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September 11, 1941
9:30 a.m.

GROUP MEETING

Present: Mr. Viner
Mr. Gaston
Mr. Sullivan
Mr. Blough
Mr. Cochran
Mr. Haas
Mr. Thompson
Mr. Bell
Mr. Schwarz
Mr. Kuhn
Mr. Graves
Mr. White
Miss Chauncey

H.M.Jr: Good morning, everybody.

I have got a few odds and ends here. There are two things here for you, Chick. You might tell the Herald Tribune that heading is wrong in this clipping. You can read the body of the story.

Schwarz: It is by Mr. Sproul.

H.M.Jr: Well, but the heading is wrong, you see. They say I have decided I am not going to do any financing.

Schwarz: The heading doesn't support their story?

H.M.Jr: No. I have got another thing. While we are

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on that, what should I say at ten thirty?

Bell: What should you say?

H.M.Jr: They will ask me. Should I say there will be or won't be any this month?

Bell: I think I would say that the chances are there will not be.

H.M.Jr: Then they will print it.

Schwarz: That is right.

Bell: Well, I would say that there will not be any financing this month.

H.M.Jr: I will just say - I don't think I will commit myself.

Bell: Don't you? Haven't you decided there will not be?

H.M.Jr: No.

Bell: After all, this is the twelfth.

H.M.Jr: You might want to do something on the thirtieth of September, which is Tuesday.

Bell: I think it would be more logical to do it the seventh or eighth of October. You won't be here the first of October or the thirtieth, which is it?

H.M.Jr: Well, I could do it from Chicago.

Bell: I don't believe it. I just thought you might as well face it. I thought you had pretty well made up your mind.

H.M.Jr: I think I will keep it open another week.

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This thing, you might as well have this letter from the American Bankers. (Letter dated September 5, 1941.) They are going to put me on in the morning. I took it for granted - I don't know, but it seems a strange time.

Schwarz: I will get in touch with them. They have already announced you as their principal speaker.

H.M.Jr: But it is a funny time to be on.

Schwarz: Maybe they wanted to build up the morning program. I will get an answer from them.

H.M.Jr: Have you ever been to an A.B.A. meeting, Bell?

Bell: No.

(Mr. Viner entered the conference).

H.M.Jr: Have you ever been to an A.B.A. meeting, Jake?

Viner: No, I haven't.

Kuhn: I think their intention was to have you open the whole convention, make their keynote speech.

H.M.Jr: Who have you been talking with?

Kuhn: Nobody except B.M. Edward.

H.M.Jr: Bob Fleming can tell you all about it.

Schwarz: I will talk to Fleming.

H.M.Jr: If Edward is in, you had better talk to him.

Bell: He won't be here until Saturday.

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Graves: He is here now.

H.M.Jr: Then I would talk with Edward first, but I am pinning it on you.

Schwarz: All right, sir.

Graves: He will be here today only.

H.M.Jr: Well, Schwarz will get hold of him this morning. I would like, you see, to get an evening hookup, that is what I would like, on the radio.

Schwarz: There is no point in having one unless it is in the evening.

H.M.Jr: No, there isn't much point in going out there to talk to them after their breakfast as a sort of chaser after the night before.

Schwarz: Pick-up?

H.M.Jr: Yes, pick-up.

Bell: I don't know whether they have a final dinner winding it up or not, do they?

Viner: They have at least one banquet session, but whether that is one at which they have serious talks or horseplay, I don't remember.

H.M.Jr: I can tell them a couple of dirty stories.

Viner: Off the record.

Schwarz: Outside of radio time.

H.M.Jr: Last week I think I sent you a very important memorandum that we could get some piano player to try out some of these songs, Ferdie. Here comes the third one. There were a

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couple last week I gave you.

Kuhn: We have been getting those songs in the mail every day for weeks.

H.M.Jr: Those two that I gave you I had a personal interest in, not this one.

Kuhn: I see. I have got those, and Harold is getting a pianist and singer.

H.M.Jr: Those two I gave you last week, one is from Henry and one is from a cousin of mine.

Kuhn: Do you want to hear them today or tomorrow?

H.M.Jr: I would like them today or tomorrow. I sent word to Duffus if he could get me a couple of news reels I would go downstairs tomorrow morning at nine thirty and look at them. I could either do the songs before or after.

Kuhn: Tomorrow morning?

H.M.Jr: Yes.

Harold, don't ask me to call up Howard Dietz and tell him what a marvelous song that was last night. Did you hear it?

Graves: I did.

H.M.Jr: You were there?

Graves: I was not there, but I heard it.

H.M.Jr: Did you hear it?

Kuhn: Terrible.

H.M.Jr: Whew! What? Do I have to call him up and say it is wonderful.

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Kuhn: I can't believe that he meant that song seriously.

