would continue to regard the vessels as Roumanian and to reserve our belligerent rights irrespective of what flag they were flying. The Argentine Government then informed us that they would not confirm the permanent certificates of transfer (temporary certificates having already been issued) until they had had an opportunity of considering our reasons for regarding the ships as enemy-owned. H.M. Ambassador in Buenos Aires was supplied with this information in full.

The Argentine Minister in Washington is now giving the United States Authorities no peace over this case. The Selter Mission and our Embassy have, therefore, suggested that in order to convince the Americans, firstly that any responsibility for the vessels continuing to lie up rests entirely with the owner, and secondly, so as not to embarrass unduly the United States Authorities in their relations with the Argentine Government we should offer to re-open negotiations on the following basis:

- (a) The 2 ships in U.S. and Brazil to be chartered to the U.S.M.C. by the Dolphin Company for the duration of the war; transfer to Argentine flag to be recognised; limitation of trade to the Western Hemisphere.
- (b) The vessel in Lisbon to be chartered to the Ministry of War Transport by the Dolphin Company for the duration of the war, and to operate under the Panamanian flag. No limitations of trade.
- (c) All charter monies earned in the United Kingdom or United States to be blocked with the exception of such funds as are required for the operation of the vessels. Special arrangements to be made for the release of such funds.

(d)

- (d) Vlasov personally, to remain on the Statutory List, but the Dolphin Steamship Company and the 3 ships to be recommended to the Black List Committee for deletion from that List, subject to the above proposals being implemented.

It is thought probable that neither Vlasov nor the Company will agree to these suggestions unless Vlasov personally is delisted and his assets in this country released. These include 3 ships which have been sequestrated and are at present employed by the Ministry of War Transport.

That being the case, we shall carry out our threat of regarding the vessels as enemy and endeavour to intercept them if they put to sea. Provided we can convince the United States Authorities, as we think these proposals will, that we have taken all steps we can reasonably be expected to with a view to getting the vessels into service, we and the Ministry of War Transport consider that the price we shall have to pay for losing the service of the ships is infinitely preferable to giving way completely to Vlasov who must undoubtedly, from his behaviour and record, be regarded as an enemy of this country.

7. ENEMY SHIPPING CLAIMS COMMITTEE.

On 31st October, the Far Eastern Committee agreed that the Enemy Shipping Claims Committee should be authorized to arrest French vessels calling at Manila, leaving it to be decided between the Admiralty and this Ministry as to the exact moment at which a start should be made with arresting these vessels. At Professor Hall's request, however, it was further agreed that Washington should be informed before any arrest was actually made. It is hoped that these arrests may be used to supplement the scheme which the State Department proposes to formulate of limiting bunkers to French vessels at Manila, and it is proposed to begin by arresting any French vessel which might be used to carry rubber to France provided that there is a claim against the vessel. The next vessel falling within this category is not due at Manila for some two or three weeks.

8. M.E.W. COMMITTEE

At their 6th Meeting on Wednesday, November 5th the M.E.W. Committee considered the question of French Far Eastern shipping, and the means which could be adopted to prevent French ships from carrying cargoes useful to the enemy to French North Africa or France itself. The Committee also considered tanker traffic in the Aegean, and the case of certain British ships which have been seized by the Vichy authorities.

SHIPPING DEPARTMENT  
12th November, 1941.

COL. VICKERS (2).  
Mr. Ingrams.  
Sir N. Benthall  
Mr. Dudley Ward  
Mr. Owen

Pay.Capt. Brown  
Mr. Mark Turner  
Mr. Watson

MOST SECRETOIL DEPARTMENTProgress Report for Week Ending  
Monday 10.11.41.Neutral Section.

1. Draft letter, to be agreed with Petroleum Department, to Co-ordination Centre, Washington, setting out the petroleum situation in Shanghai.
2. Routine letters re navicerts and C.S. cables, to Lisbon and Madrid.
3. Draft telegram to Washington regarding bunkers for the French Flag ship FRANCOIS LOUIS DREYFUS at Manila.
4. Note for the French Shipping Department, Neutral Trade, on supplies available of bunker fuels for French oil-burning ships at Indo-China, Madagascar, Dakar, Casablanca and Occupied France.
5. Minute to Neutral Trade on Washington telegram 6341 Arfar of the 28th October regarding imports of petroleum products into Madagascar, and summary of the position of the present Far Eastern leak from Indo-China to North Africa and French Metropolitan ports.
6. Minute regarding application by the Shell Company for 700 tons of petroleum residue for the Shanghai Power Company. The Consul-General, Batavia, has enquired for our views as regards an export licence from the N.E.I. with a view to informing the Dutch authorities. We have come to the conclusion that in this instance we shall offer no objection, but we do not propose to put any pressure on the Dutch to grant the licence.
7. Minute on Stockholm telegram No. 658 to the Foreign Office of 4th November. A Swedish Delegation is shortly due in London and is asking, as usual, for increased quantities of petroleum products, including aviation spirit. The figures have not yet been disclosed to us, and the question is largely one (a) for the Air Ministry regarding stocks, consumption, etc., and (b) whether quid pro quo can be extracted from the Swedes. The old argument that if we desire to keep Swedish morale up to the mark in the hope of their resisting aggression it will be necessary to pump into Sweden quantities of petroleum products, will once again be made.
8. Minute on Tangier telegram No. 301 Arfar of the 3rd November, which stated that the most important French ships in Algiers and Tunis were now converted to coal and that the last oil burners in Morocco were being

converted/



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converted. Also that the coal mine at Karedza was being rapidly opened up. The suggestion therefore, was put forward by the Oil Department (1) that no more bunker oil was required for French North Africa, (2) As French North Africa was manufacturing large quantities of indigenous coal, no further imports of coal to be permitted from the U.S.

Enemy Section.

1. Attended further meeting of Hartley Committee on Axis industrial oil consumption.
2. Attended second meeting of Colonel Auld's Committee on Axis oil production, and later, with Sq. Ldr. N. Thomas and Mr. Congreve, prepared estimates of synthetic production for the Committee.
3. Discussed with Prof. Postan and Dr. Lees of the Anglo-Iranian Oil Company the effect of destruction in the oilfields in Maikop and Grozny areas.
4. Prepared list of Italian Refineries and their estimated capacity, storage capacity in Italy, Albania and Italian North Africa.

Transport Section.

1. It was discovered that Major General Appleyard, Director of Emergency Repair at the Ministry of Works and Buildings, possesses an expert knowledge of the working of German contractors and the TODT organisation in particular, and an equally expert knowledge of the conditions under which contractors must work in Russia. Maj. Gen. Appleyard was interviewed and seems likely to be able to decide the conflicting expert evidence on Herr Todt.
2. The rest of the work of this section has been the preparation of statistics and drafts for the impending general report on the Enemy Oil Position.

Colonel Vickers  
 Sir E. Benthall  
 Mr. Dudley Ward  
 Mr. Owen  
 Mr. Wood

Mr. Turner  
 Mr. Trench  
 Pay Capt. Brown  
 Mr. Ingrams  
 Mr. Somerville



SECRET

ENEMY RESOURCES DEPARTMENTWork for Week Ending 10th November1. Memoranda prepared:

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- b) Review of available evidence of this year's crops in Europe (for Weekly Summary).
- c) Draft paper on price control in Germany.
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It is thought probable that neither Vlasov nor the Company will agree to these suggestions unless Vlasov personally is de-listed and his assets in this country released. These include 3 ships which have been sequestrated and are at present employed by the Ministry of War Transport.

That being the case, we shall carry out our threat of regarding the vessels as enemy and endeavour to intercept them if they put to sea. Provided we can convince the United States Authorities, as we think these proposals will, that we have taken all steps we can reasonably be expected to with a view to getting the vessels into service, we and the Ministry of War Transport consider that the price we shall have to pay for losing the service of the ships is infinitely preferable to giving way completely to Vlasov who must undoubtedly, from his behaviour and record, be regarded as an enemy of this country.

7. ENEMY SHIPPING CLAIMS COMMITTEE.

On 31st October, the Far Eastern Committee agreed that the Enemy Shipping Claims Committee should be authorised to arrest French vessels calling at Manila, leaving it to be decided between the Admiralty and this Ministry as to the exact moment at which a start should be made with arresting these vessels. At Professor Hall's request, however, it was further agreed that Washington should be informed before any arrest was actually made. It is hoped that these arrests may be used to supplement the scheme which the State Department proposes to formulate of limiting bunkers to French vessels at Manila, and it is proposed to begin by arresting any French vessel which might be used to carry rubber to France provided that there is a claim against the vessel. The next vessel falling within this category is not due at Manila for some two or three weeks.

8. M.E.W. COMMITTEE

At their 6th Meeting on Wednesday, November 5th the M.E.W. Committee considered the question of French Far Eastern shipping, and the means which could be adopted to prevent French ships from carrying cargoes useful to the enemy to French North Africa or France itself. The Committee also considered tanker traffic in the Aegean, and the case of certain British ships which have been seized by the Vichy authorities.

SHIPPING DEPARTMENT  
12th November, 1941.

COL. VICKERS (2).

Mr. Ingrams.

Sir N. Benthall

Mr. Dudley Ward

Mr. Owen

Pay. Capt. Brown

Mr. Mark Turner

Mr. Watson

MOST SECRETOIL DEPARTMENTProgress Report for Week Ending  
Monday 10.21.41.Neutral Section.

1. Draft letter, to be agreed with Petroleum Department, to Co-ordination Centre, Washington, setting out the petroleum situation in Shanghai.
2. Routine letters re navicerts and C.S. cables, to Lisbon and Madrid.
3. Draft telegram to Washington regarding bunkers for the French flag ship FRANCOIS LOUIS DREYFUS at Manila.
4. Note for the French Shipping Department, Neutral Trade, on supplies available of bunker fuels for French oil-burning ships at Indo-China, Madagascar, Dakar, Casablanca and Occupied France.
5. Minute to Neutral Trade on Washington telegram 6341 Arfar of the 28th October regarding imports of petroleum products into Madagascar, and summary of the position of the present Far Eastern leak from Indo-China to North Africa and French Metropolitan ports.
6. Minute regarding application by the Shell Company for 700 tons of petroleum residue for the Shanghai Power Company. The Consul-General, Batavia, has enquired for our views as regards an export licence from the N.E.I. with a view to informing the Dutch authorities. We have come to the conclusion that in this instance we shall offer no objection, but we do not propose to put any pressure on the Dutch to grant the licence.
7. Minute on Stockholm telegram No. 658 to the Foreign Office of 4th November. A Swedish Delegation is shortly due in London and is asking, as usual, for increased quantities of petroleum products, including aviation spirit. The figures have not yet been disclosed to us, and the question is largely one (a) for the Air Ministry regarding stocks, consumption, etc., and (b) whether quid pro quo can be extracted from the Swedes. The old argument that if we desire to keep Swedish morale up to the mark in the hope of their resisting aggression it will be necessary to pump into Sweden quantities of petroleum products, will once again be made.
8. Minute on Tsangier telegram No. 301 Arfar of the 3rd November, which stated that the most important French ships in Algiers and Tunis were now converted to coal and that the last oil burners in Morocco were being

converted/



converted. Also that the coal mine at Karedsa was being rapidly opened up. The suggestion therefore, was put forward by the Oil Department (1) that no more bunker oil was required for French North Africa, (2) as French North Africa was manufacturing large quantities of indigenous coal, no further imports of coal to be permitted from the U.S.

#### Enemy Section.

1. Attended further meeting of Hartley Committee on Axis industrial oil consumption.
2. Attended second meeting of Colonel Auld's Committee on Axis oil production, and later, with Sq. Ldr. N. Thomas and Mr. Congreve, prepared estimates of synthetic production for the Committee.
3. Discussed with Prof. Postan and Dr. Lees of the Anglo-Irania Oil Company the effect of destruction in the oilfields in Maikop and Grozny areas.
4. Prepared list of Italian Refineries and their estimated capacity, storage capacity in Italy, Albania and Italian North Africa.

#### Transport Section.

1. It was discovered that Major General Appleyard, Director of Emergency Repair at the Ministry of Works and Buildings, possesses an expert knowledge of the working of German contractors and the TODT organisation in particular, and an equally expert knowledge of the conditions under which contractors must work in Russia. Maj. Gen. Appleyard was interviewed and seems likely to be able to decide the conflicting expert evidence on Herr Todt.
2. The rest of the work of this section has been the preparation of statistics and drafts for the impending general report on the Enemy Oil Position.

\* Colonel Vickers  
 Sir E. Benthall  
 Mr. Dudley Ward  
 Mr. Owen  
 Mr. Wood

Mr. Turner  
 Mr. Trench  
 Pay Capt. Brown  
 Mr. Ingrams  
 Mr. Somerville



January 9, 1942

Mr. Livesey

Mr. Dietrich

Will you please send the following message by radio to the Philippine High Commissioner at Fort Mills from the Secretary of the Treasury.

"Please advise by radio whereabouts of Anderson, Saxon, Nelson, Hebbard, Price and North of Foreign Funds Control staff and if they are well."

FD:dm:1/9/42

TELEGRAM SENT

FD

PLAIN

January 9, 1948

U.S. CONSUL COMMISSIONER,  
MANILA (PHILIPPINE ISLANDS).

S. Ninth.

FROM THE SECRETARY OF THE TREASURY.

NOTE. Please advise by radio whereabouts of  
Anderson, Sakon, Wilson, Hubbard, Price and North of  
Foreign Funds Control so far as they are well.

UNCLAS.

FULL  
(PL)

TO: MANILA: P&amp;S

THE WHITE HOUSE  
WASHINGTON

JAN. 9, 1942

MEMO FOR THE SECRETARY OF THE TREASURY:  
IN REGARD TO THE CHINESE LOAN, I REALIZE  
THERE IS LITTLE SECURITY WHICH CHINA CAN  
GIVE AT THE PRESENT TIME, YET I AM ANXIOUS  
TO HELP CHIANG-KAI-SHEK AND HIS CURRENCY.  
I HOPE YOU CAN INVENT SOME WAY OF DOING  
THIS. POSSIBLY WE COULD BUY A CERTAIN  
AMOUNT OF THIS CURRENCY, EVEN IF IT MEANS  
A PARTIAL LOSS LATER ON.

FDR.

THE WHITE HOUSE  
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID  
PAYMENT OF POSTAGE, \$300

BY WHITE HOUSE MESSENGER.

MR. FRANK DEITRICK,  
ROOM 279,  
TREASURY DEPARTMENT.

CONFIDENTIAL.

187

Original sent to farm Saturday  
by Mr. Southard.

187

Original sent to farm Saturday  
by Mr. Southard.

December 9, 1942

Secretary Morgenthau

W. B. Coe

Subject: Conference on Loan to China

Mr. White held a conference with Messrs. Berle, Currie, Livesey, and Legal Division, to discuss Chiang Kai-shek's request for a loan. It was agreed that they would ask Secretary Hull to send a letter to the Secretary stating that for political reasons negotiations on such a loan should be started. The group agreed that Fox and Adler should return to advise on the question of bond issues, etc.

Mr. Soong rang about this matter and I told him that it was receiving sympathetic consideration and being studied. He said he would like to talk about it, and a meeting was agreed to.

Version

January 9, 1942

Mr. Livesey

Mr. Dietrich

Will you please send the attached cable to the American Embassy, Chungking,  
for fax from the Secretary of the Treasury.

FD:dm:1/9/42



DRAFT OF RADIO TO FOX, CHUNGKING

1/7/42

Referring to final paragraph of your radio of January 1 containing suggestion as to General License 75, the effect of our action of December 26 respecting remittances is only to stop remittances through the offices of banks in occupied areas. This is true since under General License 75 dollar amount of remittance must be paid to designated agent for account of appointed bank, and on December 26 we revoked appointed bank status of offices in occupied areas. Therefore, as you have suggested, General License No. 75 is now only valid for remittances to free China and to occupied China via free China.

LCA:lhb 1/7/42

VCL

PLAIN

January 9, 1942

AMBASSY,

CHUNGKING.

11, ninth.

FOR FOX FROM THE SECRETARY OF THE TREASURY.

QUOTE Referring to final paragraph of your radio of January 1 containing suggestion as to General License 75, the effect of our action of December 28 respecting remittances is only to stop remittances through the offices of banks in occupied areas. This is true since under General License 75 dollar amount of remittance must be paid to designated agent for account of appointed bank, and on December 28 we revoked appointed bank status of offices in occupied area. Therefore, as you have suggested, General License No. 75 is now only valid for remittances to free China and to occupied China via free China. END QUOTE.

HULL  
(FL)

ED:DL:VCL

REV

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Chungking via N.R.

192

Dated January 9, 1942

Rec'd 3:23 a.m.

Secretary of State,  
Washington.

29, January 9, 2 p.m., (SECTION ONE)

TF 13

FROM FOX FOR THE SECRETARY OF THE TREASURY:

"Dr. Kung who is convalescing from what has been variously diagnosed as typhus, typhoid, and para-typhoid, asked me this morning through Madame Kung to transmit following reply to your message of December 16 (Section Four of your 304). Understand that message was prepared after consultation with Generalissimo, Vice Minister of Finance, Ok-Yui participating. Message reads: 'Secretary Morgenthau. Deeply appreciate your message December 16th through Fox. Heartily agree with you on outcome of war. Thank you for considering preliminary proposal sent through Cochran but this no longer practical since spread of war in Pacific altering economic as well as strategic situation. For four and a half years China has been fighting war of resistance with untold sacrifices and heavy strain on her resources. Her financial

-2- #29, January 9, 2 p.m., (SECTION ONE), from . .  
Chungking via N. R.

Her financial and Economic situation is now in pre-  
carious state. Brave soldiers at the front ill-fed  
and ill-clothed while livelihood of people difficult  
due to rising prices. Necessary keep control of  
prices and currency without curtailing production.  
If financial and Economic front, already very critical,  
should collapse impossible to carry on war.

GAUSS

WSB

EJ  
This telegram must be  
paraphrased before being  
communicated to anyone  
other than a Governmental  
agency. (BR)

Chungking via N. R.

Dated January 9, 1942

Rec'd 8:04 a.m.

Secretary of State,  
Washington.

29, January 9, 2 p.m. (SECTION TWO)

Present world war developments make it imperative for democratic countries to pool their military and economic resources as their existence and survival are interdependent. Therefore, I appeal to you for a \$500,000,000 political war loan. We have also approached Britain for a 100,000,000 pound loan in order to cover the total amount needed, and are awaiting their reply. Am confident if you will lead they will follow. Purpose is to replenish reserve in order to restore confidence in currency, restrain prices, offset diminished imports by increased production, and meet other urgent war needs. On economic grounds as well as from the standpoint of joint military front there are sound justifications for the loan but frankly my reason for approaching you is above all political. The import of such a loan is even more important than that of the Lease Lend Bill. Timeliness is the essence of such a move in order  
to show

-2-#29, January 9, 2 p.m. (SECTION TWO) from  
Chungking via N.R.

to show China's confidence in the allied powers is matched by equal confidence of allied powers in China in the most crucial months of emergency immediately ahead. Early announcement of loan would have immediate effect throughout Asia including Japan our common enemy as well as electrifying Chinese public opinion. Appreciation of your keen and continuing interest in China gives me confidence in sending you this telegram. H. H. Kung'.

My comment follows in a separate telegram".  
(END OF MESSAGE).

GAUSS

WSB

TELEGRAM SENT

HRL

PLAIN

January 9, 1942

AMBASSY,

LONDON, (ENGLAND).

103. ninth.

FOR CASADAY FROM TREASURY.

QUOTE. The Treasury found useful the reports from the Ministry of Economic Warfare which you sent on November 19. Will you please, if possible, send them regularly. Also the more important of the memoranda prepared by the various departments of the Ministry and referred to in the reports. Such of these memoranda as you cannot send by airmail should please send by boat mail. UNQUOTE.

HULL  
(FL)

JDI:FL:RMCB

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197

DEPARTMENT OF STATE  
WASHINGTON

January 9, 1942

In reply refer to  
NY 740.00112A European War,  
1939/5316

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a copy of air mail despatch no. 828 of December 18, 1941 from the American Legation at Ciudad Trujillo, with its enclosures, numbers two and four, translations of the President's Decree and of a letter from the Secretary of the Treasury to managers of all local banks, providing the freezing of funds of enemy nations and enemy nationals by the Dominican Government.

The clippings from La Nacion, enclosures numbers one and three of which only one set was received, have been retained in the files of this Department.

Enclosure:

From Ciudad Trujillo,  
no. 828, December 18,  
1941, with enclosures.



No. 828

Ciudad Trujillo, D. R., December 18, 1941.

Subject: Control Over Enemy Funds.

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

I have the honor to refer to the Legation's despatch no. 814 of December 12, 1941 in which the action of the Dominican Government in freezing the funds of enemy nations and enemy nationals was reported.

Immediately that decree no. 1366 of December 11, 1941 was issued, it became apparent that its terms were too strict and inclusive, in that they did not permit any type of transaction by any enemy national whatsoever, regardless of whether or not he was suspected of activities inimical to the security of the Western Hemisphere. As a result a decree was issued on December 16, whereby the former rigid prohibition of decree no. 1366 is continued only with respect to enemy nationals who are publicly listed as suspects. Other enemy nationals are permitted ordinary commercial transactions "which are justified for the maintenance of their normal business activities in the interest of domestic economy." All such transactions are subject to controls to be set up by the Department of State for the Treasury, and the transfer of property, property rights,

and mortgages is prohibited except when done in accordance with court decisions handed down against enemy nationals or when especially authorized by the Secretary of State for the Treasury. The decree also provides for a committee to be established for the purpose of studying appropriate measures to supplement those already existing on the control of enemy funds. This committee is scheduled to present its recommendations within 15 days to the Executive. The Legation is informed that the system outlined in this despatch may be found by the committee to be adequate.