H.M.Jr: He wrote a song last night. Seriously? Do you think it is a burlesque?

Kuhn: I think he just burlesqued it.

H.M.Jr: No one is going to ask me to do it, are they?

Graves: No.
Yes, I heard it last night.

Gaston: I heard that song.

H.M.Jr: It was right at the end.
I am glad - I thought somebody would say, "Please call up Mr. Dietz and tell him it was a wonderful song." It was terrible. Marion Anderson was just as gorgeous as that song was terrible. I didn't hear the whole program.

Kuhn: Did you hear the French part?

H.M.Jr: No.

Sullivan: Very good.

Gaston: I thought it was good. I didn't care much for truth and consequences. (Laughter)

H.M.Jr: What is that?

Gaston: Truth and consequences.

H.M.Jr: What was that, Herbert.

Sullivan: If he didn't hear it, never mind.

H.M.Jr: Was it awful?

Gaston: Well, they had it on last night for a few minutes. It is just a complete blank spot as far as I am concerned.

Sullivan: The French part was very, very good.

Gaston: Yes, that was good.

H.M.Jr: Where is one Foley? He is not hear.

Mr. Bell was to look into the question of using tax anticipation notes to pay state taxes.

Bell: Did I have something on that? Of course we have always had that question. We considered it when the first series was issued, and we said we would let it go over until the second series, which would be January. We have gotten a number of letters and--

H.M.Jr: Let it go?

Bell: Well, there isn't anything to do about it, I don't think, until the next regulations, which will be the January 1 series. We have got that on our calendar.

Sullivan: There is quite a lot of heat on it on the Hill.

Bell: We have had a number of letters, and I think it is a good thing.

Sullivan: So do I.

H.M.Jr: I immodestly suggest you read the editorial in today's New York Times on my speech.

Sullivan: There is one in the New York Tribune, too.

H.M.Jr: Really? Wonderful.

Bell: It was a long one, too.

H.M.Jr: I am beginning to think that we wrote a good speech.

Schwarz: All the editorials are good.

Viner: Wait until you see the Chicago Tribune.
(Laughter)

H.M.Jr: All right, see that I get the Chicago Tribune,
Schwarz.

Herbert, how about our friend, Saul Haas?

Gaston: I talked to Jimmy Rowe and they wanted to hold
the nomination over there in the White House
because they said that Saul was interfering
in the judicial nomination. Well, I guess
that is all right.

H.M.Jr: Just let it wait?

Gaston: Just let it ride.

H.M.Jr: Until Mr. Bone gets excited?

Gaston: Yes. Saul, as a matter of fact, doesn't
particularly care whether he continues it
or not. He has been just fifty-fifty as to
whether to resign or stay.

H.M.Jr: It is wonderful the way Harold Ickes can go
out on the Coast and interfere in that.

Gaston: Yes. The only thing I am afraid of is that
Saul will find out it is being held up over
there, and he will just fire in his resignation

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and quit the Savings Bonds and everything else. I don't think he will quit the Savings Bonds, as a matter of fact. I think he will go on with it if you want to let him do it.

- H.M.Jr: Well, I would. He has been all right. I would. He is a darn sight better than some of the people that have recently come to Washington to help OPM.
- Gaston: Yes.
- H.M.Jr: Norman?
- Thompson: There is a printer's proof of the letterhead of the Department of Agriculture that they are going to use in their defense agencies.
- H.M.Jr: Maybe they won't use it after what I said on wheat.
- Thompson: Do you want us to do it on Treasury letterheads?
- H.M.Jr: Yes, I think it will be swell.
- Bell: Where would you use it?
- H.M.Jr: Down in the corner of the paper.
- Bell: But what have we got that you would--
- H.M.Jr: Any letter that I write, my own stationery, any stationery, your stationery.
- Thompson: Procurement and Internal Revenue probably would have more contact with the public in letterwriting and there will be a lot--
- H.M.Jr: We might even use it on Defense Savings Bonds stationery. Mr. Bell is enthusiastic about it.

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Bell: Yes, I certainly am. I don't see where it fits.

H.M.Jr: All right.

Bell: Maybe in Procurement buying it might fit.

H.M.Jr: You might even get a post office cancellation, Norman.

Thompson: Yes.

Graves: We already have that.

H.M.Jr: Honorable Mr. Bell?

Bell: I haven't anything except that you might like to know that the unallocated balance of the seven billion is down to seven hundred million, and they have obligated a little less than three and a half billion, spent a hundred and thirty-three million.

H.M.Jr: Spent how much?

Bell: A hundred and thirty-three million.

H.M.Jr: Since the fifteenth of March?

Bell: Yes. The estimates for new lend-lease, I think, are going either today or tomorrow. They said they might try to get a little preliminary publicity on it, and I see it came out in yesterday morning's papers that the President was considering around six billion, so there will probably be hearings on that Friday.

White: Do you expect to appear on that appropriation hearing?

H.M.Jr: Ask Mr. Foley.

Bell: The Budget thought that you might be called or someone from the Department. This will be before the Appropriation Committee, you know.

H.M.Jr: Oh, I am not going to go up on the lend-lease.

Bell: Well, Budget is making up a schedule.

H.M.Jr: We will tell Budget I am not going to go.

Bell: You don't want anybody from the Treasury to go?

H.M.Jr: No.

Bell: They thought you might want someone.

Thompson: Cliff Mack will have to go.

H.M.Jr: That is all right.

Bell: They thought you might want someone to bring them up to date on British finances.

H.M.Jr: If they want somebody, Harry can go.

White: We are getting ready a comparable statement.

H.M.Jr: Harry is in charge of that.

Bell: I think they would like to have it.

White: I don't think you can dodge that, Mr. Secretary.

H.M.Jr: Oh yes I can.

White: I don't know whether you can.

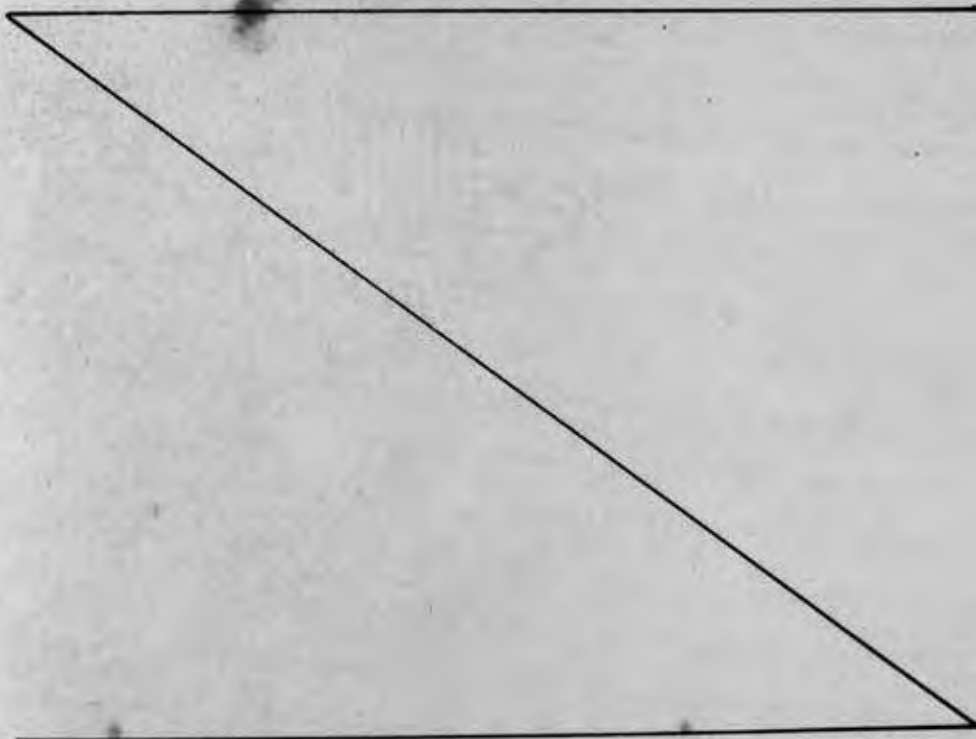
H.M.Jr: Surely. Harry, answer this question. Mr. White - you are Mr. Morgenthau. "Mr. Morgenthau, why didn't you - how do you feel about the

English selling securities, selling their American"- that is question number one. Question number two, "How do you feel about English-owned companies in the United States."

- White: I think both those questions you can pass the buck to the Administration and Jesse Jones, but there are other questions--
- H.M.Jr: No you can't. That is just the point. "You came up here and testified and said they would sell all their holdings in the United States and all their securities. Have they done it? No. Why not, Mr. Morgenthau?"
- Bell: I think the answer to that was the understanding at the time you testified that they would be sold.
- Viner: I saw an answer by you in a letter that you wrote to some Congressman.
- Bell: That is right.
- H.M.Jr: Well, I am not going to go up on the Hill. On Sullivan's advice, I am not going to go. (Laughter) Now, if you people want to argue it out with Sullivan, he is my attorney.
- Sullivan: Eight in the morning to seven-thirty in the evening.
- Viner: Between eight and seven-thirty or seven-thirty to eight?
- Bell: Just approximately. (Laughter)
- H.M.Jr: Anyway, Mr. Sullivan is my attorney in such affairs and he is representing me. I am not going to go. That is on the advice of Mr. Sullivan.