1-2/

Copies and English translations of the decree are enclosed herewith.

In accordance with the provisions of the abovementioned decree the Secretary of State for the Treasury on December 17 addressed a letter to the general managers of the three banks operating in the Dominican Republic, in which he set the rules whereby enemy nationals not on public suspect lists may conduct their businesses. These rules place all transactions by enemy nationals under the absolute control of the banks wherein such nationals carry their accounts. All income from transactions by these persons must be deposited with the banks, and no payments from their accounts may be made without full explanations of the purpose of the withdrawal to the bank. Transactions in securities and foreign exchange are prohibited except when conducted through the bank. Copies and translations of the Secretary of the Treasury's letter are enclosed herewith.

The Legation has been informed by the Resident Inspector of the Royal Bank of Canada, who attended the above-mentioned meeting, that for the present it is contemplated that the Proclaimed and Statutory Lists will be used as the suspect list mentioned in the decree.

Respectfully yours,

Robert M. Scotten

Enclosures:

1. Clipping from La Nacion of Dec. 17 containing President's decree.
2. Translation of above.
3. Clipping from La Nacion containing letter from Secretary of the Treasury to managers of all local banks.
4. Translation of item no. 3.

711.3  
WB:vmm

Copy:bj:1-9-42

Enclosure no. 2 to despatch no. 828 of Dec. 18, 1941, from  
the American Legation, Ciudad Trujillo.

201

Translation - WGH:vmm

From La Nacion of December 17, 1941.

(Official Publication)  
M. DE J. TRONCOSO DE LA COCORA  
President of the Dominican Republic  
-----

Using the powers conferred on me by Paragraph 5 of Article 49  
of the Constitution of the Republic:

In view of Articles 1 and 3 of Law no. 544 of September 5,  
1941 on the control of foreign funds modified by Law no. 632 of  
December 11, 1941,

I DECREE:

Article 1.- A special commission is created which will be  
appointed by the Executive to study, prepare and propose necessary  
measures to supplement the measures already existing on the control  
of funds belonging to foreign states with which the Republic is at  
war and to their nationals, when such funds are in the Dominican  
Republic.

The Commission referred to in this article shall present its  
recommendations to the Executive within fifteen days from the date  
of the publication of this decree.

Article 2.- Aliens subject to the control of funds established  
by decree no. 1366 of December 11, 1941 shall undertake only those  
transactions which are indispensable to maintain the normal rhythm  
of their respective activities in the interest of domestic economy  
in accordance with the specifications and restrictions which follow:

(a) There are prohibited and they shall be without legal effect whatsoever all transfers of funds which benefit directly or indirectly those states with which the Republic is at war, or their allied states, or the nationals of all those states who are listed as the authors of suspects of activities contrary to the national interests in lists which the competent authorities will make public as they see fit.

(b) Those foreigners whose funds are subject to control who are not in the special situation noted in paragraph (a) may undertake with full legal effect those civil or commercial transactions of an ordinary character which are justified for the maintenance of their normal business activities in the interest of domestic economy.

(c) Those foreigners whose funds are subject to control may not validly undertake banking transactions of any nature except in accordance with the instructions, specifications, restrictions and discriminations ordered by the Department of State for the Treasury and Commerce, and which said Department of State will communicate to the central offices of the banking institutions established in the country.

(d) The transfer of properties or property rights or mortgages on properties or property rights undertaken by nationals of states with which the Republic is at war shall not be valid except when undertaken in the fulfillment of judicial decisions issued against them by the courts of the Republic. Nevertheless, the Secretary of State for the Treasury and Commerce may authorize the transactions referred to in this paragraph in cases in which they are undertaken in the interest of the national economy, and under the condition that the sums which, through such transactions, would be paid to the nationals

-3-

of those countries affected by the control of funds, shall be deposited in one of the banks established in the Republic for the purpose of the control referred to in paragraph (c) of this article.

Article 3.-The present decree will enter into force as soon as it is published in one or more of the newspapers in Ciudad Trujillo.

Signed by the President of the Republic on  
December 16, 1941.

WB:md:vmm

Enclosure no. 4 to despatch no. 828 of December 18, 1941,  
from the American Legation, Ciudad Trujillo, D.R.

204

Translation - WB:vmm

From La Nacion of December 17, 1941.

Ciudad Trujillo,  
District of Santo Domingo,  
December 17, 1941.

No. 15675.

To the General Managers of the  
Banco de Reservas de la Republica Dominicana,  
The Royal Bank of Canada, and  
The Bank of Nova Scotia.

Sirs:

In view of the provisions contained in the decree issued yesterday by the Executive and published today on the control of funds belonging to foreign States with which the Republic is at war and to their nationals, the following rules are issued, the execution of which is under the supervision of the three above-mentioned banks:

1st). The banking operations of the interested party will be controlled by the Bank in which his account is established.

2nd). Normal business transactions will be permitted, but the income of all commercial transactions, rents, or other transactions must be deposited in the bank holding the account of the interested party. The income from exportations made by the interested party will be subject to these same restrictions.

3rd). Payments charged to the bank account of the interested party will be in the form of checks or receipts against savings accounts. The interested party will not be permitted to issue checks against his current account in any amount without previously obtaining the approval of the bank where he maintains his account. The checks or receipts against savings accounts shall contain a complete explanation on the

reverse indicating the purpose of the transaction.

4th). The checks or withdrawals in excess of the limit which this Department of State fixes must be previously approved by the undersigned Secretary of State before being paid by the banks.

The checks and withdrawals of money within the established limit will be paid without restriction in accordance with the control set up in paragraph 3.

5th). Imports from abroad must be represented by drafts accompanied by the appropriate shipping papers which must be sent through one of the banks established in the Republic. The interested party will not be permitted to maintain current accounts abroad.

6th). The interested party will not be permitted to sell or purchase securities or foreign exchange, including in this restriction the purchase or sale of drafts or checks in dollars on New York or any other place. Such transactions must be made through the bank which maintains control over his account.

7th). No person or entity to whom the present provisions apply may maintain in operation more than one bank account, except in the case that a previous arrangement exists between the banks charged with putting into operation the present control system and with the approval of the Secretary of State for the Treasury and Commerce.

8th). The interested party to which the present control system applies shall pay an adequate remuneration for the control services exercised by the bank where his account is established.

Very truly yours,

V. Alvarez Pina  
Secretary of State for the Treasury  
and Commerce



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O  
P  
Y

206

WAC

PLAIN

Stockholm

Dated January 9, 1942

Rec'd 3:15 a.m., 11th

Secretary of State

Washington

41, ninth.

National debt December 31st 6149, Riksbank report  
January 7 foreign exchange reserves 756, gold holding  
948, note circulation 1599 all million crowns, new  
three month treasury bills in the amount of 140 million  
crowns discounted at one percent, consumption price  
index December 15 rose to 148.3, industrial wage  
negotiations which were adjourned December 20 will  
be resumed January 10, embargo placed on printers ink,  
oil, paints and varnishes and also on oil bearing seeds.

INFORM COMMERCE.

JOHNSON

KLP

Copy:bj:1-14-42

C  
O  
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307

DEPARTMENT OF STATE  
WASHINGTON

January 9, 1942

In reply refer to  
FD 102.1/6366

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram no. 70, dated January 8, 1942, from the American Legation, Bern, Switzerland, transmitting a message from Mr. Royall Tyler to the Secretary of the Treasury.

Enclosure:

From Legation, Bern,  
no. 70, January 8, 1942.

Copy:bj:l-9-42

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern, Switzerland

DATE: January 8, 1942, 11 a.m.

NO.: 70

Reference is made to telegram no. 380 sent by the Department on the 23rd of December, 1941.

Thanks are sent to the Secretary of the Treasury by Mr. Royall Tyler for his considerate telegram which has just been received and best wishes for the coming year are sent to the Secretary of the Treasury by Mr. Tyler.

HUBBIE

Typed 4:05 p.m.  
December 23, 1941

To: U.S. MINISTER TO SWITZERLAND, BERNE, SWITZERLAND  
From: SECRETARY OF THE TREASURY

"Will you please thank Mr. Rpsall Tyler for the letters and memoranda which he has sent to me. They have been useful and enlightening and I want him to know that I have appreciated receiving them and hope he will continue to send them.

HDW/efs  
12/23/41

December 23, 1941

TO: DR. WHITE  
FROM: THE SECRETARY

Please have the State Department send a cable to our Minister in Switzerland asking him please to tell Royall Tyler that I appreciate the various letters and documents he has been sending and hope he will continue to send them.

C  
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P  
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211

DEPARTMENT OF STATE  
WASHINGTON

January 9, 1942

In reply refer to  
FD

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 27, dated January 8, 1942, to the American Embassy, Santiago, Chile, transmitting a message from the Secretary of the Treasury re Societe des Mines de Cuivre de Naltagua.

Enclosure:

To Embassy, Santiago,  
no. 27, January 8, 1942.

Copy:bj:1-9-42

TELEGRAM SENT

212

FD

GRAY

January 8, 1942

11 p.m.

AMEMBASSY,

SANTIAGO (CHILE).

27.

QUOTE. From the Treasury.

Societe des Mines de Cuivre de Maltagua sells blister copper at rate of over two and one-half million dollars annually to American Metal, New York, through latter's Chilean subsidiary, Samco. Continuance of these copper shipments for ultimate account Metals Reserve Corporation highly desirable, but consideration must be given to Continental French ownership and control of Societe. We should appreciate receiving report financial status, Societe, with specific emphasis on profits accruing from American business, especially period June 1940 to date, and showing also cash resources and where located. In view of strong possibility Societe effects remittances in substantial amounts to Continental France, we should like details such remittances, and should like you to explore possibility of assurances from Societe and Chilean authorities that further such remittances will not be made if we continue to license payments from United States under Executive Order 8389. It has been suggested that any disruption of present remittance arrangements with American Metal might result in Societe's ceasing operations or seeking another market. Your comments on these possibilities and on possibilities of ensuring supply of copper in any event are requested. Please comment also on any unusual arrangements between Societe and Samco of others affecting disposition of copper or profits arising therefrom. UNQUOTE

HULL  
(AAB)

FD:FL:EMcB IM FF EO RA  
Copy:bj:1-9-42

## TREASURY DEPARTMENT

217

## INTER-OFFICE COMMUNICATION

DATE January 9, 1942.

to Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£55,000
Purchased from commercial concerns	£ 5,000

Continuing its recovery from the low of 14-5/8% discount reached last December 30, the Canadian dollar advanced to a final quotation of 11% today. Some speculative demand is believed to have arisen during the past few days, reportedly due to the absence of official denials of rumors that arrangements were being considered to place the Canadian dollar at par with the U.S. dollar.

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

Argentine peso (free)	.2360
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5250
Venezuelan bolivar	.2685
Cuban peso	Par

In order to increase the Stabilization Fund's gold balance, we purchased \$2,500,000 in gold from the General Fund, through the New York Assay Office.

The Federal Reserve Bank of New York reported that the Bank of Canada was shipping \$2,048,000 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 fixed at 23-1/2d, equivalent to 53.07c.

The Treasury's purchase price for foreign silver was unchanged at 35¢-00/100 and Herman's settlement price for foreign silver was also unchanged at 35-1/10¢.

\* made no purchases of silver today.



- 2 -

The report of December 31, 1941 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 \$3,996,000, an increase of \$446,000 in the short position since December 24. Net changes were as follows:

<u>Country</u>	<u>Short Position December 24</u>	<u>Short Position December 31</u>	<u>Change in Short Position*</u>
England**	\$ 552,000 (Long)	\$ 152,000 (Long)	+\$400,000
Europe	2,582,000	2,593,000	+ 11,000
Canada	786,000 (Long)	862,000 (Long)	- 76,000
Latin America	195,000 (Long)	43,000 (Long)	+ 152,000
Japan	159,000	159,000	---
Other Asia	2,321,000	2,286,000	- 35,000
All Others	21,000	15,000	- 6,000
<b>Total</b>	<b>\$3,550,000</b>	<b>\$3,996,000</b>	<b>+\$446,000</b>

\* 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



BRITISH EMBASSY  
WASHINGTON, D.C.

Personal & Secret

January 9, 1942.

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

(To the Ambassador)

*R. I. Campbell*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

COPY NO. 15

MOST SECRET

(U.S. SECRET).

CPTL NO. 9.

Information received up to 7.10 A.M. 8th January 1942.

1. COMBINED OPERATIONS.

Light forces raided Halls Fjord between Bergen and Trondheim on the night of the 6th/7th and sank a medium sized Merchant Ship and two trawlers off Floro and shelled a German canning factory. Fighter protection and reconnaissance were provided by Coastal Command. During raid Thitley aircraft successfully attacked Sola aerodrome Stavanger. Little opposition was encountered and our ships suffered neither damage nor casualties. All our aircraft returned safely.

2. NAVAL.

Nothing to report.

3. MILITARY.Libya.

Bad weather had hindered operations. On the morning of the 7th our patrols reported that Jedabya was clear of the enemy. Our troops are following up but visibility is very poor. In the frontier area on the 5th/6th the Transvaal Scottish occupied a ridge of the escarpment two miles south of Sollum Barracks.

Malaya.

Our forces in the Eastern Sector have withdrawn West of the Pahang River to the area Raub-Bentong. In the West, owing to heavy pressure throughout the 7th by enemy infantry supported by about thirty tanks, our troops have withdrawn South of the Slim River. In the Kuala Selangor area, situation is unchanged.

4. AIR OPERATIONS.Western Front.

6th/7th. 36 tons of high explosive were dropped at Brest where bursts were seen near the dry docks. One of our aircraft failed to return and another crashed but five of crew safe. A Hudson scored two hits on a 2,500 ton Merchant vessel off the Dutch Coast. Six other aircraft of coastal command made individual attacks on single Merchant vessels in the Bergen area but in most instances results were unobserved owing to intense anti-aircraft and searchlight activity. Two Hudsons are missing and one enemy aircraft was probably destroyed.

Page 2.

7th/8th. 68 aircraft were sent to Brest and 27 to St. Nazaire. The latter attack was made under good weather conditions and is believed to have been successful. All these aircraft have returned but reports are not yet complete concerning those sent to Brest.

MEDITERRANEAN.Libya.

4th/5th. 7 enemy aircraft bombed Benghazi and destroyed a small oil dump. 5th/6th. Tobruk was ineffectively bombed by 17 aircraft, while at one of our landing grounds one Blenheim was destroyed and another damaged. 6th. Blenheims operating singly or in pairs attacked AAC hit gun positions and mechanical transports in the Halfaya area. 6th/7th. Three Wellingtons bombed Tripoli (L) harbour.

Malta.

6th and 7th. The aerodromes at Takali and Halfar were unserviceable. On 6th/7th Naval aircraft hit two merchant vessels steering North off West Tunisia.

5. The Italian battleship CAUCUR, sunk by Fleet Air Arm at Taranto on 11th November 1940, was raised early in July and placed in dry dock at Taranto. She has now left probably for Genoa or Trieste as being the only ports likely to be sufficiently equipped to undertake the extensive repairs necessary.

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

219

DATE January 9, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Summary of Military Reports

### German Military Position

According to the estimate of British Military Intelligence, the German army has been so badly shaken by its first serious defeat of the war that German strategic plans for the immediate future must have been completely upset. Hitler needs a success somewhere for political reasons, but it will be at least two months before he will be able to provide forces for large-scale operations on a front outside of Russia.

(U.K. Operations Report, December 25-January 1)

### Russo-German Front

The Russians still retain the initiative and are preventing the Germans from executing a planned withdrawal. There is still no indication as to when and where the Germans will be able to stabilize their front. The main German air forces on the southern front have been concentrated against the Crimean operations of the Russians. This has left only a small force to be employed against the Russian advances on the rest of the southern front. On the Moscow front, the number of airplanes at the disposal of the Germans, particularly close-support units, is at present inadequate to interfere seriously with the Russian attacks. (The Russians apparently were right in stating that their numerically smaller air force was superior to the Germans in quality.)

(U.K. Operations Report, December 25-January 1)

Libya

The British state that the distance of their troops from the rail-head in Egypt is too great to enable them to maintain large forces as far west as the Axis army south of Jedabaya. While patrols can be intermittently put in the rear of the Axis forces on the road leading to Tripoli, such encirclement cannot be maintained. The facilities of Benghazi were so badly damaged that the British could not use the port for some time. (It has probably just been put into use now -- which may explain the Axis withdrawal from Jedabaya towards Tripoli.) Axis submarines have been operating on the British sea supply lines from Alexandria to Cyrenaica.

The Axis troops have received some supplies from small craft and U-boats. These supplies have been landed at small ports along the Jedabaya-Tripoli highway.

(U.K. Operations Report, December 25-January 1)



MILITARY INTELLIGENCE DIVISION

INFORMATION BULLETIN NO.

NOTES ON JAPANESE WARFARE ON THE MALAYAN FRONT

WAR DEPARTMENT  
WASHINGTON, D. C.

RESTRICTED

MILITARY INTELLIGENCE DIVISION  
WAR DEPARTMENT  
Washington, January 9, 1942

INFORMATION BULLETIN  
No. 6  
MID 461

NOTICE

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

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

NOTES ON JAPANESE WARFARE

ON THE

MALAYAN FRONT

FOREWORD

The information in this bulletin, other than photographs and descriptions of weapons, has been extracted from reports submitted by American official observers with Allied Forces now engaging the Japanese in the Far East. The photographs are reproduced from an album recently published by the Tokyo Asahi ("Morning Sun"), one of the leading vernacular newspapers in Japan, showing Japanese troops in their operations against the Chinese. These photographs should be accepted with reserve, because they were published as propaganda. Nevertheless, they give a general idea of the Japanese soldier's equipment and his methods of warfare. In order that our troops may familiarize themselves with the appearance of their enemy, it is suggested that these photographs, which are themselves not classified as Restricted, might be removed and placed on bulletin boards.

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NOTES ON JAPANESE WARFARE

ON THE

MALAYAN FRONT

1. TACTICS OF GROUND FORCES

a. The Japanese use roads until contact is established with hostile forces. Then, avoiding frontal attack, they make, wherever possible, flanking movements through the jungle and the rubber plantations. The Japanese also make expert use of small craft, including launches and landing boats, in carrying out flanking movements by river or along the coast.

b. Japanese companies advance behind one and two-man patrols which are armed with submachine guns. When the patrols are fired upon, they do not stop, but maneuver around the flanks and infiltrate deep into the British position toward their objective, attempting to reduce any opposition met.

c. If British units counterattack, Japanese advance parties permit them to pass through and then turn and deliver fire on the flanks and rear of the counterattacking troops.

d. The Japanese work their way through the jungle with ease. They display considerable initiative, vigor, and physical stamina and patiently wait under cover to take advantage of an opportunity to advance.

e. The Japanese have used the following tactics:

- (1) Orders are issued orally for attacks on specific objectives;
- (2) Small tanks accompany infantry attacks;
- (3) No type of terrain is considered an obstacle;
- (4) Attacks are by aggressive infiltration, followed up by the forward elements of the supporting troops and determinedly pushed toward a successful conclusion;
- (5) Front-line troops are equipped with submachine guns and light machine guns, thus providing a volume of fire that seems to indicate heavier armament than that actually possessed.

f. So far the Japanese have used mainly machine guns, submachine guns, mortars, and grenades, but not much artillery. They are, however, beginning to increase the use of artillery. Mortars and grenades especially have been very effective.

g. The British have come to the following conclusions in regard to

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the tactics of the Japanese:

(1) A linear or static defense is ineffectual. To overcome such a disadvantage, the best system of defense would be self-contained combat posts as pivots of maneuver for an aggressive reserve. These self-contained posts would have all-round defenses.

(2) The Japanese have unusual aptitude for overcoming terrain obstacles.

(3) After infiltrating to the flanks and to the rear of the opposing forces, the Japanese press home the assault with great determination.

h. Night Operations. The Japanese are reported to have been rafting troops down rivers at night.

2. TACTICS OF AERIAL ATTACKS ON AIRDROMES

a. Japanese bombers attack airdromes while their fighters draw R.A.F. fighters into combat. The bombers fly some distance from the field after the initial attack and wait until the R.A.F. fighters, because of lack of fuel, are compelled to land. Then the Japanese bombers return and attack the R.A.F. fighters before they can refuel and take to the air again. The R.A.F. is thus unable to intercept the bombers. Of course, the success of these tactics is made possible by the small number of R.A.F. fighters in the area.

b. Effective bombing of objectives around the edges of airdromes, sparing the runways, has been accomplished because the Japanese bombers have been confronted with little opposition. When the leader in the formation signals, all the planes in the formation release bombs simultaneously. Airdrome strafing is the main activity of the Japanese fighter planes.

3. AERIAL ATTACKS ON GROUND TROOPS AND INSTALLATIONS

a. Small flare bombs in strings of six to eight are being dropped by some Japanese planes. These flares have a percussion-striker explosive charge in the nose; and when they burst on impact, they give off a flash and cloud of smoke. On the ground they leave a brown stain.

b. Japanese planes attack communications, and trucks left exposed during daylight hours have been destroyed.

4. ANTI-TANK DEFENSE. The British have found it difficult to maintain tank obstructions on the roads, because the Japanese steadily harass

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the British flanks by infiltration. Tanks are employed with tactics similar to those used by the infantry, as described in Section 1.