Now, those that are interested in it had better see that I don't go. I can't go up there and say the President overruled me, the President changed his mind and asked for Harry Hopkins, asked this and that. I can't do that. You told us they would do it and they haven't done it. Well, why haven't they? Well, because I haven't any influence. I don't want to do it.

Incidentally, I see Jesse made a flip-flop on that yesterday in the paper. Did you see that? He has come out now and said they should sell their securities. He is getting ready to testify.



Cochran: They sold Continental, you know.

H.M.Jr: They sold the business?

Cochran: The part the British had, a minority part, they sold yesterday.

H.M.Jr: Let Jesse Jones go up. He has got all the securities and all the businesses. Tell the Budget he should do the testifying.

Bell: Well, if they insist upon somebody from the Treasury, you want White to go?

H.M.Jr: Well, if White doesn't want to go we will submit a statement. We will give a statement to Harold Smith.

White: I think that would be better.

H.M.Jr: What?

White: I think it is desirable if you can get out of it, to get out of it. I was doubting whether you can get out, but if you possibly can, I think it is better not to appear.

H.M.Jr: I am not going.

Bell: I think the Secretary can get out of it, but I think it is rather desirable for somebody to go from the Treasury if they ask us to go. I don't think we ought to dodge it. We ought to go up and do the best we can under the circumstances.

H.M.Jr: I agree, but I think the thing to do is the way we did last time, ask them what they want to know, and give them a formal statement. Give it to Harold Smith.

Bell: I think that is bad. We got into difficulty by giving it to Harold Smith last time. We put him on his own and he went off.

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- H.M.Jr: Well, he will do it again.
- Bell: I think Harry is all right, and I think they will accept Harry as a representative of the Department.
- H.M.Jr: Harold claims that what he said up there was what the President told him to say.
- Bell: Yes, but had we been in on that and asked the President, I don't think he would have told us to say that, because we would have advised him against it. Harold didn't advise him against it.
- H.M.Jr: But Dan, for the sake of the British and for the sake of my relationship with the White House, it is very important I don't go. I can't put the President on the spot.
- Bell: I agree with that, that you shouldn't go, but I think the Treasury ought to be represented if the Appropriation Committee wants us to be.
- H.M.Jr: Because if I go up there I am not going to dodge the question. I am going to say I think that they should sell their businesses and I think they should sell their securities. I haven't changed one bit. All right, then what?
- White: If the Secretary doesn't go, the danger of sending anybody else up, Dan, seems to me - they will say, "Can you speak for the Secretary? Can you speak for the Treasury?" And they will ask you the same questions merely to get --
- Haas: That is right.
- H.M.Jr: You can tell them --

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White:to get what they want. I think we shouldn't appear if you possibly can get out of it, but if I were on that committee I certainly would try to force you to appear, and we ought to be ready.

H.M.Jr: Can't you tell them that sandwich story?

White: I have a better one now, it is longer and less point. (Laughter).

Bell: No point.

H.M.Jr: Anyway, Dan, work on it for me, will you? Can I leave it with you?

Bell: Yes. But you have got a relationship with the Appropriation Committee that you have got to maintain for the Department.

H.M.Jr: Well, will you handle that particular thing?

Bell: I will try it, yes.

H.M.Jr: That one, can I leave it with you?

Bell: Yes, sir.

Graves: Is Woodrum chairman now that Taylor --

Bell: There is no chairman yet. It is a question between Woodrum and Cannon.

H.M.Jr: See that nothing is sprung on me at the last minute.

Bell: I will try to do it. Woodrum, however, is in charge of this particular bill.

H.M.Jr: Woodrum is a good friend of ours.

Bell: Very good.

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H.M.Jr: What else?

Bells: That is all I have.

H.M.Jr: Harold, you look a little low. Did you go to that restaurant they go to afterward?

Graves: No, I came home yesterday afternoon.

H.M.Jr: Maybe that is why you are low. What is the matter?

Graves: Nothing. There are a number of things you probably would like me to tell you about some other time, about New York.

H.M.Jr: Yes. Well, today is sold. I mean, it is gone. Miss Maguire says on the phone I do not have to testify Monday. Later, they don't know. That is the OPACS bill. I tell you what we could do, Harold. You are lunching with me today. Supposing you stay after lunch and we will do a little talking. How is that?

Graves: Fine.

H.M.Jr: Does that suit you?

Graves: Yes, sir.

H.M.Jr: At that time I ought to be in a good humor and everything will look rosy. I will be sleepy. How is that?

Graves: That is fine.

H.M.Jr: All right. How is Mrs. Hull?

Graves: I didn't see Mrs. Hull. She wasn't at our office yesterday. I saw her assistant, Mrs. Miller, who really is running that shop.

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H.M.Jr: Did you take care of my friend Sylvia?

Graves: I tried to. That is the thing I wanted to tell you about.

H.M.Jr: Not so easy?

Graves: No. As it turned out at the time that first article appeared the paper announced this was to be a series of five, and three have now appeared. The paper seems to have been committed and the suggestion that I make is, subject to ratification by Mr. Kuhn --

H.M.Jr: Chick is in on this too.

Schwarz: I talked with Harold too.

H.M.Jr: He is handling the Washington end of it.

Graves:would be that we prepare for publication in that paper a similar series, perhaps somewhat briefer, to state facts about this matter from the Treasury point of view.

Schwarz: We can handle it either that way --

H.M.Jr: I made two mistakes. One was, I saw her myself, and two, I let Bell see her.

Bell: Certainly the second one was a mistake.

Graves: I think that that would be accepted by the Post, and it might be that such a series could be so drafted that it could be syndicated and distributed to other papers throughout the country. That I am not so sure about.

H.M.Jr: You wouldn't want to take her thing paragraph by paragraph, say, "Mrs. Porter says," and then the Treasury's answer?

Graves: That could be done, I suppose, so far as publication of that paper is concerned.

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H.M.Jr: I will leave it with you and Schwarz and Kuhn to do something about it.

Graves: Fine.

H.M.Jr: All right. I will see --

Graves: I have one other thing. Mr. Tobin tried to reach you on Tuesday.

H.M.Jr: Yes, I know.

Graves: And Mr. Fitzgerald shifted him to me and and Mr. Tobin said that his inquiry about the investment of a million dollars of union funds had never been answered. That is, he had made the inquiry of you and someone else.

H.M.Jr: Oh, I talked to him. I listened to him for fifteen minutes.

Graves: But no answer was ever given him as to whether or not --

H.M.Jr: Yes, it was. We told him no, didn't we?

Bell: I told him I would discuss it with you and we had that conference and I said I thought you ought to telephone Tobin.

H.M.Jr: I did.

Bell: You said you would. I think we said we couldn't do it.

Graves: That was the conclusion I remember, but as to whether any answer was made, I didn't know.

H.M.Jr: Prepare an answer for my signature and I will say no. Will you?

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Graves: He was very - went over the whole thing again with me on Tuesday, and I thought maybe the situation might warrant our having Mr. Houghteling drop out to Indianapolis and see him. Would you think so or not?

H.M.Jr: Yes. But I ought to write him a letter anyway.

Graves: Which we could give Mr. Houghteling to deliver to him.

H.M.Jr: Right.

Graves: He seemed quite anxious. In fact, he was very persistent.

H.M.Jr: There is no way of doing it, is there?

Graves: I think it should not be done. I take it there is a way it could be done by amending our regulations, but I don't think it ought to be done.

H.M.Jr: All right. Send Houghteling out.

Bell: You can get a lot of money by amending the regulations, if you want to.

H.M.Jr: Harry?

White: Nothing.

H.M.Jr: Chick?

Schwarz: I have nothing.

Blough: You might be interested to know that Mr. Groves - I am sorry.

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Haas: Mr. Secretary, do you want to give Miss Ware ten thousand copies of the chart you used in your speech?

H.M.Jr: Yes.

Haas: I assume she still wants it.

H.M.Jr: If she still wants it, sure. A penny apiece. Do you think this Tax Anticipation thing hurts the F and G bonds any?

Bell: I don't think so. There isn't very much of it going into series A, less than twenty million dollars last month. I don't see why people would put their money in Tax Anticipation Notes in preference to Savings Bonds as an investment.

H.M.Jr: You say it is getting better?

Bell: I said I thought it had fallen off worse in September than in August. Isn't that right?

Graves: That is right. I am kind of hopeful that the E bond may overhaul the August figure.

Bell: I think vacations have a lot to do with those three months there.

Graves: I have examined the record on the Baby Bond and August is invariably a lower month than July and September is invariably a lower month than August. That is the history of the thing, that there is a seasonal decline there.

Bell: I think it is vacations.

Schwarz: Dan's point is definitely a factor in there

because the recent issues of "Variety" have shown a lot of money spent for Labor Day holidays and entertainment and so on.

- H.M.Jr: You are going to give out those Stamp figures this morning? I am giving it out myself. I will give out statistics that each month Stamp sales have increased. That is the foundation of the whole thing. Are you through, George?
- Haas: Yes.
- Blough: Harold Groves, who is running this study for Gulick, is back in town, so they are getting under way again.
- H.M.Jr: Wonderful. Ferdinand?
- Kuhn: I have nothing.
- Cochran: All this week the banks out in Shanghai have been quoting only the official rate for the yuan and so we have made some progress in our first steps to get cooperation. We got out a press statement while you were away on it.
- H.M.Jr: Good.
- Bell: Our statement had a nice effect out there.
- H.M.Jr: I have got your Swiss thing and I am thinking.
- Cochran: All right. I have a letter here (September 11, 1941). Shall I give it to Miss Chauncey?
- H.M.Jr: She witnesses it. Shall I give it to her so it will process through my office?
- Cochran: I will give her a copy of it.