5. MATERIEL

a. Anti-personnel Air Bomb. This bomb has a relatively ineffective shrapnel load encased in lead.

b. Individual Equipment

(1) Only a minimum of equipment is carried in addition to arms and ammunition, and this is generally very light.

(2) Rubber belts which can be blown up for crossing rivers are a part of the equipment.

(3) Dress is often varied and non-military. At night, commanders wear crossed or single white sashes; N.C.O.'s, white arm bands.

c. Small Arms. The regular bullet used in the rifle and in the light and heavy machine guns is a 6.5-mm. pointed Spitzer-type nickel-steel-coated lead projectile which leaves a small wound. The 6.5-mm. bullet is approximately .25 caliber.

d. Grenades and Submachine Guns. Among the light equipment are many grenades and a large proportion of submachine guns. See figure 1 for a group of grenade throwers. The following description of the Heavy Grenade Thrower, Model 89, is taken from the Japanese Handbook (WD TM 30-480, May 14, 1941), pages 79-80:

Weight (total) - - - - -	10.5 lbs.
Length - - - - -	20 in.
Length of tube - - - - -	10 in.
Caliber - - - - -	50 mm. (about 2 in.)
Ammunition used - - - - -	Model 89 shell Time-fuze hand grenade Signal grenade Smoke grenade Practice grenade
Range for model 89 shell - - - - -	140 to 700 yds.
Range for other ammunition - - - - -	40 to 200 yds.
Signal, vertical - - - - -	100 yds.
Time of fuze - - - - -	7.5 sec. after discharge or on impact
Rate of fire - - - - -	One man--10 shots per min.; two men--20 shots per min.
Effective area of burst, model 89 shell - - - - -	50-yd. radius
Time-fuze hand grenade - - - - -	25-yd. radius

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a. Machine Guns

(1) Light Machine Gun. Figure 2 shows the Nambu Light Machine Gun, Model 1922. The following description of this weapon is taken from the Japanese Handbook, pages 76-77:

(a) The Nambu Light Machine Gun, Model 1922, is a gas-operated, air-cooled, hopper-fed gun with a bipod support permanently fixed to the piece near the muzzle. It is normally fired from the prone position at ground targets. The hopper has a capacity of 30 rounds, which are loaded by placing in the hopper, one on top of the other, six 5-round clips of rifle ammunition. These are forced into the feed mechanism by a follower pressing down from above. The principal measurements and characteristics of this gun are as follows:

Weight - - - - -	32.44 lbs.
Length, over-all - - - - -	43.5 in.
Caliber - - - - -	0.256 in. (6.5 mm.)
Rifling - - - - -	4 grooves, right twist
Rear sight - - - - -	Graduated from 328 to 1,640 yds.; no windage or drift corrector
Muzzle velocity - - - - -	2,375 ft. per sec.
Maximum range - - - - -	4,374.4 yds.
Cyclic rate of fire - - - - -	500 rds. per min.
Effective rate of fire - - - - -	150 rds. per min. in bursts of five

(b) Although the light machine gun is usually fired from the prone position supported by its bipod mount, a tripod mount, model 1922, is carried by the gun squad for use as desired. When the legs are fully extended and the tripod is raised to its maximum serviceable elevation, the gun is about 4 feet from the ground. The tripod contains both traversing and elevating devices, but when the piece is to be used against aircraft, the elevating device is unfastened so that the weapon may be moved freely, both vertically and horizontally. When the piece is mounted on this tripod, the legs of the bipod are folded back along the barrel. The weapon is essentially a machine rifle when the bipod is used and a light machine gun when mounted on the new tripod.

(2) Heavy Machine Gun. Heavy Machine Gun, Model 92 (1932) (figure 3), is an improvement on Heavy Machine Gun, Model 3 (1914) (figure 4), which is described in the Japanese Handbook, page 77. Model 92 is now in general use in the cavalry and infantry arms, though, it is estimated, not in sufficient quantity to equip the entire Japanese Army in a large-scale offensive. The description of Model 92 which follows is taken from a report of an official observer:

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(a) Mount. The mount is geared for elevating, and a small hand-wheel on the front of the tripod connects with the elevating screw. At the end of each of the tripod legs are attachments allowing for the insertion of handles. The rear handle is U-shaped. These handles add greatly to the ease of manipulation, and are also utilized for antiaircraft fire. In the latter case the U-shaped bar becomes the supporting spade of the gun, and two soldiers elevate the muzzle by means of holding the front handles over their heads. Such a firing position for this comparatively heavy gun gives poor accuracy.

(b) Measurements and Characteristics:

Weight, gun - - - - -	61.6 lbs.
Weight, tripod - - - - -	60.5 lbs.
Length of gun - - - - -	43 in.
Length of bore - - - - -	25 in.
Caliber - - - - -	0.303 in. (7.7 mm.)
Rifling - - - - -	4 grooves, right twist, one turn in 20 cm.
Life of barrel - - - - -	40,000 rds. (approx.)
Traversing angle - - - - -	360° of which approx. 35° on arc graduated in mils
Maximum angle of elevation - -	11°
Maximum angle of depression - -	15°
Ground clearance of barrel:	
Low firing position - - - - -	14.4 in.
High firing position - - - - -	21.4 in.
Rear sight - - - - -	Graduated from 300 to 2,700 m.; no correction for windage or drift
Cyclic rate of fire - - - - -	450 rds. per min.
Maximum effective rate of fire	About 200-250 rds. per min.
Muzzle velocity - - - - -	2,700 ft. per sec. (estimated)
Maximum range - - - - -	4,587 yds. (4,300 m.)

The clip holds 30 rounds of ammunition and is inserted into the gun from the left side. These clips are made of pasteboard and are loaded at the factory, thus eliminating pre-loading preparation on the part of the gun crew. When not in firing position, the gun is covered with a leather case.

(c) Antiaircraft Adapter (figure 3). The gun is equipped with an antiaircraft adapter, which is inserted between the gun proper and the tripod elevating screw. This adapter allows a maximum angle of 80 degrees and a vertical range of 1,000 meters. It requires less than a minute for an experienced crew to attach this adapter to the gun.

A brace attached from the adapter to the gun is telescopic and

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allows the gun to be held firmly at any desired elevation. The high elevated sight is detachable and is used only when the gun is operated as an antiaircraft weapon. When the sight and the adapter are not in use, they are carried in a canvas-covered case slung over the back of one of the ammunition carriers.

f. Mortars. The Japanese have at least four experimental mortars. Figure 5 shows the 90-mm. Mortar, Model 94. Its characteristics have been reported as follows:

Maximum range- - - - -	4,155 yds.
Minimum range- - - - -	612 yds.
Weight of bomb - - - - -	11 lbs. 10 ozs. (with chemical filling)
Total weight in action - - - - -	350 lbs. 8 ozs.

A mortar projectile of unknown caliber has been reported to have a small blasting effect.

g. Infantry Battalion Gun. The Japanese have another weapon which combines the lightness and portability of the mortar with the stability of a field gun. This weapon is called the Infantry Battalion Gun, Model 92, and is shown in figure 6. Figure 7 shows the same model with a redesigned carriage. Because of the weakness of the crank-shaped axle, it is presumed that the newer models have straight axles and so mount the gun higher. The following description of this weapon is taken from the Japanese Handbook, pages 82-83:

(1) General. The Infantry Battalion Gun, Model 92, is a 70-mm. rifled gun capable of delivering fire from a range of 200 to 2,800 yards. Its characteristics are--

Weight:	
Gun- - - - -	101 lbs.
Mount- - - - -	77 lbs.
Mounted gun and caisson- - - - -	420 lbs.
Length of bore - - - - -	30 in. (approx.)
Over-all length- - - - -	27 in.
Mounted over-all length- - - - -	5 ft. (approx.)
Width of wheel tread - - - - -	27 in. (approx.)
Effective range- - - - -	300 to 1,500 yds.
Traverse - - - - -	45°
Elevation- - - - -	-10° to +50°
Danger area of burst - - - - -	40 yds. (approx.)

(2) Breechblock. Two threaded segments, rotating and opening downward.

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(3) Carriage

(a) Recoil Mechanism. Length of recoil, about 4 inches.

(b) Traversing and Elevating Mechanism. Traversing hand-wheel on the left of the barrel and elevating handwheel on the right. Both handwheels are operated by the gunner, who lays first for direction, then for elevation. Elevating mechanism is similar to that of our old pack howitzer. Traverse is about a heavy pintle mounted on the axle.

(c) Shield. Armor plate about one-eighth of an inch thick.

(d) Trail. Split 5 feet long, welded except where riveted to spade.

(e) Panoramic Sight (same as field artillery). Mounted on the sight bracket on the left side of the piece. The sight bracket includes a range drum with four divisions marked in miles, an elevating bubble, and a cross bubble for correcting for difference in level of wheels.

(4) Ammunition. Semifixed with brass case. High explosive shrapnel and smoke shells are used. The range is extended by increasing the powder charge. At maximum range the time of flight for the different powder charges is--

Charge No. 1 - - - - -	30 sec. (3,075 yds.)
Charge No. 2 - - - - -	25 sec. (1,975 yds.)
Charge No. 3 - - - - -	20 sec. (1,300 yds.)
Charge No. 4 - - - - -	15 sec. (985 yds.)

Minimum permissible ranges with instantaneous fuses employing low-angle fire varies with the powder charge, elevation of gun, and target. With ground level ranges are--

Charge No. 1 - - - - -	1,100 yds.
Charge No. 2 - - - - -	660 yds.
Charge No. 3 - - - - -	225 yds.
Charge No. 4 - - - - -	110 yds.

Minimum ranges with delayed-action fuses ground level are--

Charge No. 1 - - - - -	660 yds.
Charge No. 2 - - - - -	330 yds.
Charge No. 3 - - - - -	330 yds.
Charge No. 4 - - - - -	330 yds.

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Rate of fire: 10 rounds per minute, 5 rounds per box.

(5) Other Vehicles

(a) Limber. This is a simple box mounted on an axle. Two boxes of ammunition, sights, and accessories are carried in the limber chest.

(b) Caisson. Similar in construction to the limber and contains three boxes of ammunition.

6. SUPPLY

Figures 8 to 12 inclusive are included simply to show some methods used by small units in supplying ammunition, food, and water to the front lines. Of particular interest is the method employed by the Japanese soldier in transporting ammunition (figure 9). It will be noted that the ammunition boxes are carried as shoulder packs, leaving the arms free for negotiating difficult terrain and permitting greater freedom of action under fire. Figure 10 shows the preparation of simple food, and figure 11 shows a method of getting it forward over exposed terrain. This method is of interest, for it indicates that advance elements, even though they may be held to the ground by hostile fire, can still be fed by a simple process. What holds true for the supply of ammunition to small units also holds true for the supply of water, as large canteens strapped on the back of the soldier will be noted in figure 12.

7. THE FIFTH COLUMN

a. According to a prisoner taken in northwestern Malaya, the Japanese landed without rations and got help from Fifth Columnists.

b. The Japanese are making wide use of propaganda leaflets dropped from the air.

c. Civilians dressed in the uniforms of British-Indian soldiers have operated with the Japanese. In some instances they even know the British-Indian N.C.O.'s by name.

8. REPORT OF FOREIGN CORRESPONDENT

The following excerpts from an account by a war correspondent with the British Forces in Northern Malaya showing Japanese methods of warfare are included in this bulletin for informational purposes. The account has not been confirmed, but the reader can in some instances draw his own conclusions from the confirmed data contained in Sections

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1 to 7 inclusive of this bulletin.

.....

"Japanese successes have been attained through superiority of numbers and equipment and the use of clever but simple tactics especially adapted to the tropical lands. British officers at the front describe Japanese losses as 'enormous', but emphasize that the attackers keep pouring in, apparently determined to advance at any cost. ...

"The Japanese equipment includes one innovation, a two-man carrier, probably especially designed for use in the tropics. This little carrier can negotiate smaller streams, rice fields, rubber groves, and thin jungles, but is not heavily enough armored to resist British antitank rifles. It is proving a useful weapon in combination with the heavier tanks and armored cars that the Japanese possess.

"The Japanese tactics are based on infiltration and mobility. Apparently groups of men are simply being told to reach a certain objective many miles ahead, and they scatter all over the map to do it. When groups encounter a British strong point, they do not attack, but melt away and filter past along the flanks of the British position, concealing their movements in jungles of rubber trees. The strong point is later attacked by strong Japanese forces armed with heavy equipment, and simultaneously the Japanese close in on the flanks and rear.

"Japanese advance patrols armed with tommy guns sometimes for days are constantly working toward an objective, often lying low in the dense undergrowth to conceal themselves from the British. A number of advance units are sent to attack the same objective, so that if some meet grief on the way, the others will slip through and gain the goal. The Japanese obviously have made an intimate study of their terrain and apparently know every road and path in Northern Malaya.

"The Japanese regulars have a unique uniform, consisting only of light khaki shorts, a sleeveless upper garment that looks like an undershirt, and low rubber shoes. The Japanese tactics are leading to a savage warfare of movement, ambush, surprise, and encirclement. An American military observer I met at the front said:

"'It is like Indians fighting with tommy guns.'

"The Japanese have air superiority in Northern Malaya, but so far they have not been using planes much at the actual front in bombing or strafing. The raids on British airdromes are bringing air battles in which the British, despite numerical inferiority, emerge victorious.

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"British land forces are rapidly adapting themselves to the Japanese type of jungle fighting, and much of the struggle at the front now consists of patrols stalking patrols, infiltration and counter-infiltration, intermingled with hard battles for strong points in which artillery is brought into use. ...

"British officers have been in the thick of close-in fighting, and I heard many stories of officers leading Indian units in savage charges." (By F. Tillman Durdin, New York Times, December 18, 1941)

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Figure 1. Group of Grenade Throwers.

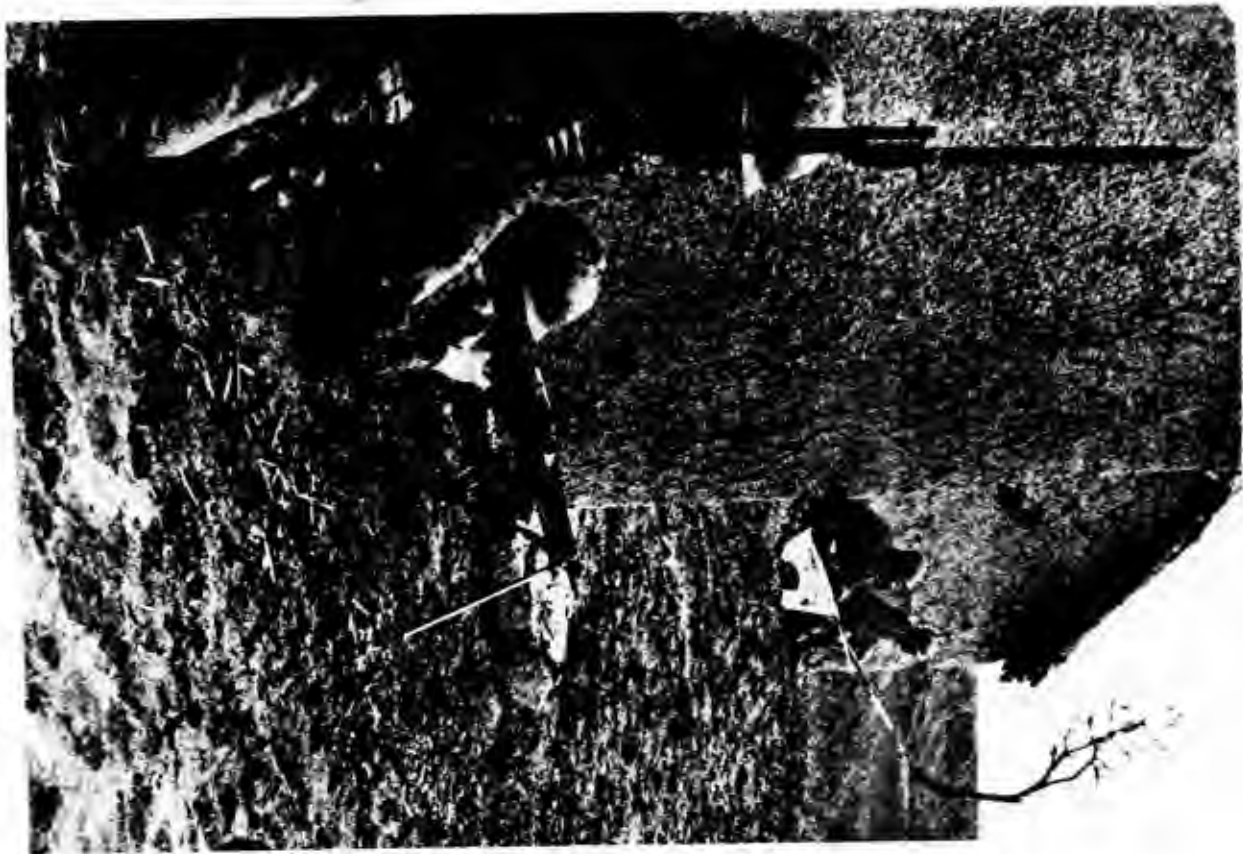


Figure 2. Nambu Light Machine Gun, Model 1922,  
on Tripod Mount.



Figure 3. Heavy Machine Gun, Model 92 (1932), on Antiaircraft Mount.



Figure 4. Heavy Machine Gun, Probably Model 3 (1914), on Tripod Mount,  
Being Moved by Hand.





Figure 5. 90-mm. Mortar, Model 94.



Figure 6. Infantry Battalion Gun, Model 92.



Figure 7. Infantry Battalion Gun, Model 92, with Redesigned Carriage.



Figure 8. Packing Ammunition to Be Transported  
to the Front.



Figure 9. Transport Units Delivering Ammunition to the Front Lines under Fire.



Figure 10. Cooks Preparing Rice Balls for Soldiers near the Front Lines.



Figure 11. Ration Detail Throwing Rice Balls Wrapped in Straw  
into the Front-line Trenches.



Figure 12. Japanese Soldier Waiting to Jump into a Trench  
with Water Canteens.



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O-3/2557-220: No. 595

M. I. D., W. D.

11:00 A.M., January 9, 1942

SITUATION REPORTI. Pacific Theater.

Philippines: Hostile air activity limited. Fighting continues along the front while the enemy continues to move troops toward our lines. Hawaii: No further reports. Malaya: British have withdrawn to new positions south of the Slim River under increasing Japanese pressure. The press reports that enemy infiltrations threaten lines of communication. No change in the East. It is also reported by the press that Japanese raided Singapore from the air last night, causing slight damage. This was the first hostile raid on Singapore in 58 hours. Burma: Light enemy air activity continues. N. I. Japanese air attacks continue over Raboia, according to the press. China: No further verified reports. West Coast: Negative reports.

II. Eastern Theater.

Ground: The situation on the Russian front remains unchanged. Both sides report fighting. (No situation rep will be issued today.)

III. Western Theater.

Air: The official British press release this morning stated that strong British air forces had again last night attacked German naval bases at Brest and docks at Cherbourg.

IV. Middle Eastern Theater.

Ground: Strong rear guard actions characterize the withdrawal of Axis forces from the Agadabia sector to a new line of defense to the westward. Artillery, naval and aerial bombardment continue in the Halfaya sector.

Air: Bad weather has restricted aerial activity in the forward areas of Tripolitania. The Axis activity over Malta, which has increased the past week continues unabated.

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January 10, 1942

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Memorandum for The Secretary's Diary:

This morning around 8 o'clock, Secretary Morgenthau telephoned me from the Farm and said that he had reread the attached memorandum in regard to General Aniline and Film Corporation which he had sent to the President last evening.

He said he was quite concerned about the matter and wanted to know what was being done to prevent Government films being sent to the company laboratories for development. I pointed out that the situation had been called to the attention of the Army personnel in the field and they were well aware of the problem. The Secretary said that this was not enough and he wanted a letter sent to the heads of the Government Agencies having contracts with General Aniline and Film enclosing a copy of the memorandum he had sent to the President and suggesting that steps be taken at once to prevent the recurrence of situations described in the memorandum.

The Secretary also said he wanted Sam Klaus and Joe O'Connell to be in his office Monday morning with recommendations as to individuals in the company who we had reason to believe had committed or were responsible for the commission of acts unfriendly or disloyal to the United States.

The attached letter and copy of memorandum to the Specials were delivered by hand this morning to the following:

The Secretary of War  
The Secretary of the Navy  
The Secretary of State  
The Secretary of Agriculture  
The Secretary of Commerce  
The Attorney General  
Wayne Coy, Office for Emergency Management  
Lindsay G. Warren, Comptroller General  
Edward C. Bicher, Chairman of SEC  
William J. Donovan, Coordinator of Information

## TREASURY DEPARTMENT

Washington, D. C.

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Y

My dear Mr. President:

Attached for your information is a memorandum briefly setting forth some of the results to date of our investigation of General Aniline and Film Corporation.

When we entered the war we put a group of Treasury people into the various offices of General Aniline who have been supervising and investigating the company from the inside.

The investigation is still under way and some of the items uncovered are of such interest that I felt you would want to know about them at this time.

Sincerely,

(Signed) H. Morgenthau, Jr.

The President

The White House.

Attachment.

January 7, 1942

Secretary Morgenthau

E. H. Foley, Jr.

Since our entrance into the war we have had a group of Treasury people under Joe O'Connell supervising and investigating from the inside the General Aniline and Film Corporation, which has been blocked under the freezing order. Several months ago we prevented the sale of this company to General Dyestuff because we were convinced from our study of the German dominated industrial setup in this country that General Dyestuff, like General Aniline and Film, was part of the I. G. Farbenindustrie, the huge German dye trust.