H.M.Jr: Is that right, Miss Chauncey?

Chauncey: That is right, sir.

H.M.Jr: If anybody can read that signature they are good. Anything else?

Cochran: No, sir.

Sullivan: Your reply to the Secretary of State in regard to the British tax convention has been modified so that we will include dependencies and other areas such as Burma and Newfoundland.

H.M.Jr: What does that mean?

Sullivan: In this tax convention we can take care of any such thing as the tax on the Burma Road.

H.M.Jr: How about Free France?

Sullivan: We can take care of that too if you want to. You have a letter from Governor Edison enclosing a complaint. The Commissioner is satisfied that this fellow is over-zealous and over-suspicious. Foley, Wenchel and Irely have been working on the case, and he is satisfied everything is going to be all right.

You had an invitation to address the National Tax Association on October 14.

H.M.Jr: Yes.

Sullivan: Mr. Blough and I don't think it is worth a trip to St. Paul.

H.M.Jr: Well, it would be but that is too close for Ferdie and me. We give birth to one on October first, and we will need a rest. (Laughter).

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- Viner: That would be the ideal platform for a Federal-State relations talk.
- H.M.Jr: But I am not ready. I agree with you, but I am not ready.
- Sullivan: Do you want to make that talk? Because I was going out to Indianapolis to speak to the American Bar Association on the thirtieth of September. You remember I said I thought that it should come from you, the first speech on the work we are doing on Federal-State relations.
- Viner: Then if you are going to talk on that, the National Tax Association is better than the Indiana Bar Association. The Indiana Bar would not be specially interested or know about it, whereas the National Tax --
- Sullivan: American Bar Association, Jake. They have a whole section on it.
- H.M.Jr: I would like to save that stuff for a later speech for myself.
- Sullivan: All right.
- H.M.Jr: I would like to give it later on.
- Sullivan: I will see what I can do with them. I brought this up with you and you said you thought I ought to go out there and make that speech, and I told them that I will but I will do what I can to clear that up this morning.
- H.M.Jr: Can't you speak on something else?
- Sullivan: Yes, I can, but I am not too keen on going out there, anyway.
- H.M.Jr: Well, I would like you to go.

Sullivan: Well, I will talk that over with you.

H.M.Jr: All right.

Sullivan: I have to be up there at ten fifteen. There is a social security conference here and I think you had better stay for that Roy, if you will.

H.M.Jr: All right.

Sullivan: Thank you.

H.M.Jr: Did you give your word that you would go out there and talk on that?

Sullivan: Yes.

H.M.Jr: And I said yes?

Sullivan: Yes.

H.M.Jr: Then go ahead and do it.

Sullivan: Well, I will talk it over.

H.M.Jr: No, no, these things - it is impossible for me to remember. If I have said yes and you have said yes, keep your word and my word.

Sullivan: All right.

H.M.Jr: Please.

Sullivan: Yes, sir.

(Mr. Sullivan left the conference).

Gaston: I have nothing.

H.M.Jr: If Covell and if you (Thompson) would wait out there a minute, I want Gaston to stay and you come in with Covell and Gaston.

September 11, 1941
11:00 a.m.

RE SOCIAL SECURITY

Present: Mr. Haas
Mr. Viner
Mr. Blough
Mr. White
Mr. Reagh
Mr. Bell

Bell: We received a letter in August from Altmeyer, in which he enclosed a copy of a report that the Board proposed to submit to the President and the Congress.

H.M.Jr: When did you get it?

Bell: August 22. We had tentative drafts of it, I suppose, before, didn't we, Roy, but this was more or less the final draft. He said he was submitting it to you, Miss Perkins and the Director of the Budget, and he said this was done at the direction of the President, that he had received a direction from the President last spring to prepare the Board's recommendation to be presented to Congress in June. It wasn't presented in June because the Ways and Means Committee was tied up. Now he said the Board was desirous of transmitting these recommendations to the President the first week in September, so they could get them up to Congress immediately.

Mr. Blough has been over it, and he has talked to them over there. We had a conference - Monday or Tuesday or somewhere along there - with Altmeyer and McNutt, and Roy has prepared a summary of the recommendations, which I

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think we ought to read, and maybe we can discuss each point as we go along. It is a broadening of their whole program, and it is going to cost the Treasury immediately quite a bit of additional money, and eventually we don't know what it is going to cost, because we don't know whether it will be self-supporting or not. I don't think anybody else knows. Mr. Reagh, I don't think, has had access to any figures to make any estimate of the cost, have you Russ?