Our investigation to date has disclosed serious situations affecting the national interest.

1. The Ozalid Division. This division, headed by F. W. von Meister, who came to this country direct from an association with German Zeppelin Works and Maibach Auto Works, has succeeded by several devices in providing access for its men -- often German aliens or German-born American citizens -- to the drafting rooms of about 3500 industrial plants, including defense installations and Government experimental laboratories, and in amassing valuable industrial information; the device used was the leasing, and then the continuous servicing, of a reproduction or blue-printing machine. The corporation has also succeeded in obtaining contracts for the microprinting of United States Government archives. We already have found documentary evidence that United States Navy information so obtained has been transmitted to Germany by the corporation.

2. The Agfa-Ansco Division. It has been found that this company has succeeded in a variety of ways in obtaining access to confidential military films of the United States Government. For instance, a company laboratory, in charge of a German alien assisted by two other

German aliens, was found to be developing and processing films of experimental United States Army tanks, taken at the Aberdeen proving grounds. A related field under current investigation is the use of Agfa-Ansco for the development of military and reconnaissance film of value to the German Government. For instance, the company's laboratories were used in 1939 and in 1940 for the development of film taken in the Andson region between the Canal Zone and the Pacific Coast by a so-called "scientific" expedition sponsored by the German Government.

3. The Company as a cloak for subversive activities. The fact that the company has over 6000 employees and expends about \$60 millions annually, provides the German Government, through I. C. Farben, with unusual opportunities for the concealment of German agents and expenditures for propaganda and other subversive purposes. For example, a person, educated in Germany and a confessed Nazi Party member both in Germany and the United States was sent by the company "to the Homeland" to undergo training in various subjects with the avowed purpose of enabling him to become the "confidential assistant" to the head of the film and camera division of the company. Other instances have already been discovered where young Germans of military age were given temporary employment in the company after which they left for China and Japan for purposes not yet established.

The facts in these cases have been turned over by us to the Federal Bureau of Investigation and to Army Intelligence. We are continuing our investigation and expect to be in position, in the near future, to make specific recommendations as to personnel and other changes which should be made in the public interest.

(Initialed) E.H.V., Jr.

January 10, 1942.

Dear Mr. Secretary:

Secretary Morgenthau sent the attached memorandum in regard to General Aniline and Film Corporation to the President last evening.

This morning he directed me to send a copy to you and the other interested departments and agencies of the Government having contracts or dealings with this company, with the suggestion that steps be taken to eliminate situations of the character described in the memorandum.

Sincerely,

(Signed) E. H. Foley, Jr.

Acting Secretary of the Treasury

The Honorable

The Secretary of Agriculture.

Attachment.

EHF:ml 1/10/42

January 10, 1942.

Dear Mr. Secretary:

Secretary Morgenthau sent the attached memorandum in regard to General Aniline and Film Corporation to the President last evening.

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Sincerely,

(Signed) E. H. Foley, Jr.

Acting Secretary of the Treasury.

The Honorable

The Secretary of State.

Attachment.

EHF:ml 1/10/42

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Sincerely,

(Signed) E. H. Foley, Jr.

Acting Secretary of the Treasury.

The Honorable

The Secretary of Commerce.

Attachment.

EHF:ml 1/10/42



January 10, 1942.

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Sincerely,

(Signed) E. H. Foley, Jr.

Acting Secretary of the Treasury.

The Honorable

The Secretary of War.

Attachment

EHF:mp 1/10/42

January 10, 1942.

Dear Mr. Secretary:

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This morning he directed me to send a copy to you and the other interested departments and agencies of the Government having contracts or dealings with this company, with the suggestion that steps be taken to eliminate situations of the character described in the memorandum.

Sincerely,

(Signed) E. E. Foley, Jr.  
Acting Secretary of the Treasury.

The Honorable

The Secretary of the Navy.

EEF:apmca/10/42

January 10, 1942.

Dear Mr. Coy:

Secretary Morgenthau sent the attached memorandum in regard to General Aniline and Film Corporation to the President last evening.

This morning he directed me to send a copy to you and the other interested departments and agencies of the Government having contracts or dealings with this company, with the suggestion that steps be taken to eliminate situations of the character described in the memorandum.

Sincerely,

(Signed) E. H. Felsy, Jr.

Acting Secretary of the Treasury.

Hon. Wayne Coy,  
Office for Emergency Management  
State Department Building  
Washington, D. C.

Attachment.  
EHF:mp 1/10/42

January 10, 1942

Dear Mr. Eicher:

Secretary Morgenthau sent the attached memorandum in regard to General Aniline and Film Corporation to the President last evening.

This morning he directed me to send a copy to you and the other interested departments and agencies of the Government having contracts or dealings with this company, with the suggestion that steps be taken to eliminate situations of the character described in the memorandum.

Sincerely,

(Signed) E. H. Foley, Jr.

Acting Secretary of the Treasury.

Hon. Edward C. Eicher,  
Chairman, Securities and Exchange Commission  
1778 Pennsylvania Avenue,  
Washington, D. C.

Attachment.

EHF:mp 1/10/42

January 10, 1942.

Dear Colonel Lohan:

Secretary Morgenthau sent the attached memorandum in regard to General Aniline and Film Corporation to the President last evening.

This morning he directed me to send a copy to you and the other interested departments and agencies of the Government having contracts or dealings with this company, with the suggestion that steps be taken to eliminate situations of the character described in the memorandum.

Sincerely,

(Signed) E. H. Foley, Jr.

Acting Secretary of the Treasury.

Hon. William J. Donovan  
Coordinator of Information  
Twenty-fifth and E Streets  
Washington, D. C.

EE:anpmed/10/42

January 10, 1942.

Dear Mr. Warren:

Secretary Morgenthau sent the attached memorandum in regard to General Aniline and Film Corporation to the President last evening.

This morning he directed me to send a copy to you and the other interested departments and agencies of the Government having contracts or dealings with this company, with the suggestion that steps be taken to eliminate situations of the character described in the memorandum.

Sincerely,

(Signed) E. E. Foley, Jr.  
Acting Secretary of the Treasury.

Hon. Lindsay C. Warren  
Comptroller General of the United States  
General Accounting Office Building  
Fifth and F Streets  
Washington, D. C.

Attachment.  
EHF:mp 1/10/42

January 10, 1942.

Dear Mr. Attorney General:

Secretary Morgenthau sent the attached memorandum in regard to General Iniline and Film Corporation to the President last evening.

This morning he directed me to send a copy to you and the other interested departments and agencies of the Government having contracts or dealings with this company, with the suggestion that steps be taken to eliminate situations of the character described in the memorandum.

Sincerely,

(Signed) E. H. Foley, Jr.

The Honorable

The Attorney General.

Attachment.  
EHF:mp 1/10/42

THE ATTORNEY GENERAL  
Washington

January 10, 1942

My dear Mr. Foley:

I have your letter of today  
transmitting Secretary Morgenthau's memorandum  
in regard to General Aniline and Film  
Corporation.

Sincerely yours,

/s/ Francis Biddle

Honorable E. H. Foley, Jr.

Acting Secretary of the Treasury

Washington, D. C.

Copied - ml 1/13/42



SECURITIES AND EXCHANGE COMMISSION  
Washington

Office of the Chairman

January 12, 1942

Honorable E. H. Foley, Jr.  
Acting Secretary of the Treasury  
Washington, D. C.

Dear Mr. Foley:

Re: General Aniline and Film Corporation

Receipt is acknowledged of your letter of January 10, 1942 and the copy of the memorandum of January 7, 1942 to Secretary Morgenthau relating to the above subject. We appreciate having this added information that has been developed from your investigation and in line with your suggestion, we shall remain on the alert to assist in the elimination of situations of this character.

Very truly yours,

/S/ Edward C. Eicher

Edward C. Eicher,  
Chairman.

Copied - ml 1/13/42

NATIONAL ADVISORY COMMITTEE  
FOR AERONAUTICS

Washington, D. C.

January 17, 1942

Honorable E. H. Foley, Jr.  
Acting Secretary of the Treasury  
Treasury Department  
Washington, D. C.

Dear Mr. Foley:

I have your letter of January 14, 1942, enclosing confidential memorandum regarding General Aniline and Film Corporation. We are intensely interested in the situation described and are grateful for the warning contained.

Yours truly,

/s/ J. C. Hunsaker

J. C. Hunsaker

Copied - ml 1/20/42

Executive Office of the President

OFFICE FOR EMERGENCY MANAGEMENT

Washington, D. C.

January 21, 1942

Mr. E. H. Foley, Jr.  
General Counsel  
Treasury Department  
Washington, D. C.

Dear Mr. Foley:

I wish to acknowledge and thank you  
for your recent letter enclosing a memorandum  
in regard to General Aniline and Film Corpora-  
tion.

Sincerely,

/s/ Wayne Coy

Wayne Coy  
Liaison Officer for  
Emergency Management

Copied - ml 1/23/42

January 10, 1942  
11:05 a.m.

D. W. Bell: Hello.

Marriner  
Eccles: Hello, Dan.

B: Good morning, Marriner.

E: How are you?

B: Fine. Have you had any further thoughts on this financing?

E: No, I still - except this. Yesterday when talking to the Secretary a couple of times, I said the December '46 note, as an alternative you could take the June '45 note. The December '46 would have to be at one and a half.

B: Uh huh.

E: That's a five-year note. Now that might make the rights - it depends on how you figure the thing - as there is some difference as to the value of the rights on that sort of an issue; I think you figure them anywhere from a half up to - oh, up to twenty-five to twenty-eight thirty-seconds.

B: That's on the '46?

E: Yeah. Now, of course, personally I'd like to see - we've got these rights values down - I'd like to see whatever issue is put out priced in line with about the rights values. I'd like to see it at around a half, but on a note issue. I think a half is enough for the rights.

B: Uh huh.

E: Now, I.....

B: What would you do on June '45?

E: Well, I'd - June '45 is one and a quarter, and I'm sure that your rights there will be somewhere

- 2 -

around twelve to sixteen thirty-seconds.

B: Yeah. We've got sixteen to twenty-two.

E: Well, I think you're a little bit long there; but anyway, the rights value on the June is not quite as much as the rights value on the '46.

B: Yeah.

E: And that's the only - of course, you've got a little longer issue on the '46, and maybe the rights value should be a little bit lower than on the other. You see, the June is a three and a half year issue as against five.

B: Yeah.

E: But that's the only additional thought I had on it. Either one of those would be - look all right to me - and I'm not awfully strong either way.

B: Well, we, as a group, here in the Treasury and the subordinate group, certainly is opposed to the one and a half as it gets awfully close to the two and a half. There's too wide a spread, and then we have trouble with our long bonds, it seems to us, when we go to a one and a half. But we're also opposed to putting it into one issue in the note area, because you're shoving the securities out and let them drift right into New York, where you've got the weakest reserve position. That was in our note market all along.

E: They're not going to drift there if.....

B: Why not?

E: Well, they won't drift into New York unless they want the investment. In other words you've got.....

B: Yeah, but the people outside of New York are not crazy about notes.

E: You've got two thirds of your issue already in

the banks, and they're going to take - without question, they'll refund them. Of course, I argued the thing yesterday and we are unanimous over here in feeling that it should be a note issue; and in talking to New York, they want to put out, of course, the option, which we don't agree with them at all on. Now, it's up to the Treasury to make the decision.

Allan wasn't very strong one way or the other on it. He said his first choice would be the opening up of the '48-'50, and likewise putting a note issue out, selling the '48-'50 at the premium. I think you're going to have a hell of a time pricing the two issues. You'll have arbitrage - I think you'll have more of an after market at two than you will the one. That's my feeling about the matter, and further.....

Q: I don't quite get that, because you really are giving them what they want when you give them both a bond and a note. If you give them just one, you'll have a lot of people that won't want what you give them and they're bound to sell it.

A: Well, that's - you mean sell what?

The trouble is, you put out more bonds now when your bond market is already weak

Q: Well, so is your note market.

A: Well, it's nothing like.....

Q: It's been weak longer than your bond market.

A: .....nothing like your bond market, though. Your long bond market, it seems to me, is the particularly weak market; and if you put out bonds, then - of course, Allan said, "Well, if you don't put out bonds, then the bond market goes up." So you put out notes, and the bond market goes up. Now you're arguing if you put out notes the bond market will go down.

Q: Who, me?

A: Yeah.

B: No, I'm arguing that you're going to pull - well, it might, because you might pull the note market further out of line and it might have an effect on the bond market; but I think certainly you've got to wait on your note market, which is already just as weak if not weaker than your bond market.

E: Well, if you were putting out a new issue, it may be an entirely different picture, but you're not putting a new issue out - you're refunding which is now short-term stuff with short-term stuff. Certainly everything that you're refunding - I think there may be some merit to your argument if you were putting out a new issue, but you're not. This is merely a refunding issue, and.....

B: Well, don't you think you get a churning when you give people something they don't want?

E: Well, I don't - we've never given the market exactly what they want. The trouble is when you say what they want, there's a lot of difference of opinion. You get New York wants one thing, the country may want another thing. And the dealers want something else.

B: That's what we find here.

E: If we're going to - Dan, if we're going to let the market run the thing, of course, we'll always be in hot water; and I think that if the market was one organized strong for it, but the trouble is, the market is a very nebulous sort of a thing, and I think what we've got to do is to decide what fits into a pattern or a policy and adhere to it, and I think the market is going to take it.

B: Well, I don't know that the market is so nebulous. We talked to twenty or twenty-five bankers or dealers and they all are handling this security and a lot of them holding them, and their opinion is that you ought to have a split issue. Don't you think that's a pretty good indication as to what you ought to do?

E: Oh, I think that's what the New York banks and

the dealers - I think pretty largely those fellows get together up there and.....

B: Well, I've talked to Detroit and I've talked to Chicago.

E: Sure.

B: And I got, I think, one suggestion from Chicago that there be a single note; and when we asked the fellow whether or not he'd be interested in that note as a secondary distribution, he said, "Yeah, I'll be interested at par."

E: What did he mean, "at par"?

B: "At par", he said. "When the market takes it down to par, I'll be interested in it, but I won't be interested in it otherwise." So that's what his decision amounted to.

E: Well, I don't care what you do on the thing. I think you're not going to have any good market on this thing until the market knows exactly what our program is. I mean, I don't care whether you put out a note or you put out a bond or you put out a split issue - I still think that there's a whole element as to what's going to be done with the fifty billion dollar financing picture ahead, if everybody is going to more or less wonder how the money's going to be raised.

B: Well, I'm willing to.....

E: I think that's the principal problem, no matter what you do. No matter what you do, there's always a question, "Is the interest rate as good as we're going to get?"

B: I'm perfectly willing - I don't know whether the Secretary is willing - but I'm perfectly willing to say that we're not going to pay more than two and a half per cent for money, and we're going to hold the long bonds at not less than par and we'll give them all the additional reserves they need. You needn't worry about excess reserves.



- 6 -

- E: Yeah. Well, I wouldn't go on that at all.
- B: Well, you see, there you are now. You're weakening. But that's exactly what they want.
- E: Yeah, but that kind of a program, as I told you the other day, merely says that we'll guarantee demand money at two and a half per cent. There's nothing.....
- B: Well.....
- E: When you say we're going to hold the long issue to par and that's all we're going to do, I think you've got to have a program that's much more comprehensive than that. I think it's a question of whether you're going to do all this - do it on a basis of market financing, leaving it up to the market to tell us what they want. I think that's your question.
- B: Well, I don't think we've left it up to the market all the time; but I don't think that we can leave out the ladder, because if you say two and a half per cent, we may be paying it for five years. I don't think we want to put ourselves in any trap like that.
- E: Well, I agree with that. I think you've got to go more, though, than merely saying we're not going to pay more than two and a half per cent; and I don't think that you can say that we're going to peg the market at par on the long issue because when you do, you can't do market financing. In other words, the market's got to have some fluctuation and it can't be a pegged market. If you say it's a pegged market, then, of course, why have market issues. It seems to me, the minute you peg your market, the thing to do then is to have tap issues to do your job. I mean, that's the way I look at the thing; and I'm perfectly willing myself to say two and a half per cent, and in effect, peg the market; but then go ahead and get your money from a basis of tap issues, except what you have to fill in through the banks. I mean, I'm not concerned about two

and a half at '67-'72. I'd just as soon go that far, but I don't like to - I don't want to say that we'll guarantee that at par, and then expect to do financing on a market basis.

H: In the long issues. That's where - that's the only part we differ.

E: Well, now on this.....

B: We may be together, but I still think we can maintain them at par and do issues on whatever rate and basis that fits into that scheme of things, between zero and twenty-five, thirty year bonds, at whatever rate we decide that will go in the market and still maintain those at par.

E: Well, of course, I don't like long bond - to be putting a lot of long bonds out on the market depending on the excess of the reserves of the banks to finance your long-term market. I think you just - then you're going to hold it for the duration - then you're building up for yourself just a hell of a lot of trouble, and it's entirely contrary to what any of the others - either the British or the Canadians - are doing or expect to do; and I - it's contrary, I think, to the best judgment of, I know, New York and also all of us here. Not that - we still feel that the banks should be used in the short field, and that we should - that the market should be used largely for.....

B: Even a two per cent range is a short field. I mean, that's.....

E: That's right. Well, what I meant in a short field - I meant anywhere - close bills or short bonds. Anywhere up to - not to exceed ten years.

B: Uh huh.

E: That's what I meant. And from there out, I would depend on the - I'd design tap issues to then get all funds there are. We've got enough long-market bonds out for some time. We can't say that the investor who wants market bonds can't

get them. There's a lot of them out, and he can get them, if he wants an element of speculation which there always is in a market bond.

B: Yeah, but we're not talking about long bonds. I mean, you wouldn't consider the '49-'51 area a long bond here, would you?

E: No. Oh, I don't mean from this point now. I was thinking of getting general stability in the market. I was thinking not so much on the refunding. I don't think the refunding is a particular problem. I was thinking of.....

B: Another cash.

E: I was thinking of the cash in a long-range program.

B: Yeah.

E: And what I meant to say was, that the whole market is sort of, you know, wondering what - where rates are going to go; and I think that's why we find the bond and the note and the whole market today sluggish. It isn't because of the lack of funds for investment, it's merely because the general uncertainty and a waiting for a shift-over from what we may term a normal market program to a war program.

B: Yeah.

E: I think that's just where we are in the interim, and we're going to stay there until we get a definite program. Now.....

B: I told you my program.

E: (Laughs) Yeah, I know you did, but.....

B: What?

E: .....I think it's all tied together. Well, I think I think it's just a difference of emphasis.

B: (Laughs) Well, Marriner, you and the Board haven't changed, I take it.

- E: No, no. We still.....
- B: Except you add the June '45.
- E: Well, that's right. We still - I think the Board wouldn't disagree on that either. I mean, what the Board is anxious to do - they think one issue, and they think it ought to be a note issue and they think it ought to be priced so that the rights are not high.
- B: Yeah. Well, I think if it's going to be a one issue in a note, then I would lean towards your one and a quarter.
- E: Well, I think that the rights on the one and a half are too - I mean there weren't - I mean, you're giving them a little bit too much, I think, on the December '46.
- B: I would agree with that, but I don't like the one and a half.
- E: You don't like what?
- B: I don't like the one and a half, December '46.
- E: Do you think it gives them a little too much money?
- B: Yeah, and I think the psychology of a one and a half rate out there, getting close to that bond area is all wrong at this time.
- E: Well, of course, there's a half a per cent difference between that and the '48-'50's.
- B: And there's a one per cent between that and the twenty-five, thirty that worries me a little more than that other.
- E: Well, except this, that those long ones, Dan - this goes into.....
- B: I don't think we want to let.....
- E: You've got a different investment market. Now here's what you've got. On your one and a half,

your one and a half is a bank investment. At one and a half the insurance companies and your mutuals can't get by with one and a half, and your estates. They've got.....

B: They could on a two, though, and that's the reason I.....

E: Well, I know; but they need two and a half, though they may take some two's. But you take your long-term, permanent investor, and by God they need not less than two and a half and they're much less interested in the maturity than they are in the rights. Now, that's the banking set-up. I think most of them would sooner take one and a half, five years than a two and a half, twenty-five years.

B: Yeah, but.....

E: I think that is true in the banking picture, but not among your investors. Your investors - they're more interested in the right, I think, than the maturity.

B: I've been willing all along to see short-term rates tightened a little, but I think they've gone far enough and I don't want to see them go any further; and I'm afraid that the one and a half per cent would be an indication to the market that - well, the Treasury's not interested this short rate and they're willing to pay more for the short money, and then that just has an effect all out through the line. Whether that's psychological.....

E: You were paying one and a half a year ago.

B: On.....

E: When you took into account the tax-free - you see what we've more or less lost sight of this year, we've thought of a rate and not of a net yield after taxes; and up until last spring, we were.....

B: Well, we hope we can forget tax-exempts in due course.

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- E: Well, that's right, but the market doesn't. The market always - there's a certain amount of arbitrage going on between the taxable and the tax-exempt.
- B: Yeah.
- E: And when you take a one and a half, five years, and you deduct the tax - the 24 per cent normal tax and compare it with what we were financing a year ago - we're financing considerably cheaper today on the basis of one and a half for five years than we have any other time except the last six or eight months.
- B: Well, let's keep it that way.
- E: What is it?
- B: Let's keep it that way. Right where it is now, if we keep it, why I'll be satisfied.
- E: Well, I - well, but, of course, the one and a half at December is keeping it that way if you take into account - you're paying the market three quarters of a point for underwriting - I mean, that's what it is. As far as the investor is concerned, the one and a half is in line when you take into account the cost of underwriting, isn't it? You see, it's priced on a market, practically, if you think the underwriter is entitled to three quarters of a point.
- B: Well, I don't think we can change that now, unless we go to a tap issue. Let me ask you this, have you had any further discussion this morning with your Board about this. I mean, since yesterday afternoon?
- E: Yesterday afternoon. No, I didn't talk to them this morning because they were just thoroughly unanimous on this thing. There wasn't a single one of them that wanted a bond.
- B: Uh huh.

- E: John McKee, particularly, was very much against it. Ransom was more indifferent. I mean, just.....
- B: Yeah.
- E: But they all said that we think that a note is the thing to do, and they had, each of them, a little different argument. Ransom said that the way it looked to him, he wasn't very strong, he hadn't thought much about it - you know, he was more or less - didn't care very much one way or the other. Now, there he was on the one side, and John was.....
- B: Pretty strong on the other.
- E: John was more strong on the other side.
- B: Yeah.
- E: I mean, now that's about the.....
- B: Uh huh. Well, you have added the June '45, which I think is a good suggestion.
- E: Well, the only reason - that's a question of pricing, Dan.
- B: Yeah.
- E: Now the reason - yesterday on the '46, Piser had estimated a half of one per cent right value, see? That is, sixteen thirty-seconds - he said that on a December '46, the rights value would be about sixteen thirty-seconds, see?
- B: Yeah.
- E: Well, now - so that the Board's view, the Board favoring the December '46 was based upon the rights not being more than sixteen thirty-seconds. They all agree that the rights should be kept down.
- Now, in discussing it again with Piser, and checking it, I raised the question - I said,

"I don't agree with you on those rights, Piser, I think sixteen thirty-seconds too low." See?

B: Yeah. We think so too.

E: And after I checked it with other issues here, it seemed to me that the rights value is three quarters to seven-eighths.

B: That's right.

E: I said that those rights looked a little bit high to me. Now, I said, "We've got to take a look at some other note."

Well, the net result is - so I went to the June '45, and I'm sure the Board would feel likewise, because they were just as much opposed to having - giving these rights too much value.

B: Yeah. And June '45 is vacant, too.

E: That's right. June '45 was vacant, and the rights on June '45 are somewhere not more than a half.

B: Yeah.

E: And they're in line with the market on rights. So that's the only reason for the shift - was the new appraisal of the rights value.

B: Well, I think that's a good suggestion.

E: That seems - that....

B: Wait a minute, will you?

E: Yeah.

B: Well, all right, Marriner. Thanks very much. The Secretary's calling me now.

E: All right. Dan. Good-bye.



January 10, 1942  
11:35 a.m.

HMJr: I asked them in New York, and I gave them a good cursing out on the whole Federal Reserve System

D. W. Bell: Oh, you did? (Laughs)

HMJr: Yes, I did.

B: Well, I've just had a half hour's talk with Eccles.

HMJr: We're paying the price now for Marriner Eccles' monetary theories, and I told them they've got me in a vice and I don't like it.

B: Yeah.

HMJr: And we've just got to wiggle out of it, that's all. And to go - to do what New York wants to, Dan, get out a three-year note at the beginning of the war, we've got to keep those spaces for some emergency, Dan.

B: I see.

HMJr: Hello.

B: Yeah.

HMJr: I can't tell the Street - am I out - who's all in the room?

B: Hadley, Morris, Haas, and Lindow and Mrs. Klotz.

HMJr: Good. Tell Mrs. Klotz to stay there. She's going to have to settle this. Hello.

B: She's going to have to settle it.

HMJr: Yeah, somebody has to.

B: (Laughs) All right. She's here.

HMJr: Well, the point is this. I can't - I've got to

- 2 -

keep those two, three, and four year spaces for some time when we get some really bad news.

B: Yes.

HMJr: So that's out the window. Now, you fellows tell me I shouldn't say five years, one and a half per cent - it's too high - and I agree with you.

B: Yeah.

HMJr: So I put it up to the Board in New York, "Which would you rather have? Can we open up the '48-'50 or do a new one at two?"

B: Yeah.

HMJr: They said, "The new one." I said, "Well, thank God. At least we agree on that."

B: They said a new one?

HMJr: They said a new one.

B: Yeah.

HMJr: So at least there's agreement on that.

B: All right.

HMJr: What?

B: Yeah. We agree with that.

HMJr: You agree with that.

B: Yes, I do.

HMJr: Well, you fellows have got me now - I think you're right. I don't know what we can do about this short-term money market, but we're going to have to do something; and it doesn't help any to get out another note, does it?

B: No. We don't think so. The Board thinks so, but we don't.

HMJr: Well.....

- 3 -

B: Now, Eccles has come around this morning to the June '45, one and a quarter.

HMJr: One and a quarter.

B: June '45. He said that he thinks.....

HMJr: Oh, no.

B: He thinks the one and a half, December '46, is a little rich. That's the reason for his change.

HMJr: Listen, Dan, one thing I know is that there'll be times where we need the three - we'll need '44 and '45 and '43.

B: Probably will.

HMJr: That's why I've been insisting on getting the notes out as far as possible.

B: Uh huh.

HMJr: Now, here's the point. If - the long-term money market is still reasonable, isn't it?

B: Yes.

HMJr: What?

B: Yes.

HMJr: The short-term money market is, we think, distorted. Right?

B: Well, it's tightened; I wouldn't say it's distorted. I think it wouldn't take much to carry it beyond the line where we want to see it go.

HMJr: Well, if we leave it alone for a month, it may get better.

B: The note market has been the worst market we've had.

HMJr: I say it might get better.

B: Yes, sir.

HMJr: Well, I think - Dan, I think we'd better get out a new two.

B: You do.

HMJr: Yeah.

B: Well, I think we'd all agree with that.

HMJr: What?

B: We all agree with that.

HMJr: You all would?

B: Yes, sir.

HMJr: Well, what does Mrs. Klotz say?

B: (Laughs)

HMJr: I'm trying not to be too serious. It's hard not to be, though.

B: She favors the two per cent bond.

HMJr: She does?

B: Yeah.

HMJr: Well, she's getting on the bandwagon.

B: (Laughs) Well, she says there's five of us here. She knows she has to. (Laughs)

HMJr: Well, look.

B: Yeah.

HMJr: Why not let's just say - look, Dan, we can't go wrong on this. Hello.

B: Well.....

HMJr: On the '49-'51.

B: We can't afford to go wrong, and I don't think we are.

- 5 -

- HMJr: No, no. I mean we won't go - they say we won't go wrong.
- B: Well, I think that's right.
- HMJr: What?
- B: There's a good market there.
- HMJr: They say it'll ohurn. Well, let it ohurn.
- B: Well, I think you've got some of these securities in the hands of people, say, like the Guaranty and those others that will cooperate on that, even though they may not want it; and I think they'll hold it.
- HMJr: Well, I told them - I talked the way I've never talked before to New York. They kept saying, "This is what the market wants." I said, "Now, listen, at this stage the market better take what I want. I can't - one month after we're in the war adjust myself to a false position, which has been created by the Federal Reserve System. They're wholly responsible for this." I mean, they built this thing up for over six months, beginning with last July. Now I've got to pay the price.
- B: Well, I - if we keep it here, I'm not so worried about it; and I think if we take a strong position, we can keep it here.
- HMJr: Pardon me?
- B: I say I don't worry so much about the rates and the present market if we can hold it here; but I think to shove these short-term rates up any higher, is certainly going to affect your bond rates out in that long area.
- HMJr: Are you and I making a record?
- B: Yes, sir.
- HMJr: All right. Good.
- B: All right. Do you want us to talk to you any more?

HMJr: Well.....

B: Or is this the final decision?

HMJr: I think I'd better just break this news to those fellows in New York and cheer them up a little bit, because I was pretty tough this morning.

B: All right. Do you want to call them back then?

HMJr: Yeah.

B: And we'll go ahead with this.

HMJr: Pardon me?

B: We'll go ahead with the two per cent bond at '49-'51.

HMJr: That's right.

B: Well.....

HMJr: Are you - are you all smiling? Are you all right?

B: Yes. Now wait a minute. We'll see where we want it.

HMJr: Pardon me?

B: We'll just see where we want it. I take it it's March. See what we've got.

HMJr: I've got a table also. Wait a minute.

B: March is empty on a call date and so is June.

HMJr: I haven't the table.

B: (Talks aside) I like June, don't you? What's the matter with June? Bride's month. I'd like June.

(To Secretary) We like June.

HMJr: You like June.

- 7 -

B: Mrs. Klotz likes June. She said that's a nice month.

HMJr: That's the month for the brides.

B: Yeah, that's right. (Laughs)

HMJr: All right. Let's.....

B: And that'll give you around twenty-nine to a point one thirty-second premium.

HMJr: How much?

B: Twenty-nine thirty-seconds to a little over a point, in that area. That's plenty.

HMJr: That's nice.

B: Yeah, that's plenty.

HMJr: We'll call it the "wedding bell bond".

B: The "wedding bell". What's the "bell" for on there? (Laughs)

HMJr: Dan, if I supply the wedding, you supply the "Bells".

B: All right. I'll supply the "Bells". I'm not in a position to supply the wedding. (Laughs) I hope I'm not to the point.

HMJr: Well, you've got a daughter and I have three children.

B: Yeah, but I don't want her to get married yet. (Laughs)

HMJr: What?

B: I don't want her to get married yet.

HMJr: No. But she might.

B: Well, that's all right; and we'll go ahead.

HMJr: And you're going to put it into June.

- 6 -

B: Yeah.

HMJr: Now, there's no directions other than that '46-'49. Three and an eighth.

B: That's right.

HMJr: And you'd ought to pick that up.....

B: Well, that's a high rate, and we ought to pick that up before '49, yes. There are others that cross it, but then we've always got that picture.

HMJr: What?

B: There are other issues that cross the '49, which you could pick up earlier on a call, but which mature later; but then you always have that situation.

HMJr: Well, I'll just call them up and try to cheer them up a little. I think it's all right.

Now, does anybody have any doubts there in your office - in my office?

B: Everybody's unanimous.

HMJr: Wonderful.

B: We all agree on it.

HMJr: Does Mrs. Klotz want to say anything to me? From her own room or anywhere?

B: How's that?

HMJr: I said has Mrs. Klotz got anything more?

B: (Talks to Mrs. Klotz) Have you got anything more?

(To Secretary) No. She says, "nothing".

HMJr: All right.

B: Fine.

HMJr: I'm not going to call again.



B: All right. But you are going to call New York?

HMJr: I'll - yeah. What's - do you know their number?

B: No I don't, but I'll switch you.

Operator: Yes, sir.

HMJr: What's New York's number?



## TREASURY DEPARTMENT

WASHINGTON

January 10, 1942

Dear Mr. President:

Approximately \$236,000,000 of 3 percent Federal Farm Mortgage Corporation bonds have been called for redemption on January 15 and \$103,000,000 of 2-3/4 percent bonds of that Corporation have been called for redemption on March 1. In addition, \$310,000,000 of Reconstruction Finance Corporation notes mature on January 15 and \$426,000,000 of Treasury notes mature on March 15. In line with the policy determined upon last October, I propose to offer the holders of these four issues an opportunity to obtain a new issue of 2 percent Treasury bonds, on a par for par basis, with adjustments of accrued interest to January 15 in the case of the Treasury notes and the 2-3/4 percent Federal Farm Mortgage Corporation bonds.

The bonds will be dated January 15, 1942, and will mature June 15, 1951, with provision for redemption on and after June 15, 1949.

The authorizing act provides that bonds may be issued only with the approval of the President. Accordingly, I trust that the proposed issue will meet with your approval.

Faithfully yours,

Secretary of the Treasury.

The President,

The White House.

FOR DEFENSE



BUY  
UNITED  
STATES  
WAR BONDS  
AND STAMPS

APPROVED:

263

(For your information in connection  
with your work on the Byrd Committee)

Veterans pension bills, involving  
estimated first-year costs of more  
than \$33,000,000, will be considered  
by a subcommittee of Senate Finance  
Committee at 10:30 Jan.13.

## TREASURY DEPARTMENT

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## INTER OFFICE COMMUNICATION

DATE JAN 10 1942

TO Secretary Morgenthau  
FROM Mr. Foley

For your information relative to your work on the Joint Senate and House Committee on economy, H.R. 4 and H.R. 4845, veterans pension bills, mentioned in previous reports as involving estimated first-year costs of more than \$33,000,000 will be considered by a subcommittee of the Senate Committee on Finance at 10:30 o'clock Tuesday morning, January 13. Our previous report as of December 1, 1941 indicated that there had been hearings on November 27, 1941, but that the subcommittee had not met in executive session to consider the bills further.

S. 117

STANDARD FORM No. 14-A  
Approved by the President  
March 10, 1932

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

215  
TREASURY DEPARTMENT

WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

H. Morgenthau Jr - OFFICIAL

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE

2-14117

January 10 1942

MR. EDWARD E. BROWN  
PRESIDENT FIRST NATIONAL BANK OF CHICAGO  
CHICAGO ILLINOIS

WHEN YOU ARRIVE IN WASHINGTON MONDAY MORNING PLEASE TELEPHONE  
MY SECRETARY AND LEAVE WORD WHERE YOU CAN BE REACHED

HENRY MORGENTHAU JR



O  
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 OK  
 CG 803 GOVT T OK V  
 CG I XXX CG 803

SECRET SERVICE CCO SCHAETZEL  
 SECRET SERVICE WASH WILSON  
 PLEASE HAVE AN AGENT DELIVER THE FOLLOWING MESSAGE IMMEDIATELY  
 WAIT FOR REPLY FROM MR. BROWN AND THEN RETURN TO OFFICE AND  
 TELETYPE REPLY AT ONCE TO US FOR DELIVERY TO THE SECRETARY

MR EDWARD E. BROWN  
 PRESIDENT FIRST NATIONAL BANK OF CHICAGO  
 CHICAGO, ILLINOIS.

WOULD APPRECIATE IT IF YOU COULD COME TO WASHINGTON TO SEE ME  
 ON MONDAY JANUARY 12. WOULD LIKE YOU TO HAVE LUNCH WITH ME AT  
 OFF. OCLOCK.

HENRY MORGENTHAU JR  
 SECRETARY OF THE TREASURY

END  
 OZ LILL OO SO FND SCHAETZEL



THE SECRETARY OF THE TREASURY  
WASHINGTON

January 9, 1942

VIA SECRET SERVICE TELETYPE

MR. EDWARD E. BROWN  
PRESIDENT FIRST NATIONAL BANK OF CHICAGO  
CHICAGO ILLINOIS

WOULD APPRECIATE IT IF YOU COULD COME TO  
WASHINGTON TO SEE ME ON MONDAY JANUARY TWELFTH.  
WOULD LIKE YOU TO HAVE LUNCH WITH ME AT ONE  
OCLOCK.

HENRY MORGENTHAU JR  
SECRETARY OF THE TREASURY



Classification by Type of Purchaser of the Sales of Treasury Notes  
Tax Series A and Tax Series B

August to December, 1941

(Par amounts in millions of dollars -  
As reported by the Federal Reserve Banks)

Type of purchaser and month	Tax Series A	Tax Series B	Total
<u>Individuals</u> <sup>1/</sup>			
August.....	16.0	50.0	66.0
September.....	6.2	21.1	27.3
October.....	5.2	20.4	25.6
November.....	3.5	14.3	17.8
December.....	<u>5.4</u>	<u>36.7</u>	<u>42.1</u>
Total.....	<u>36.3</u>	<u>142.5</u>	<u>178.8</u>
<u>Corporations</u>			
August.....	3.7	1,024.9	1,028.6
September.....	.9	260.3	261.2
October.....	.6	411.5	412.1
November.....	.6	301.9	302.5
December.....	<u>.4</u>	<u>303.1</u>	<u>303.5</u>
Total.....	<u>6.2</u>	<u>2,301.7</u>	<u>2,307.9</u>
<u>Total sales</u>			
August.....	19.7	1,074.9	1,094.6
September.....	7.1	281.4	288.5
October.....	5.8	431.9	437.7
November.....	4.1	316.2	320.3
December.....	<u>5.8</u>	<u>339.8</u>	<u>345.6</u>
Total.....	<u>42.5</u>	<u>2,444.2</u>	<u>2,486.7</u>

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

January 10, 1942.

<sup>1/</sup> Includes partnerships and fiduciaries.

## Sales of Treasury Notes - Tax Series A and Tax Series B

August to December, 1941

Classified by denomination

(Par amounts in millions of dollars - As reported by the Federal Reserve Banks)

Series and denomination	Aug.	Sept.	Oct.	Nov.	Dec.	Total
<b>Tax Series A</b>						
\$25.....	.6	.3	.3	.3	.3	1.8
50.....	.8	.4	.4	.3	.6	2.5
100.....	<u>18.3</u>	<u>6.4</u>	<u>5.1</u>	<u>3.5</u>	<u>4.9</u>	<u>38.2</u>
<b>Total - Tax Series A</b>	<u>19.7</u>	<u>7.1</u>	<u>5.8</u>	<u>4.1</u>	<u>5.8</u>	<u>42.5</u>
<b>Tax Series B</b>						
\$100.....	1.2	.5	.5	.5	.9	3.6
500.....	2.8	1.2	1.4	1.2	2.1	8.7
1,000.....	27.5	12.7	12.1	11.2	19.2	82.7
10,000.....	120.5	44.8	44.2	43.9	58.7	312.1
100,000.....	374.9	103.2	114.2	104.4	120.9	817.6
500,000.....	63.0	28.0	26.5	32.0	22.0	171.5
1,000,000.....	<u>485.0</u>	<u>91.0</u>	<u>233.0</u>	<u>123.0</u>	<u>116.0</u>	<u>1,048.0</u>
<b>Total - Tax Series B</b>	<u>1,074.9</u>	<u>281.4</u>	<u>431.9</u>	<u>316.2</u>	<u>339.8</u>	<u>2,444.2</u>
<b>Total - Both Series..</b>	<u>1,094.6</u>	<u>288.5</u>	<u>437.7</u>	<u>320.3</u>	<u>345.6</u>	<u>2,486.7</u>

January 9, 1942

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


TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE January 10, 1942

TO Secretary's Files

FROM Mr. Callahan 

The following is a report on what has been accomplished to date with regard to using the Minute Man on private stationery:

To date, approximately 1500 electrotypes of the Minute Man in heights of 1 and 2 inches have been furnished to private business firms for use on stationery, business cards, etc.

The American Bankers Association, Building and Loan Companies, etc., are requesting that we furnish them with approximately 16,000 mounted electrotypes 1 inch high to be given to individual companies in these associations to use on letterheads, statements, etc.

We are ordering this material in lots of 500 electrotypes at a time, so as to be sure they are furnished only upon direct request, thus assuring more nearly 100 per cent usage.

My dear Mr. Comptroller General:

This Department has under consideration a Voluntary Payroll Savings Plan for the purchase of Defense Savings Bonds by employees of the Treasury Department.

The essential features of the plan are similar to those outlined in your letter of December 4, 1941, B-20620, to the Secretary of the Navy. However, the Treasury desires that certain changes be made in the heading of Form 10, approved for the Navy Department on December 4, 1941.

It is desired that the word "authorization" be substituted for the word "pledge" and that the word "allotments" be substituted for the word "deductions," so that the first line of the heading of the card will read "Individual authorization card and record of payroll allotments." On the second line of the heading, in smaller type, it is desired to substitute the words "for purchase of Defense Savings Bonds" for the words "for Defense Savings Bonds reservations." Also, in the body of the card, change the word "reservation," wherever it appears, to the word "allotment." Briefly, the reason for requesting these changes is the unfavorable connotation which the words "pledge", "deductions", and "reservations" carry to most employees.

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In view of the fact that voluntary payroll allotment plan for the purchase of Defense Savings Bonds might eventually be adopted by other departments, it is suggested that provision be made in the allotment card for the name of the department or establishment and the bureau or division of the department or establishment.

Under the Department's proposed procedure, duly authorized certifying officers will be responsible for certifying to the Division of Disbursement, on approved payroll forms, the amount of each payroll allotment, supported by a schedule (Form 1056) reflecting the amount of such allotments. The total amount of the allotments will be deposited by the Chief Disbursing Officer, Division of Disbursement, in a special deposit account with the Treasurer of the United States entitled "Employees' Payroll Allotment Account, U. S. Defense Savings Bonds."

The Chief Disbursing Officer, Division of Disbursement, will be designated as the bond issuing officer for the purpose of issuing bonds to the employees of the various bureaus and offices. He will furnish bond for the faithful performance of his duties as bond issuing officer and will be responsible for maintaining adequate records and safeguards of unissued stock and of seeing that bonds are issued in the proper form and in the proper amounts. Bonds purchased by employees in the field services of the Department, whose salaries are paid through regional offices of the Division of Disbursement, will be issued by the Chief Disbursing Officer through the appropriate

regional assistant disbursing officers.

The heads of bureaus and offices will be responsible for maintaining an accurate account or record relating to the payroll allotment made in the case of each participating employee under his jurisdiction. Upon accumulation in an employee's account of an amount equal to the purchase price of a bond of the denomination for which he has made allotments, an authorized certifying officer will certify to the bond issuing officer (i.e., the Division of Disbursement) the name or names of the person or persons to whom the bond is to be issued and the purchase price thereof. At the same time he will certify on Form 1046 the total amount to be transferred by the Chief Disbursing Officer from the Employees' Payroll Allotment account to the Public Debt account to cover the purchase price of the bonds to be issued to the employees. A list showing the names of the persons to whom bonds are issued, the denominations, and the purchase price thereof will be forwarded to the General Accounting Office with the Chief Disbursing Officer's account current.