- Reagh: No, we haven't and I would say nobody knows even if we had, because these things are in the realms of speculation so much that it is impossible for anyone now to guess very closely. I mean, there would be a very wide range of possible error, and if we worked on it for six months we still wouldn't be in a position to say our figures were any better than those they had submitted.
- H.M.Jr: The Treasury is not a consumer, so why should we increase our expenditures?
- Haas: You will get an excess.
- Bell: The bait hanging out before you is that we will increase the taxes substantially and we will get a lot of additional social security taxes over the next few years, and we will build up a substantial reserve, but they are increasing their benefits and they are also increasing other sides of the program, which is a direct Treasury contribution. Now, whether this will ever get down to the point where it was on the basis that we discussed two years ago, one third each way, one third the employer and one third the employee and one third from general taxes, we don't know, but

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I would say that there is great possibility of it getting to that point, or at least part of it. I think the best way to proceed is to read this memorandum.

H.M.Jr: Roy, you have a nice melodious voice, supposing you read it.

Blough: Thank you, sir.

"The legislative program of the Social Security Board for the current year calls for the extension and expansion of all features of the social security system.

"I. With respect to public assistance (aid to the aged, blind, and dependent children), the Board is recommending:

"a. The liberalization and simplification of eligibility tests under the old-age assistance program in order to raise the standard of assistance in the less liberal States."

If you have questions at any time as to what this means, I will try to indicate.

H.M.Jr: Go ahead.

Blough: "b. The introduction of a special system of increased Federal grants-in-aid to low-income States (for old-age assistance, aid to dependent children, and aid to the blind).

That is the so-called variable grants or equalizing grants. The Connally amendment, for example, is one type.

"c. The introduction of a fourth public assistance category - general relief,

financed partly by Federal grants to States, to provide assistance to needy persons now ineligible for aid under existing public assistance programs.

"These proposals would increase annual Federal expenditures for public assistance from \$357,000,000 in 1942 to between \$597,000,000 and \$942,000,000. 1/ The net increase in Federal expenditures would be somewhat less since these increases would tend to reduce expenditures for other Federal-aid programs.

"1/ All estimates used in this memorandum were supplied by Social Security Board."

Bell: In other words, they claim that this relief would go to unemployables who are now on WPA, and that WPA appropriations should be reduced accordingly.

H.M.Jr: There are no unemployables on WPA.

Viner: Persons who would be unemployable by private industry.

Bell: They claim there are a lot of them on WPA that are unemployables, could be classed as unemployables.

White: WPA says there are no unemployables technically, but actually there are a lot of people whom industry will not employ.

Bell: And should be on some sort of a pension or relief program. This would take care of those people in another fashion - if it would, you might say all right, but I don't think it will. I think WPA will be just as big as it has always been, and bigger.

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Blough: This is a summary of what they say, not of what we think of what they say.

H.M.Jr: All right.

Blough: "The estimated details for the separate categories are:"

I don't know if you want to go into that or not.

H.M.Jr: No.

Blough: It winds up with additional Federal expenditures of between two hundred forty million dollars and five hundred eighty-five million dollars.

Bell: That depends upon the program they approve in Congress. It is a minimum of two forty and a maximum of five eighty-five in their report. That is the range of it. That is a lot of additional money to pile on the budget.

H.M.Jr: Yes.

Bell: And they are doing it at this time so that they will be ready and able to go when this thing is all over.

H.M.Jr: Well, I personally think that our dismissal wage thing should come before this.

White: They are not mutually exclusive, Mr. Secretary, and it seems to me they should go along together.

H.M.Jr: Not necessarily.

White: Well, they are designed for two entirely different purposes, I think.

- Viner: They have a dismissal wage proposal in here for the Army.
- Bell: When you get down to this you will find that the rates are so high that I am not so sure you will want a dismissal wage tax in addition to this. It is pretty heavy.
- Blough: "II. With respect to old-age and survivors' insurance," - as distinguished from assistance, "the Board is recommending:
- "a. The broadening of the insurance program to include cash benefits for unemployment due to permanent disability," whether the person is beyond the retirement age or not.
 - "b. The reduction of the retirement age for women from 65 to 60.
 - "c. The extension of insurance coverage and payroll taxation to agricultural labor, domestic service workers, employees of non-profit institutions, Government employees, farm operators, and other self-employed groups. Agricultural labor and domestic service workers would be included through the use of a stamp-book system. The coverage of State and local employees would be voluntary with State and local governments.
- "In 1941 approximately 40,000,000 individuals worked in covered employment. The proposed extension of coverage would affect 21,000,000 additional jobs. ^{1/} Approximately half of the persons in these jobs already work part of the time in covered employment and are included in the 40,000,000. The proposed program would thus raise the number in covered employment to about 50,000,000.
- "III. With respect to unemployment insurance, the Board is recommending:

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"a. The conversion of the present Federal-State unemployment insurance system to a straight Federal system.