Where an employee desires to withdraw money from his allotment account before accumulating the amount necessary to purchase a bond for which the allotments were made the Division of Disbursement will make refund to the employee, on Form 1047, when certified by an authorized certifying officer, but only for the full amount standing to the employee's credit. Partial withdrawals will not be permitted.

Death claims will be referred to the General Accounting Office for direct settlement in the usual manner.

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In case of resignation or transfer of an employee to another department, or from one bureau or office of the Treasury Department to another, the employee will be authorized to deposit the amount necessary to complete the purchase of a bond. Otherwise, the amount standing to his credit will be refunded on Form 1047, as indicated above.

The individual authorization and account card, referred to above as "Individual Authorization Card and Record of Payroll Allotments" will be retained in the administrative office concerned until it has been completely filled or until the account is closed out through a refund of the money to the employee, after which it will be sent to the General Accounting Office.

The Department desires to place this procedure into effect as soon as possible but not later than the first pay period commencing on any date after January 23, 1942. In view of the time required for procuring the necessary forms and of acquainting the employees with the provisions of the plan, it would be appreciated if I could have your early advice as to whether there are any features of the proposed plan which may not be acceptable to the General Accounting Office.

Very truly yours,

(Signed) D. W. BELL

Acting Secretary of the Treasury.

Honorable Lindsey C. Warren,

Comptroller General of the United States.

EFB/gwm  
1/10/42.

## UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During  
 First Eight Business Days of January 1942 and December and November 1941  
 (November 1-10, December 1-9, January 1-9)  
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	January 1942	December 1941	November 1941	January over December	December over November	January over December	December over November
Series E - Post Offices	\$ 49,640	\$ 16,252	\$ 14,402	\$ 33,388	\$ 1,850	205.4%	12.8%
Series E - Banks	<u>119,826</u>	<u>29,005</u>	<u>24,356</u>	<u>90,821</u>	<u>4,649</u>	<u>313.1</u>	<u>19.1</u>
Series E - Total	169,467	45,258	38,758	124,209	6,500	274.4	16.8
Series F - Banks	19,192	6,972	7,083	12,220	- 111	175.3	- 1.6
Series G - Banks	<u>77,787</u>	<u>49,728</u>	<u>45,450</u>	<u>28,059</u>	<u>4,278</u>	<u>56.4</u>	<u>9.4</u>
Total	<u>\$266,446</u>	<u>\$101,958</u>	<u>\$ 91,291</u>	<u>\$164,488</u>	<u>\$ 10,667</u>	<u>161.3%</u>	<u>11.7%</u>

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

January 10, 1942.

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

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



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CONFID

UNITED STATES SAVINGS BONDS

Daily Sales - January, 1942  
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
January 1942									
1	\$ 3,982	\$ 10,229	\$ 1,964	\$ 7,605	\$ 19,798	\$ 14,211	\$ 1,964	\$ 7,605	\$ 23,780
2	4,802	10,736	2,056	7,779	20,571	15,538	2,056	7,779	25,373
3	4,457	9,557	1,278	5,453	16,289	14,015	1,278	5,453	20,747
5	9,684	26,724	3,240	13,704	43,668	36,408	3,240	13,704	53,352
6	6,711	7,659	1,341	6,778	15,778	14,369	1,341	6,778	22,489
7	6,748	21,267	3,692	18,832	43,790	28,015	3,692	18,832	50,539
8	7,509	21,297	3,821	12,871	37,989	28,806	3,821	12,871	45,498
9	5,746	12,359	1,798	4,765	18,923	18,105	1,798	4,765	24,669
Total	\$ 49,640	\$119,826	\$ 19,192	\$ 77,787	\$216,806	\$169,467	\$ 19,192	\$ 77,787	\$266,446

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

January 10, 1942.

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

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

Unfilled Orders for Savings Bonds at the  
Federal Reserve Banks and the Post Office Department  
December 31 to date

(In thousands of pieces)

Day	Unfilled orders at opening of business	New orders received today	Bonds manufactured today	Unfilled orders at close of business	Stock of "B" type bonds on hand	IBM deliveries this day
Dec. 31	919	285	375	829	61	350
Jan. 1	829	none - no mail	400	429	61	388
2	429	932	370	991	61	400
3	991	600	420	1,171	61	400
4	1,171	none - no mail	none - closed	1,171	61	400
5	1,171	257	445	1,255	333	310
6	1,255	425	450	1,408	511	520
7	1,408	639	450	1,597	511	525
8	1,597	460	460	1,597	511 <sup>1/</sup>	450
9	1,597	649	500	1,471	236	550

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

January 10, 1942.

<sup>1/</sup> 275,000 pieces included in this figure were in transit and had not reached the Federal Reserve Banks on this date.

TO: HAROLD N. GRAVES  
SUBJECT: PROGRESS REPORT FROM DEFENSE SAVINGS STAFF

January 10, 1942

SALE OF BONDS

Actual cash receipts from the sale of E, F and G Bonds for the first six business days of January were \$196,279,000, an increase of 152.3 per cent over the same period in December, 1941. (During the first six business days of December 1941, America was at peace.)

Actual sales for the first six business days of December were \$77,788,000, and for the corresponding period in November were \$74,792,000.

Of the total cash receipts from the sale of all Bonds, Series E sales were \$122,555,000 for the first six business days of January, an increase of 289 per cent over the same period in December.

SALE OF STAMPS

December Defense Savings Stamp sales totaled \$25,650,562.80, an increase of 300 per cent over November Stamp sales. Breakdown of Stamp sales in December by denominations follows:

Denomination

10 cent	\$2,340,850.80
25 cent	15,133,438.00
50 cent	3,179,782.00
\$1	3,418,232.00
\$5	<u>1,578,260.00</u>

Total \$25,650,562.80

NEW YORK STORE SALES

Defense Bond and Stamp sales in retail stores in New York City totaled \$468,701 in the four days since sales began January 2, a preliminary report indicated. (Stories from Herald-Tribune and New York News attached.)

REGULAR COMIC STRIP FOR BONDS

A half page comic strip entitled "Small Fry" is being made by Al Cobb, who draws "Li'l Abner". This will appear every other Sunday in newspaper comic magazines beginning in February. Two strips have already been drawn and approved. Mr. Cobb, one of the country's highest paid cartoonists, is contributing his services.

NEWSPAPER ADVERTISING CAMPAIGN

By telegram, 1,473 daily newspapers were asked to sell to local advertisers a series of bonds and stamps advertisements. Of this number, 1,350 newspapers wired approval of Treasury's ad plan. Replies are still coming in.

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Advertisements in proof form and mats are being furnished newspapers on a continuing basis, starting in ten days. Before the telegram was sent, various papers had undertaken similar advertising campaigns. (Copies are attached).

#### EDITOR AND PUBLISHER PROTESTS

Editor and Publisher, trade magazine for newspapers, carried an editorial this week criticizing the Treasury for asking business publications to run full page advertising on pay roll savings on a free basis. The magazine said it had declined to run the ad.

Editor and Publisher was the only trade magazine taking this stand. The ad is being run by more than 600 other publications, with total circulations exceeding 6,000,000.

#### MAGAZINES.

News Week has written advising they will print full page ad on pay roll savings.

Collier's Magazine has promised editorial on payroll savings.

#### EXTENSION OF SELLING AGENCIES.

State Administrators were notified of Secretary Morgenthau's plan to permit corporations with large numbers of employees to qualify as agents to sell E Bonds.

SPECIAL

Several years ago Proctor and Gamble asked 3,500 people which prizes would be most attractive: cash or "baby bonds"? The answer was cash - three to one.

Recently, 3,500 people were asked the same question, this time comparing Defense Bonds with cash. The answer favored Defense Bonds, a complete reversal of opinion.

TELEVISION

Last night (Friday, January 9) C.B.S. broadcast a 45 minute (8:15 to 9:00 p.m.) television show featuring bonds and stamps.

Robert W. Sparks, Field Director, spoke for Treasury Department; films from Liberty Loan Drive in last war were shown; posters of this war were televised and Ed Reed, who is head of cartoonist committee for Treasury, exhibited a number of cartoons being used in this campaign.

This is one of a number of television shows planned.

TOSCANNINI

Three more Toscanini concerts, with N.B.C. symphony orchestra are scheduled, one each in January,

February and March. Dates now definitely set are:  
January 24 and February 28.

HOUSE MAGAZINE

This activity is already showing tremendous results. Attached is portfolio showing clippings from numerous house organs. To date, 684 house magazines have indicated that they will run or have run, our column feature "Defense Bonds Buy Tanks."

LABOR PRESS ADVERTISING

Following President Roosevelt's message to Congress telegrams were sent to all labor papers who had not advised us they would publish the Payroll Savings advertisement. To date, 95 papers have replied that they will run the ad, in addition to 99 which previously had indicated they would use it. This is a total of 194 papers with an approximate circulation of 1,100,000.

FIELD OF ENTERTAINMENT

American Federation of Musicians is sending notification to all 133,000 members to lend all cooperation to the Defense Savings Program. Bond and Stamp announcements will be made before every audience at every performance. "The International Musician," official AFM publication, will carry on its first page instructions on how to make these announcements and also a list of suggested Defense Bond messages.

American Guild of Variety Artists have their campaign well underway. Through their offices in key cities throughout the country, they are reaching into vaudeville, theaters, cafes, hotels, music shows, ice carnivals, rodeos, water shows, carnivals, circuses, etc., with Defense Savings messages. All 18,000 members have been instructed to make announcements at each performance.



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AGVA offices, in addition, are contacting vaudeville theater and cafe managers, urging lobby display of Defense Savings posters. Members of AGVA have written a new song, "Buy More Defense Stamps and Lick the Other Side," which they are promoting. Title of the song is also being used as a slogan and incorporated on AGVA letter heads.

American Guild of Musical Artists is placing the slogan "Buy Defense Bonds and Stamps" on every program of every concert artist in the United States. Many artists plan to make special appeals during their concerts in behalf of Defense Savings.

Actors Equity is working out plans to present Defense Savings announcements during legitimate productions, which will be impressive and yet not destroy the illusion of plots.

Eddie Cantor and the cast of "Banjo Eyes," have signed the Payroll Savings Plan, and photographs of the cast, taken Friday, January 9, are being readied for national distribution. Cantor's announcement that all profits from "Banjo Eyes" would be invested in Defense Savings Bonds was released to the press by the Defense Savings Staff here.

Photographs of the cast of "Pal Joey," participating in the Payroll Savings Plan, were taken in Washington and have been sent to Chicago newspapers

FIELD OF ENTERTAINMENT (continued)

for release when the show opens there Monday, January 12.

Guy Lombardo and his orchestra have also signed the Payroll Savings Plan. Photo is attached.

All theatrical press agents are being notified to place emphasis on Defense Bond and Stamp tie-ups wherever possible. A representative of the Defense Savings Staff will address a meeting of the Publicity Club of New York on Thursday, January 15.

SCREEN STARS

Dorothy Lamour is in New York City devoting her time to the promotion of the Payroll Savings Plan. She will tour Philadelphia, Baltimore, Washington, Albany, Syracuse, Rochester and Buffalo.

Judy Canova will be guest star at the North Carolina Defense Savings Rally in Charlotte, on January 19.

Carole Lombard will make radio broadcast appeals and give press interviews in the interest of the Defense Savings Program enroute from Hollywood to Indianapolis where she will guest star at a Defense Savings Rally on January 15.

Jane Withers and George Raft will make frequent appearances for Defense Savings throughout the Southern States between January 15 and February 15.

Sabu, favorite of children, will open the Newspaper Carrier Defense Savings Stamp rally in

SCREEN STARS (continued)

Washington, D. C., and will then go on tour to one city each day for about ten weeks, starting around February 1.

CIVIC CAMPAIGNS

Special campaigns to promote the purchase of bombers through widespread sale of Defense Savings Stamps and Bonds are being started immediately by all Hearst newspapers.

NEWSHELLS

Broadcast Music Incorporated (BMI) has published a new song, "They Started Something" (But We Are Going To End It) by Ernest Gold, Robert Sour and Don McCray. The song continuity plugs Bond and Stamp sales.

FIELD DIVISION - PAYROLL SAVINGS

Among the larger industries of the nation, the following reported these developments in Defense Payroll Savings during the week:

Congoleum-Nairn, Inc., with 3,000 employees, now has 100 per cent participation.

Republic Steel Corporation, with 70,000 employees, will install payroll allotment within the next three or four days.

United States Steel Corporation adopted payroll allotment for some 300,000 employees this week and expects

FIELD DIVISION - PAYROLL SAVINGS (continued)

80 percent cooperation at the outset.

United Fruit Company has adopted Payroll Savings in all its branches.

United Aircraft, Connecticut, has 22,350 employees out of 32,000 participating in Payroll Savings and contributing \$45,000 weekly in allotments.

Boeing Aircraft authorization cards are being received at the rate of 300 weekly.

Spring Air Company plants in Holland, Michigan, and Owensboro, Kentucky, report employees in plant and office, in addition to executives, are subscribing one day's wages or salary every month.

Electric Boat Company, Groton, Connecticut, is averaging \$8,800 weekly in Bond and Stamp purchases, with 4,400 out of 7,200 employees participating.

Delta Electric Company in Marion, Indiana, has adopted a unique system to push up participation by employees in Payroll Savings. Company has erected a large board in front of its plant on which are listed employees enrolling in plan. (Photograph is attached.)

Nine firms in Ellensburg, Washington report 100 per cent participation in the Payroll Savings Plan. Consolidated Builders, Inc., have installed it at Coulee Dam. The Chehalis (Washington) Kiwanis Club reports

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## FIELD DIVISION - PAYROLL SAVINGS (continued)

100 per cent participation and is undertaking a campaign to install Payroll Savings in every firm in town under the slogan "100 Firms 100 Per Cent."

PLEDGE CAMPAIGN

The Field Office reports plans complete for the Pledge campaign to go forward in Oregon on January 20. A test Pledge campaign for a county in Oregon is also in prospect.

FIELD OFFICE

Status of organization work throughout the country follows:

	<u>States</u>	<u>Changes Since January 3, 1942</u>
State and local committees organized.	41	+ 4
State Committees organized.	7	- 4
Administrators and/or chairmen appointed.	3	
Not started.	$\frac{1}{52}$	incl. D.C. Alaska, Hawaii and two field divisions in California.

(See Map Attached.)

DIRECT MAIL

Direct mail sales for the week were \$1,205,547, bring the total mail sales as of January 8 to \$15,444,176. Of this, the First Customer Mailing has produced \$4,843,797 in 93 days of pulling. In 103 days of pulling, the First Industrial Mailing has produced sales totaling \$3,280,241.

RADIO

The Treasury Hour Radio program was named by Variety, trade paper of radio, stage and screen as one of the best programs of 1941.

Radio Minute Women named to supplement group of National Radio Minute Men, all of whom have accepted invitations to broadcast repeatedly. Women's group includes following program conductors, who will use men and women guest speakers:

Alma Kitchell, NBC; Adelaide Hawley and Mary Lee Taylor, CBS; Bessie Beatty, MBS; Mary Margaret McBride, Isabel Manning Hewson, Nancy Booth Craig and June Hynd, NBC. List of guest speakers to appear on their programs is attached. (Radio Attachment No. 1).

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Dorothy Lamour is set to make "Minute Man" appeal and sing "Any Bonds Today?" on the Lucky Strike Hit Parade broadcast over CBS on January 10, and on the Texaco Fred Allen program on January 21.

Radio Minute Men will make Bond and Stamp talks on the Quiz Kids broadcasts for an indefinite period. Speakers for first ten weeks have already been booked. Other network sponsors which have arranged for Minute Men talks are Kraft Cheese, Armour & Co., Williamson Candy Co., Cudahy Packing Co., S. C. Johnson Co., Brown and Williamson Tobacco Co., P. J. Wrigley Co., Carnation Milk Co., Mars, Inc.

Farm Minute Men have been regularly scheduled on 184 programs. New Farm Defense Savings Radio copy is attached. (See Radio Attachment No. 2).

Foreign Language Minute Men have been scheduled on 156 programs.

Regular Boston Minute Men radio appearances began on January 5, with eight now scheduled daily over all Boston radio stations.

Time of the Mutual Broadcasting System Treasury broadcast "America Preferred," is being changed, effective January 10, from Thursday to Saturday nights. New time is 8:00 to 8:30 p.m. EST.

The first Negro radio program, regularly scheduled for Defense Savings Program, will be heard Sundays over the Columbia Broadcasting System, beginning January 11. Program is "Wings Over Jordan".

The Wander Company, sponsors of "Captain Midnight", is organizing an "honor roll" of listeners who buy Defense Stamps. The program is designed to reach children from eight to twelve years of age, and has 600,000 enrolled as "Captain Midnight" club members. The sponsors are beginning a five week promotion campaign and the Mutual Broadcasting system is publicizing.

Actors and actresses in all the 14 Blackett-Sample and Hummert radio serials have been asked by Anne Hummert to participate in Payroll Savings Plan. (See Radio Attachment No. 6). American Federation of Radio Artists has advised that it will subscribe a large sum to Defense Bonds.

Although the Loy's-Baer fight lasted only two minutes and 56 seconds, two appeals for the Defense Savings Program were made during the broadcast sponsored by the Gillette Safety Razor Company.



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Adam Hats Company, in connection with its radio campaign of sports broadcasts, is placing advertisements in newspapers throughout the country in behalf of Bond and Stamp purchases. (Copy of advertisements attached) (Radio Attachment No. 4).

Eighty per cent of Benrus Watch Time Signals will be given over to Defense Savings announcements for an indefinite period. They are heard 44 times daily in 11 cities. (Radio attachment No. 5).

Eso News broadcasts (Standard Oil Company of New Jersey) has scheduled 128 Bond and Stamp announcements for January. These are broadcast in 34 cities.

Also attached: an example of Payroll Defense Savings material as part of a radio script. (Radio attachment No. 7).

#### PRESS

Response to telegraphic requests to leading editorial cartoonists to stress Defense Payroll Savings is most encouraging. Attached are cartoons by Berryman, two by Talburt, and one by Rolin Kirby. Originals of these cartoons are being sent to the Treasury and sent out by the Press Section to all newspapers. Two cartoons emphasizing Payroll Savings are scheduled for the next mailing of cartoons.

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## PRESS (continued)

Photos of Jack Dempsey, buying Defense Bonds, after his effort to enlist in the Army was turned down, were distributed by International News Photo, Acme, and were widely used by newspapers. Copy from the New York Herald Tribune is attached.

Use of mats of new Defense Savings Posters by all newspapers continues. A proof of mat sent out this week and tear sheets showing reproduction in the New York Times and Herald-Tribune of January 10 are attached.

Mats of comic cartoons are also getting a widespread play in the press. Tear sheets from various newspapers showing these cartoon reproductions are attached.

Editorial from New York Herald-Tribune on Defense Savings is also attached.

NEWSPAPER CARRIER PLAN

Based on preliminary sales reports from 474 newspapers, a total of 34,688,140 ten cent Stamps -- or the equivalent in Bonds or Stamps of larger denominations, with cash value of \$3,468,814 -- have been sold by 101,088 newspaper carrier boys. The sales average is \$34.31 per boy.

These newspapers have a total city circulation of 10,532,666. The plan has been in operation from one to 16 weeks (Philadelphia Evening Bulletin) with the average period of operation being four weeks. (See chart attached).

ANALYSIS OF SALES OF E BONDS IN DECEMBER

Total Sales - May through December

New York leads all states in total sales of E Bonds since start of the campaign, followed by Pennsylvania, Illinois, California and Ohio in that order. Nevada is at the bottom of the list of states, with Hawaii (incomplete returns) ranking above, and Puerto Rico, Alaska, Virgin Islands, Guam and Samoa ranking below Nevada.

Total Sales in December

New York also led all states in total sales in December, followed by Pennsylvania, California, Illinois, New Jersey and Ohio. Nevada was again at the bottom of the state list with Hawaii. Puerto Rico, Alaska and the Virgin Islands below Nevada in rank.

Bonds Sold in December as a Percentage of Total Sales Since Start of the Campaign

61.3% of total E bonds sold in Puerto Rico since start of the campaign were sold in the month of December. 43.9% of the total E bonds sold in Nevada were sold in the month of December. At the other end of the scale, 24.6% of total E bonds sold in Vermont were sold in the month of December.

Percentage Change in December Sales over November

Percentage changes in sales in December over November ranged from a decrease of 60% in the Virgin Islands to an increase of 482.8% in Puerto Rico. Taking just the states, percentage increases ranged from 142.7 in Vermont to 426.7 in Louisiana.

Per Capita Sales

District of Columbia led in per capita sales in December followed by Nevada, New Jersey, Connecticut and New York in that order. South Carolina was at the bottom of the list of states. Hawaii (incomplete returns), Puerto Rico and the Virgin Islands ranked below South Carolina with Alaska above in rank.

Sales of E Bonds as a Percentage of Income

Taking sales of E bonds as a percentage of estimated 1941 income, Montana ranked first followed by Missouri, Wyoming, New York, North Dakota and Mississippi. Vermont ranked last among the states.

As can be seen from the attached map, the areas making the best showing were the Northwest, the East Coast from Connecticut and New York through Virginia, the West Coast (with the exception of Washington) and a strip down through the middle of the country from Wisconsin through Texas and Louisiana (with the exception of Arkansas). The area making the poorest showing was the South. The percentage of income going for defense bonds apparently tends to decline with the income level.

Employees Exposed to Payroll Savings

New York led the list in the number of employees exposed to payroll savings as of January 24th, followed by Pennsylvania, Michigan, Illinois and Ohio. At the foot of the list was Louisiana with no employees exposed.

Comparing the percentage of all employees exposed to payroll savings in the U. S. that were exposed in each state with the percentage of the total sales of E bonds that were made in each state in December, there appears to be

-3-

a close correlation between the two series in December. Notable exceptions were New York which had 24.25% of the total U.S. employees exposed to payroll savings but which sold 16.86% of the total bonds sold. Pennsylvania had 12.92% of the U.S. employees exposed with sales totaling 8.72% of the bonds sold in the U. S. Michigan had 9.01% of the total U.S. employees exposed against 4.07% of the sales. On the other hand, Texas sold 3.65% of all the bonds sold in December with .84% of the total U.S. employees exposed to payroll savings. Since the figures on the sales of E bonds are for December and the figures on employees exposed to payroll savings are through January 24th, no definite conclusions can be drawn. Also, varying wage levels in the states should be taken into consideration. However, since the percentages compare so closely in many states, it is indicated that the payroll savings plan is having a marked effect on the sale of E bonds.

#### Radio Announcements

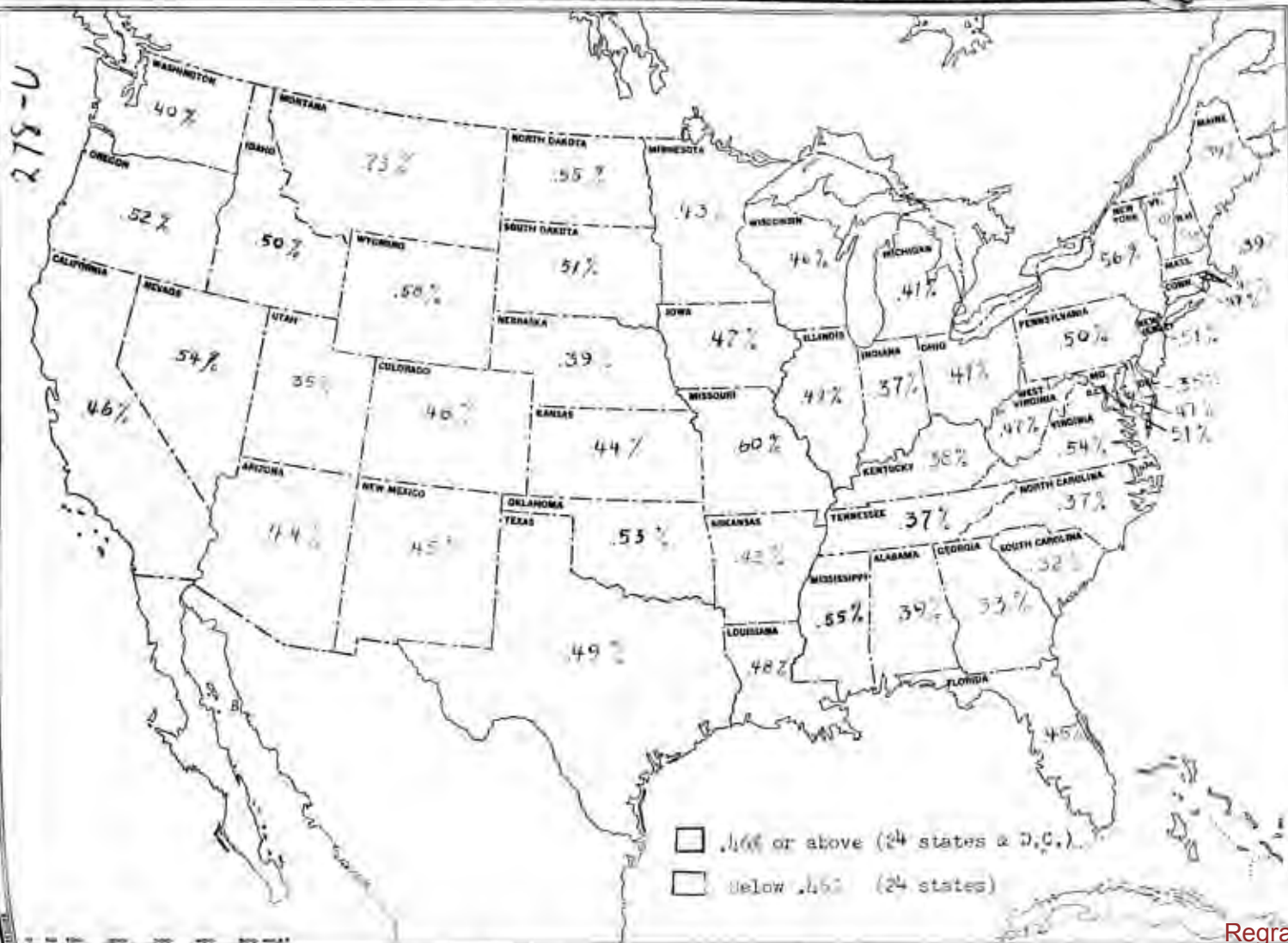
Texas led all states in the number of general one minute radio announcements in December (possibly partly explaining why the percentage of total U.S. sales was higher in this state than the percentage of all U.S. employees exposed to payroll savings exposed in the state). California ranked second with Pennsylvania third. Vermont ranked last.

DECEMBER SALES OF E BONDS AS A PERCENTAGE OF ESTIMATED 1941 INCOME PAYMENTS.

RAND McNALLY

LOOSE LEAF OUTLINE MAP

UNITED STATES



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101 80

OFFICE OF LEND-LEASE ADMINISTRATION  
 FIVE-FIFTEEN 22d STREET NW.  
 WASHINGTON, D. C.

January 10, 1942

Mr. Wm. C. Sullivan  
 Secretary of the Treasury  
 Washington, D. C.

Dear Mr. Secretary:

With further reference to my letter of December 21, which was in reply to your letter of December 1 to General Sizing, I have had the assistance of the British representatives with respect to the bonus in question up with Sir Frederick Phillips.

For your information I am pleased to enclose a copy of my recent letter to me on the subject. From that letter I would understand that the British will not recover any payment from Russia on a transaction of this type, which was in settlement of part of the U. S. obligation to Russia under the Moscow Treaty. For your confidential information I understand that by act the War Department has released 95 of the 100 light tanks in question.

With best wishes,

Sincerely,  
 Wm. C. Sullivan



Wm. C. Sullivan, Sec.



## THE BRITISH EMERALD COUNCIL IN NORTH AMERICA

Box 481  
 Benjamin Franklin Station  
 Washington, D. C.

14th January, 1942.

Dear Mr. Stettinius,

Thank you for your letter of the 1st instant, but the correspondence between Mr. Macmillan and General Burns is not out of date.

In view of the manifest prospect that we shall have to go without the proceeds of the sales of tin and rubber from Malaya which were the most solid parts of our export trade, I approached Mr. Morgenthau further, who communicated with Mr. Patterson. I enclose a copy of a letter which I received from Mr. Patterson and a memorandum which I had previously left with Colonel Parke Holland.

I should add that the figures in that memorandum are to be regarded only as rough estimates and it will be some weeks before the exact figures are known.

There is, of course, no question of our recovering from Russia in any respect in respect of material delivered as part of the United States undertakings at the Moscow Conference. Nor shall we receive payment of any kind from Russia in respect of (a) British made material, (b) Lend-Lease material delivered to Russia in fulfilment of British obligations under the Moscow Protocol. The only payment we should get from Russia would be in respect of material, if any, delivered in fulfilment of British obligations and which had previously cost us dollars under pre-Lend-Lease contracts.

Yours sincerely,

(signed) F. Willing


Mr. E. E. Stettinius, Jr.,  
 Office of Lend-Lease Administration  
 Five Fifteen 22nd Street N.W.,  
 Washington, D. C.

TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY

January 10, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended December 31, 1941, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which these expenditures were financed.



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FEDERAL RESERVE BANK  
OF NEW YORK

January 8, 1942

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended December 31, 1941, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

(Signed) L. W. Knobe

L. W. Knobe,  
Vice President.

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

Enclosure

Copy:1c:1/10/42

BANK OF ENGLAND (BRITISH GOVERNMENT)

PERIOD	DEBITS				CREDITS			Net Amer. (+) or Amer. (-) in Balance	DEBITS			CREDITS			Net Amer. (+) or Amer. (-) in Balance	
	Total Debits	Gov't Expenditures (a)	Other Debits	Total Credits	Proceeds of Sales of				Total Debits	Gov't Expenditures (d)	Other Debits	Total Credits	Proceeds of Sales of			
					Gold	Securities (Official)(b)	Other Credits(c)						of Gold Sales	Other Credits		Net Amer. (+) or Amer. (-) in Balance
First year of war (8/29/39-8/28/40)*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	52.0	420.1	+ 35.0	866.3(e)	416.6(e)	449.7	1,095.3(e)	900.2	195.1(e)	+229.0	
War period through December, 1940	2,792.3	1,425.6	1,366.7	2,793.1	2,109.5	108.0	975.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1	
Second year of war (8/29/40-8/27/41)**	2,203.0	1,732.2	410.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1	
<b>1941</b>																
Aug. 28 - Oct. 1	180.9	105.9	35.0	176.2	20.1	2.0	154.1	+ 35.3	0.3	-	0.3	0.5	-	0.3	+ 0.2	
Oct. 2 - Dec. 29	109.0	77.3	31.7	150.9	0.8	-	150.1	+ 41.9	0.3	-	0.3	0.3	-	0.3	-	
Oct. 30 - Dec. 3	136.1	111.6	44.5	134.6	-	1.0	133.6	- 21.5	16.1	-	16.1	0.4	-	0.4	- 15.7	
Dec. 4 - Dec. 31	88.4	69.6	18.8	51.5	-	-	51.5	- 36.9	0.8	-	0.8	0.4	-	0.4	- 0.4	
<b>1942</b>																
<b>DEBIT SUMMARY:</b>																
Dec. 10	25.5	25.6	4.9	8.0	-	-	8.0	- 21.5	0.2	-	0.2	0.1	-	0.1	- 0.1	
17	17.8	13.2	4.6	18.7	-	-	18.7	+ 0.9	(g)	-	(g)	(g)	-	-	(g)	
24	18.7	14.2	4.5	6.8	-	-	6.8	- 11.9	0.1	-	0.1	0.1	-	0.1	-	
31	22.4	17.6	4.8	18.0	-	-	18.0(f)	- 4.4	0.5	-	0.5	0.2	-	0.2	- 0.3	

Average Weekly Expenditures Since Outbreak of War Finance (through June 19, 1940) \$19.6 million

England (through June 19, 1940) 27.6 million  
 England (since June 19, 1940) 41.6 million

\*For monthly breakdown see tabulations prior to April 23, 1941.  
 \*\*For monthly breakdown see tabulations prior to October 8, 1941.  
 (See attached sheet for other footnotes)

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

Week ended December 31, 1941 \$ -  
 Cumulation from July 6, 1940 \$ 162.7

million  
 million

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply, Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$35 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (f) Includes:
  - \$4.0 million transferred from New York accounts of British Authorized banks;
  - \$1.8 million transferred from account of Commonwealth Bank of Australia;
  - \$2.6 million representing receipts from wool shipments.
- (g) Because of further attachments on the French account here, there were no transactions in this account during the week ended December 17, 1941.
- (h) Includes \$3.0 million transferred to De Javasche Bank's account here.

PERIOD	BANK OF CANADA (and Canadian Government)									COMMONWEALTH BANK OF AUSTRALIA (and its branches)							
	D E B I T S					C R E D I T S				Net Incr. (+) or Decr. (-) in Balance	D E B I T S			C R E D I T S			
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For Own A/O	For French A/C	Other Credits		Total Debits	Transfers to Official A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
First year of war (8/29/39-8/26/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9	
War period through December, 1940	471.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	62.4	30.1	12.3	+ 4.5	
Second year of war (8/29/40-8/27/41)**	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0	
Aug. 28 - Oct. 1 1941	23.1	-	23.1	52.2	21.2	-	-	31.0	+ 29.1	10.7	0.5	10.2	2.8	2.1	0.7	- 7.9	
Oct. 2 - Oct. 29	37.4	-	37.4	19.7	11.9	-	-	7.8	- 17.7	8.2	5.5	2.7	8.0	5.9	2.1	+ 0.2	
Oct. 30 - Dec. 3	52.8	0.1	52.7	32.5	19.3	-	-	13.2	- 20.3	10.3	6.9	3.4	11.6	9.0	2.6	+ 1.3	
Dec. 4 - Dec. 31 1941	47.7	-	47.7	22.2	17.3	-	-	4.9	- 25.5	3.9	1.8	2.1	2.8	0.2	2.6	- 1.1	
<b>WEEK ENDED:</b>																	
Dec. 10	3.9	-	3.9	4.8	2.8	-	-	2.0	+ 0.9	0.1	-	0.1	0.6	-	0.6	+ 0.5	
17	17.8	-	17.8	4.0	2.6	-	-	1.4	- 13.6	1.3	-	1.3	0.5	0.2	0.3	- 0.8	
24	14.7	-	14.7	5.5	4.5	-	-	1.0	- 9.2	0.7	-	0.7	0.1	-	0.1	- 0.6	
31	11.3	-	11.3	7.9	7.4	-	-	0.5	- 3.4	1.8	1.8	-	1.6	-	1.6(4)	- 0.2	

Weekly Average of Total Debits Since Outbreak of War

through December 31, 1941 \$ 7.7 million

- \* For monthly breakdown see tabulations prior to April 23, 1941.
- \*\* For monthly breakdown see tabulations prior to October 8, 1941.

SAFE 848

BRITISH EMBASSY,  
WASHINGTON, D. C.  
10th January, 1942.

H.T. 1100AA/10/42

Dear Mr. Dietrich,

I have heard from London that consequent on the action taken by the United States Government the British Government is freezing all Philippine assets under their control. We expect to receive the full text of the order in due course. In the meantime I am informed that general permission will be given for pre-zero payments of orders, cheques, drafts, and letters of credit.

London has stated that there is no branch in the United Kingdom of the Philippine National Bank, but that banks in the United Kingdom have been warned that all authorizations issued by the United States High Commissioner to the Philippines have been revoked.

As you are doubtless aware, application of the British Trading With the Enemy Act follows automatically from the fact of occupation by the enemy, although for the information of the public, specific notification is issued on each occasion.

I am sending this information to Mr. Penle and to Dr. Livesey.

Yours sincerely,

(Sgd) E. J. Stopford

Mr. Frank Dietrich,  
Room 279, U. S. Treasury Department,  
Washington, D. C.

BJS:G:MI

Copy:ic:1/13/42



DEPARTMENT OF STATE  
WASHINGTON

January 10, 1942

My dear Mr. Secretary:

I wish to thank you for putting at the disposal of the Department a copy of the report of Mr. Merle Cochran upon his special mission to Hong Kong and China in the latter part of 1941. Even a preliminary review of this report shows how very illuminating it is and how useful it should be in dealing with current Chinese economic and financial questions that are before this Government.

Sincerely yours,

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.



JAN 7 1942

Dear Mr. Secretary:

I am sending to you for your information a copy of the report submitted to me by Mr. E. Marie Goshran on his return from his special mission to Hongkong, China, in the latter part of 1941.

Very sincerely yours,

(Signed) E. Werguthau, Jr.

Secretary of the Treasury.

Enclosure.

The Honorable

Cardell Hull,

Secretary of State.

FAS:hmd:1/5/42

Please return to Secretary's office

*W. M. C.*  
*cc - Simpson*



DEPARTMENT OF STATE  
WASHINGTON

January 10, 1942

In reply refer to  
FD

My dear Mr. Secretary:

Reference is made to Generalissimo Chiang Kai-shek's request of December 30, 1941 that the United States Government provide China with \$500,000,000 of financial help in order to support Chinese morale and prevent the effects of further depreciation of the Chinese currency and deterioration of the fundamental economic situation in China (Ambassador Gauss' telegram 548 of December 30, 1941). Reference is also made to Ambassador Gauss' recommendations thereon as transmitted in his telegram 549 of December 31, 1941, and to informal discussions of the matter by officers of the State and Treasury Departments and with Mr. Lauchlin Currie.

The Generalissimo's proposal has been given very careful consideration. I feel that, as an act of war-time policy and to prevent the impairment of China's military

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

FOR DEFENSE



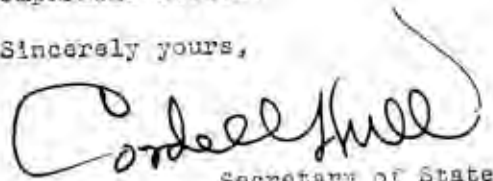
BUY  
UNITED  
STATES  
SAVINGS  
BONDS  
AND STAMPS

-2-

military effort which would result from loss of confidence in Chinese currency and depreciation of its purchasing power, it is highly advisable that the United States extend financial assistance to the Government of China in amounts up to \$300,000,000 at the present time. I believe that a determination of this Government's policy to this effect need not await ascertainment of the attitude to be taken by Great Britain on the similar Chinese proposal with reference to sterling credits.

I feel that the greatest possible expedition in reaching a position where an announcement can be made is highly important. I feel also that it would seem to be highly desirable that the British Government be kept currently informed of our views and decisions in regard to this matter in order that the British Government may be afforded opportunity, should it so desire, to take simultaneous and comparable action.

Sincerely yours,

  
Secretary of State

Rec'd 2:30 pm  
10/10 H v  
JWB

1/12/42

291

Photostats today to Messrs. White, Southard,  
and Viner.

Original given back to Secretary.

DEPARTMENT OF STATE  
WASHINGTON

January 10, 1942

In Reply refer to  
FD

My dear Mr. Secretary:

Reference is made to Generalissimo Chiang Kai-shek's request of December 30, 1941 that the United States Government provide China with \$500,000,000 of financial help in order to support Chinese morale and prevent the effects of further depreciation of the Chinese currency and deterioration of the fundamental economic situation in China (Ambassador Gauss' telegram 548 of December 30, 1941). Reference is also made to Ambassador Gauss' recommendations thereon as transmitted in his telegram 549 of December 31, 1941, and to informal discussions of the matter by officers of the State and Treasury Departments and with Mr. Lauchlin Currie.

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The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

DEFENSE

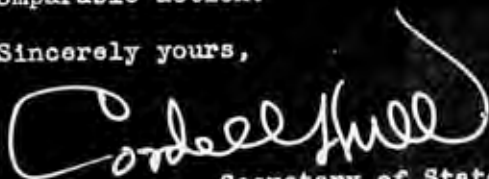
BUY

UNITED STATES GOVERNMENT  
OFFICE OF WAR INFORMATION

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Sincerely yours,



Secretary of State

Rec'd 2:30 pm  
1-10-42  
HUB



DEPARTMENT OF STATE  
WASHINGTON

January 10, 1942

In Reply refer to  
FD

My dear Mr. Secretary:

Reference is made to Generalissimo Chiang Kai-shek's request of December 30, 1941 that the United States Government provide China with \$500,000,000 of financial help in order to support Chinese morale and prevent the effects of further depreciation of the Chinese currency and deterioration of the fundamental economic situation in China (Ambassador Gauss' telegram 548 of December 30, 1941). Reference is also made to Ambassador Gauss' recommendations thereon as transmitted in his telegram 549 of December 31, 1941, and to informal discussions of the matter by officers of the State and Treasury Departments and with Mr. Lauchlin Currie.

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The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

DEFENSE

BUY

UNITED STATES  
NOTICE  
MAKES  
DIFFERENCE

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Sincerely yours,

*Cordell Hull*

Secretary of State

*Rec'd 2:30 pm  
1-10-42  
SWB*



TREASURY DEPARTMENT

296

INTER-OFFICE COMMUNICATION

DATE January 10, 1942

TO Mr. D. W. Bell

FROM V. P. Coe

There are some brief notes attached concerning the China loan.

1. The conference Mr. White held with State out of which came a decision to get a letter on political reasons for the loan.

2. A conversation with Soong in which he told us that he had suggested that the Generalissimo send a direct appeal to the Secretary.

3. A digest of this direct appeal.

4. Digest of Fox's latest cable on the loan.

5. A draft telegram recalling Fox and Ailer for advice on the loan.

Enclosures

TREASURY DEPARTMENT

297

INTER-OFFICE COMMUNICATION

DATE ~~DISCOUNT~~ <sup>January</sup> 9, 1942

TO Secretary Morgenthau

FROM V. F. Coe ✓

Subject: Conference on Loan to China

Mr. White held a conference with Messrs. Berle, Currie, Livesey, and Legal Division, to discuss Chiang Kai-shek's request for a loan. It was agreed that they would ask Secretary Hull to send a letter to the Secretary stating that for political reasons negotiations on such a loan should be started. The group agreed that Fox and Adler should return to advise on the question of bond issues, etc.

Mr. Soong rang about this matter and I told him that it was receiving sympathetic consideration and being studied. He said he would like to talk about it, and a meeting was agreed to.

TREASURY DEPARTMENT  
INTER-OFFICE COMMUNICATION

298

DATE January 10, 1942

TO Secretary Morgenthau

FROM V. F. Coe

Subject: Conversation with Mr. T. V. Soong, January 9

In a discussion concerning the proposed loan to China, Mr. Soong gave informally the following additional information:

1. The Generalissimo is cabling you direct about the loan.

Mr. Soong had suggested the need for a direct approach to you. The Generalissimo replied that he was sending a cable to you, signing Kung's name.

2. Generalissimo and British.

The Generalissimo told Mr. Soong that the British proposal (\$50 million) was utterly inadequate and included a lien on the customs, and that he felt it useless to deal directly with them.

He is also accusing Niemeyer of breach of faith, saying the latter first agreed and then refused to put through a message from Chiang Kai-shek to the British Government.

3. Political reasons.

On the political situation, Mr. Soong presented the same picture as others. He pointed out that whereas the Chinese had expected the war to mean more military and economic assistance, they found that the reverse was the case. They were being asked to send troops into Burma, were finding supplies curtailed and there was a possibility of the road itself being cut off. He thought that if Singapore fell it would have a very bad effect on them.

4. Urgency of the loan

Mr. Soong said that if Singapore fell it would be highly important to make an announcement of a loan almost simultaneously and in large sums.

## 5. Uses of the loan

Mr. Soong put forward informal views in favor of a loan used as a reserve on various fronts -- mopping up currency, backing currency, increasing production, paying military expenses, etc. He mentioned the possibility of a mixed commission to determine uses, as in the Stabilization Fund case.

Mr. Soong promised to send to the Treasury data which he had told Mr. White he possessed on the internal financial and economic situation.

## TREASURY DEPARTMENT

300

## INTER OFFICE COMMUNICATION

DATE January 10, 1942

TO Mr. White

FROM Mr. Friedman

Subject: Digest of cable from Fox of January 9 transmitting message from Dr. Kung.

1. Dr. Kung asked Mr. Fox to transmit a reply to the Secretary's message of December 16. Fox understands that the message was prepared after consultation with the Generalissimo.
2. The message expresses deep appreciation of the Secretary's message of December 16. Dr. Kung thanks the Secretary for considering the proposal sent through Cochran but says that it is no longer practical.
3. The message stresses the precarious state of China's financial and economical situation and says that if the financial and economic front should collapse it would be impossible to carry on the war.
4. Dr. Kung appeals for a \$500 million political war loan and says that Britain has been approached for a one million dollar pound loan. The Finance Minister feels confident that if the United States will lead, the British will follow.
5. The proposed loan is said to be sound on economic grounds as well as military, but Dr. Kung says frankly his reason for approaching the Secretary is above all political.
6. Timeliness is said to be the essence of such a move in order to show the confidence of the Allied powers in China. Early announcement of the loan would have an immediate effect throughout Asia and would electrify Chinese public opinion.
7. Dr. Kung concludes the telegram by saying that the appreciation of the Secretary's keen and continuing interest in China gives him confidence in sending this telegram.

Treasury Department 301  
Division of Monetary Research

Date 1/10/42 19

To: Secretary Morgenthau

From: V.F. Coe

Fox disagrees with Niemeyer about the loan. Your message of Dec. 16 to which Fox refers was one of willingness to cooperate for victory.

TREASURY DEPARTMENT

002

INTER OFFICE COMMUNICATION

DATE January 9, 1942

TO Mr. White

FROM Mr. Friedman

Subject: Digest of cable from Fox dated January 6, 1942  
regarding loan to China.

1. Sir Otto Niemeyer seems to realize that loan to China is desirable, the only question being the size of the loan. However, he believes that China's request for loan will be turned down.
2. Mr. Fox thinks this would be an unfortunate mistake. He thinks that it is most important as far as Great Britain is concerned to offer to supply goods from India and Burma rather than a large amount of money.
3. Mr. Fox suggests that there should soon be received for delivery to the Generalissimo a message along the lines of our statement of December 16 (section four) but a little more specific if it is feasible.

AF  
 This telegram must be  
 paraphrased before being  
 communicated to anyone  
 other than a Govern-  
 mental agency. (BR)

Chungking via N. R.  
 Dated January 6, 1942  
 Rec'd 6:22 a.m.; 7th

Secretary of State,  
 Washington.

19, January 6, (9) p.m.

CONFIDENTIAL FROM FOX FOR THE SECRETARY OF THE  
 TREASURY.

TF 11

Sir Otto Niemeyer and Hall-Patch called yester-  
 day to discuss loan to China. Niemeyer seems to rea-  
 lize: (one) that political situation is bad and that  
 economic and financial considerations are secondary;  
 (two) that loan to China is desirable, the only ques-  
 tion being the size of the loan.

Niemeyer does not believe any goods can get into  
 China and that China's request for a loan will be turned  
 down. I think this would be an unfortunate mistake. I  
 believe that it is more important as far as Great Bri-  
 tain is concerned to offer to supply goods such as  
 cotton and cotton yarn from India and Burma and from  
 India steel if it can be, et cetera, rather than large  
 amount of money, and that there should soon be received

for delivery



-2- #19, January 6, (?) p.m. from Chungking via N.R.

for delivery to Generalissimo a message along the lines of your statement of December 16 (section four of 304) but a little more specific if it is feasible at this stage.

GAUSS

NPL

January 10, 1942

AMERICAN EMBASSY,  
CHUNGKING, CHINA.

FOR FOX FROM THE SECRETARY OF THE TREASURY

IF THE ARRANGEMENTS CAN BE MADE, SECRETARY MORGENTHAU WOULD LIKE FOR YOU AND MR. ADLER TO RETURN TO WASHINGTON TO ADVISE THE TREASURY IN CONNECTION WITH DISCUSSIONS ON ECONOMIC AND FINANCIAL ASSISTANCE TO CHINA. CAN YOU ARRANGE FOR AN ALTERNATE FOR YOU FOR THE PERIOD WHEN YOU ARE AWAY FROM CHINA?

IT WOULD BE HELPFUL IF YOU COULD DISCUSS THE PROBLEM OF FINANCIAL ASSISTANCE WITH THE CHINESE AUTHORITIES AND BRING DATA BEARING ON THE PRESENT SITUATION.

DEPARTMENT OF STATE  
Washington

January 10, 1942

My dear Mr. Secretary:

In your letter of December 19, 1941 you expressed your concern for Messrs. W. F. Frese and W. H. Taylor who were in Hong Kong, working with the Chinese Stabilization Board. You requested that the Department of State give them all possible assistance and suggested that the American Consul General in Shanghai might be able to add them to his staff.

Your office was advised by telephone on December 20 that communication with Shanghai had been cut off since December 7, when the Consulate General was closed, and that it had not been possible to send messages to Hong Kong since December 17. A channel of communication with Hong Kong via Chungking was re-established for a short time a few days later. On the 24th, after consultation with your office by telephone, a telegram concerning Messrs. Frese and Taylor was dispatched to the American Consul General at Hong Kong  
but

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

but I have now been advised that it was not possible to get it through to its destination.

The Department's latest information, contained in a telegram dated December 27, 1941 from Mr. C. E. Gauss, American Ambassador at Chungking, was to the effect that it had been reported indirectly that Americans remaining in Hong Kong were unharmed and that they were housed in the Hong Kong and Shanghai Bank Building. The offices of the former American Consulate General at Hong Kong were located in this building. Although I am unable to give you any definite assurance concerning the two men in whom you are interested, I am certain that the former American Consul General at Hong Kong will do everything in his power to assist them.

The Department of State has begun negotiations with the Japanese Government through the intervention of the Swiss authorities in Tokyo for the exchange of Japanese official personnel in the United States for American official personnel in Japan and Japanese-occupied territory. Such negotiations are necessarily involved and complicated and repatriation

- 3 -

and repatriation of our people may not be completed for some time. However, the Department of State will make every effort to have Messrs. Frese and Taylor included in the American party if an exchange takes place.

Sincerely yours,

For the Secretary of State:

/s/ Breckinridge Long  
Assistant Secretary

## DEPARTMENT OF STATE

Washington

In reply refer to  
FD 818.51/950

January 10, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram No. 471, dated December 30, 1941, from the American Legation, San Jose, Costa Rica.

This telegram refers to the Legation's despatch No. 3522, dated August 11, 1941, and its enclosure, concerning "Cedulas" or Certificates of the Credito Hipotecario de Costa Rica and Mexican Government Bonds, which was transmitted to the Secretary of the Treasury in this Department's letter dated September 9, 1941.

## Enclosure:

From Legation, San Jose,  
No. 471, December 30, 1941.

eh:copy  
1-12-42

PARAPHRASE OF TELEGRAM RECEIVED

310

FROM: American Legation, San Jose, Costa Rica.

DATE: December 30, 1941, 6 p.m.

NO. : 471

Reference is made to despatch No. 3522, dated August 11, 1941, from the Legation.

A well informed source has informed me that Banco Nacional de Mexico has offered to sell from 1500 to 2000 Credito Hipote Carlo Cedulae to Banco de Costa Rica, San Jose.

LANE

EH: COPY  
1-12-42

TREASURY DEPARTMENT

311

INTER-OFFICE COMMUNICATION

DATE January 10, 1942.

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£4,000
Purchased from commercial concerns	£4,000

Open market sterling remained at 4.03-3/4. The only reported transaction consisted of £2,000 sold to a commercial concern.

The Canadian dollar discount widened to 11-3/8%, as compared with 11% last night. Virtually no business was transacted.

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

Argentine peso (free)	.2355
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5250
Venezuelan bolivar	.2685
Cuban peso	Par

There were no gold transactions consummated by us today.

No new gold engagements were reported.



BRITISH EMBASSY  
WASHINGTON, D.C.

10th January, 1942.

PERSONAL AND  
SECRET

Dear Mr. Secretary,

I enclose herein for your  
personal and secret information a copy  
of the latest report received from  
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

(For the Ambassador)

*R. I. Campbell*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

MOST SECRET

(U.S. SECRET).

OPTEL NO. 10.

Information received up to 7 A.M. 9th January 1943.

1. NAVAL.

Nothing of importance.

2. MILITARY.Libya.

7th. The enemy withdrawal from Jedabya continued being closely followed by units of the guards and other forces. The pace is slow on account of minefields and booby-traps but by evening our troops had reached the area 20 to 30 miles S.S.W. of Jedabya, a clash between one of our columns and the enemy having taken place on the road 4 miles South.

8th. Our advance continued slowly on account of minefields. Columns to the South are threatening the enemy right flank. Enemy armour not yet definitely located.

Malaya.

No further information.

3. AIR OPERATIONS.Western Front.

7th/8th. 76 tons of H.Z. and over 8,000 incendiaries were dropped at Brest but apart from some fires results were unobserved. 46 tons and 2,000 incendiaries were dropped at St. Nazaire in clear weather. Bursts were seen across the docks, submarine pens and railway centre, followed by large fires. 5 R.C.A.F. and 4 R.A.A.F. aircraft took part without casualties.

8th/9th. 151 aircraft were sent to Brest and 29 to Cherbourg. A few others were minelaying and dropping leaflets. No reports yet.

Mediterranean. Libya.

Blenheims attacked Talfaya. Hurricanes on reconnaissance reported considerable M.T. movement between Jedabya and El Aghaila. Their fighter escort probably destroyed 4 enemy aircraft but 7 of them are missing, two pilots safe.

Malta.

8th. 27 enemy attacked Luqa.

Burma.

An attack took place on aerodromes in the Bangkok area by aircraft of the American Volunteer group. 7 enemy aircraft were destroyed on the ground, one of ours is missing.

310

TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Sunday, January 11, 1942.

Press Service  
No. 29-47

1/10/42

Secretary of the Treasury Morgenthau today announced a plan for refinancing a Treasury issue and three corporate issues which shortly come due for payment. These issues are the Treasury Notes of Series A-1942, maturing March 15, 1942, the 3 Percent Federal Farm Mortgage Corporation bonds of 1942-47, called for redemption on January 15, 1942, the 2-3/4 Percent Federal Farm Mortgage Corporation bonds of 1942-47, called for redemption on March 1, 1942, and the Reconstruction Finance Corporation Notes of Series B, maturing January 15, 1942. An issue of Treasury bonds is being made available to the holders of the four issues enumerated on a par for par basis, with adjustments of accrued interest to January 15, 1942 in the case of the Treasury notes and the 2-3/4 Federal Farm Mortgage Corporation bonds. The bases on which the securities comprising these four issues may be presented and accepted, and the new bonds obtained, are specifically set forth in the official circular released today. The books will be opened for the receipt of subscriptions tomorrow morning, January 12.

The Treasury bonds now offered will be dated January 15, 1942, and will bear interest from that date at the rate of two percent per annum payable on a semi-annual basis on June 15 and December 15 in each year. They will mature June 15, 1951, but may be redeemed, at the option of the United States, on and after June 15, 1949. 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. Subscriptions should be accompanied by securities of one or more of the four issues enumerated in the first paragraph of this statement, to an aggregate par amount equal to the par amount of the new Treasury bonds subscribed for. Coupons dated January 15, 1942 should be detached from the 3 Percent Federal Farm Mortgage Corporation bonds and the Reconstruction Finance Corporation notes and cashed in regular course. Following acceptance of the Treasury notes and the 2-3/4 Percent Federal Farm Mortgage Corporation bonds, accrued interest to January 15, 1942, about \$10.33 and \$5.90 per \$1,000 respectively, will be paid to the owners of the securities surrendered.

The right is reserved to close the books as to any or all subscriptions at any time without notice. Subject to the reservations set forth in the official circular, all subscriptions will be allotted in full.

The amounts of the four issues now outstanding are approximately as follows: Treasury Notes of Series A-1942, \$426,000,000; 3 Percent Federal Farm Mortgage Corporation bonds of 1942-47, \$236,000,000; 2-3/4 Percent Federal Farm Mortgage Corporation bonds of 1942-47, \$103,000,000; and Reconstruction Finance Corporation notes of Series R, \$310,000,000.

The text of the official circular follows:

## UNITED STATES OF AMERICA

## 2 PERCENT TREASURY BONDS OF 1949-51

Dated and bearing interest from January 15, 1942

Due June 15, 1951

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND AFTER JUNE 15, 1949

Interest payable June 15 and December 15

1942  
Department Circular No. 676

TREASURY DEPARTMENT,  
Office of the Secretary,  
Washington, January 12, 1942.

Fiscal Service  
Bureau of the Public Debt

## I. OFFERING OF BONDS AND INVITATION FOR TENDERS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par, from the people of the United States for 2 percent bonds of the United States, designated Treasury Bonds of 1949-51, the amount of the offering to be limited to the amount of securities tendered and accepted as provided in the following subparagraphs:

(a) Treasury Notes of Series A-1942.-Treasury Notes of Series A-1942, maturing March 15, 1942, will be accepted in payment for Treasury bonds subscribed for hereunder.

(b) 3 Percent Federal Farm Mortgage Corporation Bonds of 1942-47.-The Secretary of the Treasury offers to apply the proceeds of payment of 3 percent Federal Farm Mortgage Corporation bonds of 1942-47, called for redemption on January 15, 1942, tendered for payment in accordance with Sections III and IV of this circular, to payment for Treasury bonds subscribed for hereunder. Tenders of 3 percent Federal Farm Mortgage Corporation bonds of 1942-47 for that purpose are invited.

(c) 2-3/4 Percent Federal Farm Mortgage Corporation Bonds of 1942-47.-The Secretary of the Treasury, on behalf of the Federal Farm Mortgage Corporation, offers to purchase on January 15, 1942, at par and accrued interest, 2-3/4 percent Federal Farm Mortgage Corporation bonds of 1942-47, called for redemption on March 1, 1942, to the extent to which the holders thereof subscribe for Treasury bonds hereunder. Tenders of 2-3/4 percent Federal Farm Mortgage Corporation bonds of 1942-47 for that purpose are invited.

(d) Reconstruction Finance Corporation Notes of Series R.-The Secretary of the Treasury offers to apply the proceeds of payment of Reconstruction Finance Corporation notes of Series R, maturing January 15, 1942, tendered for payment in accordance with Sections III and IV of this circular, to payment for Treasury bonds subscribed for hereunder. Tenders of Series R notes for that purpose are invited.

## II. DESCRIPTION OF BONDS

1. The bonds will be dated January 15, 1943, and will bear interest from that date at the rate of 2 percent per annum, payable on a semiannual basis on June 15 and December 15 in each year until the principal amount becomes payable. They will mature June 15, 1951, but may be redeemed at the option of the United States on and after June 15, 1949, in whole or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

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

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

4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of \$50, \$100, \$500, \$1,000, \$5,000, \$10,000 and \$100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and 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, and should be accompanied by securities of one or more of the issues enumerated in Section I hereof, tendered for payment or purchase as the case may be, to an aggregate par amount equal to the par amount of Treasury Bonds of 1949-51 subscribed for hereunder. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, 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, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

#### IV. PAYMENT

1. Payment at par for bonds allotted hereunder must be made on or before January 15, 1942, or on later allotment and may be made only in Treasury Notes of Series A-1942 or through application of the principal proceeds of payment of 3 percent Federal Farm Mortgage Corporation bonds of 1942-47, 2-3/4 percent Federal Farm Mortgage Corporation bonds of 1942-47, or Reconstruction Finance Corporation notes of Series R, in an aggregate par amount equal to the amount of bonds allotted hereunder. Coupons dated March 15, 1942, must be attached to Treasury Notes of Series A-1942 when surrendered, and accrued interest from September 15, 1941, to January 15, 1942 (\$5.89779 per \$1,000) will be paid following acceptance of the notes. Coupons dated March 1, 1942, must be attached to 2-3/4 percent Federal Farm Mortgage Corporation bonds of 1942-47 in coupon form and accrued interest from September 1, 1941, to January 15, 1942 (\$10.33149 per \$1,000) will be paid following acceptance of the bonds. In the case of registered bonds of either issue, checks in payment of final interest will be drawn in accordance with the assignments on the bonds surrendered.

#### V. SURRENDER OF CALLED BONDS

1. Coupon bonds.-3 percent and 2-3/4 percent Federal Farm Mortgage Corporation bonds of 1942-47 in coupon form tendered hereunder should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasurer of the United States, Washington, D. C. Coupons dated July 15, 1942, and March 1, 1942, respectively, and all coupons bearing subsequent dates, should be attached to such bonds when surrendered, and if any such coupons are missing, the subscription must be accompanied by cash payment equal to the face amount of the missing coupons. The bonds must be delivered at the expense and risk of the holder. Facilities for transportation of bonds by registered mail insured may be arranged between incorporated banks and trust companies and the Federal Reserve Banks, and holders may take advantage of such arrangements when available, utilizing such incorporated banks and trust companies as their agents.

2. Registered bonds.-3 percent and 2-3/4 percent Federal Farm Mortgage Corporation bonds of 1942-47 in registered form tendered hereunder should be assigned by the registered payees or assignees thereof in one of the forms hereafter set forth, and thereafter should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasury Department, Division of Loans and Currency, Washington, D. C. The bonds must be delivered at the expense and risk of the holder. The proper forms of assignment are

(a) Where 3 percent bonds are surrendered.- If the new bonds are desired registered in the same name as the bonds surrendered, "Federal Farm Mortgage Corporation for payment, the proceeds to be applied to payment for Treasury Bonds of 1949-51"; if the new bonds are desired registered in another name, "Federal Farm Mortgage Corporation for payment, the proceeds to be applied to payment for Treasury Bonds of 1949-51 in the name of \_\_\_\_\_"; if the new bonds are desired in coupon form, "Federal Farm Mortgage Corporation for payment, the proceeds to be applied to payment for Treasury Bonds of 1949-51 in coupon form to be delivered to \_\_\_\_\_".

(b) Where 2-3/4 percent bonds are surrendered.- If the new bonds are desired registered in the same name as the bonds surrendered, "Federal Farm Mortgage Corporation for purchase, the principal proceeds to be applied to payment for Treasury Bonds of 1949-51"; if the new bonds are desired registered in another name, "Federal Farm Mortgage Corporation for purchase, the principal proceeds to be applied to payment for Treasury Bonds of 1949-51 in the name of \_\_\_\_\_"; if the new bonds are desired in coupon form, "Federal Farm Mortgage Corporation for purchase, the principal proceeds to be applied to payment for Treasury Bonds of 1949-51 in coupon form to be delivered to \_\_\_\_\_".

#### VI. GENERAL PROVISIONS

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

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

HENRY MORGENTHAU, JR.,  
Secretary of the Treasury.



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: United States High Commissioner to the  
Philippines, (Manila), Fort Mills via N.R.

DATE: January 11, 1942, 11 a.m.

NO. 1 16.

The High Commissioner refers to telegram No. 6,  
dated the 9th of January.

Since January 1 no communication has been received  
from others of Treasury staff in Manila. All were re-  
ported well and safe at that time. An inquiry through  
Swiss Consul, Manila, is suggested.

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G-2/2057-220: No. 597 N.I.D., W.D. 11:00 A.M., January 11, 1942.

SITUATION REPORT

I. Pacific Theater.

Philippines: Sharp enemy attack on our right flank has been thrown back with heavy Jap losses. Hostile air activity comparatively light. Hawaii: Negative reports. Malaya: Heavy fighting in the vicinity of Kuala Lumpur where the situation is confused. No report from the East. British Borneo: Japanese are reported in Jesselton, British North Borneo. Dumas: Slight air activity continued on both sides. Borneo: According to the press, a strong fleet of Jap transports began last night to land troops on the Island of Tarakan off the Northeast coast of Borneo. West Coast: No further reports of hostile activity.

II. Eastern Theater.

The Russians are maintaining pressure on the central front west and southwest of Moscow. There is no reported change in the situation.

III. Western Theater.

Air: The air ministry stated that the R.A.F. bombed Eiden and the Naval Base at Wilhelmshaven, as well as airbases in the low country and docks at Douloppio.

IV. Middle Eastern Theater.

Libyan Theater.

Ground: No change.

Air: Axis air forces continue to bomb Malta. Press reports indicate a growing aggressive spirit on the part of Axis aircraft in the Cyrenaica - Tripolitania sector. R.A.F. continues actions against Italy's and supply routes in Tripolitania.

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