"b. The liberalization of benefits with a view to raising the standard of benefits and shortening the waiting period between unemployment and the start of benefit payments.

"c. The extension of payroll taxation and coverage to include the wage workers of all employers of one or more workers, maritime employees, and some other wage workers now excluded.

"In 1941 approximately 32,000,000 workers acquired some benefit rights under the unemployment insurance system. The proposed extensions would add approximately 3,000,000 to the covered workers, which, together with improved employment conditions, would raise the total number of workers in covered employment to between 35,000,000 and 36,000,000.

"1/ The 21,000,000 jobs include 3,500,000 agricultural laborers, 2,300,000 domestic service workers, 700,000 employees of non-profit organizations, 7,000,000 farm operators, 4,000,000 other self-employed, and 3,500,000 Federal, State and local employees. If coverage were limited to governmental employees not at present covered under existing retirement pension systems, only 1,500,000 additional workers would be covered.

"IV. The Board is also recommending:

"a. The broadening of the insurance program

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to include cash benefits for temporary disability and cash hospital benefits."

H.M.Jr:

What is Paul McNutt doing, getting ready to run for President?

Bell:

I don't know, there are a lot of votes tied up in this system.

Blough:

"b. The protection of the insurance rights of persons engaged in the national defense program and the protection of the dependents of persons in military service.

"c. The consolidation of all social security programs into one national security system, to provide for a more uniform program, including the collection of one social security contribution in lieu of the present separate taxes.

"d. Placing the administration of both functions - the collection of contributions and payment of benefits - in a single Federal agency.

"e. Increasing in January 1942 the present schedule of payroll taxes totaling 5 per cent (3 per cent on employers for unemployment insurance and 1 per cent each on employers and employees for old-age insurance) to 10 per cent (4 per cent on employers for unemployment insurance, 1 per cent on employers and 3 per cent on employees for old-age insurance, and 2 per cent on employees for temporary disability and hospital benefits). Under present law the rates for old-age insurance will increase from 1 per cent each on employers and employees to 2 per cent each in 1943, 2½ per cent each in 1946, and 3 per cent each in 1949. The

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rates for unemployment insurance remain at 3 per cent on employers.

"The present 2 per cent tax for old-age and survivors' insurance is producing \$800,000,000. The proposed extension in coverage and increase in rate to 4 per cent would raise the annual yield to \$2,030,000,000.

"The present 3 per cent tax for unemployment insurance is producing \$900,000,000. The proposed extension of coverage, improved employment conditions, changes resulting from the nationalization of the system, together with an increase in the tax rate to 4 per cent, would raise the yearly collections to \$1,600,000,000."

Bell: Those are gross, aren't they, Roy?

Blough: Yes.

"The special 2 per cent tax for temporary disability benefits and cash hospital benefits would produce \$800,000,000. The combined effect of the Board's proposals would be an increase in yearly collections from \$1,700,000,000 in 1942 to \$4,430,000,000 in a full year of operation (1943).

"V. The Board estimates that the proposed changes in the insurance features of the Social Security Act will increase tax collections more than outpayments. The effect on fiscal operations for the four calendar years 1942-1945 is estimated as follows:"

Now, the last column there gives you the story. Under the present program it is estimated that in four years the excess of collections over disbursements will be seven billion eight hundred million dollars,

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and if we should do everything they want it would be twelve billion five hundred fifty-six million dollars.

- Bell: Well, that is not - yes, that is just excess collections over the year and added to your present, that would give you a reserve of about seventeen billions of dollars.
- Viner: Yes, but they also have alternatives in which the net yield to the Government in forms of funds would be decreased.
- White: That is that second one.
- Viner: Yes. That is the danger from your point, the danger zone. The danger of this is that Congress might pick out the most attractive features, meaning disbursements, and postpone the most unattractive, onerous ones, meaning collections, with the result that instead of this helping you on your program it would give you a good big kick somewhere.
- Bell: That is what we said in our meeting with McNutt the other day, that we thought Congress would adopt all their liberalization recommendations and we would never get the ten per cent on rates.
- White: Though there is some overlapping in general intent and objective in the unemployment insurance with the severance wage, I think there is sufficient difference and sufficient merits in those differences to warrant a separate proposal, and I would not assume without some very careful examination that this - that the acceptance of this precludes advocacy of the severance wage. The severance wage has certain very important advantages, particularly from a fiscal point of view, that this does not possess at all.

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H.M.Jr: You surprise me.

White: No, I am in favor of this plus the severance wage. I want that understood.

H.M.Jr: Then you don't surprise me. (Laughter).

Viner: I am in favor of this, too, Mr. Secretary.

H.M.Jr: You are?

Viner: But I would want it geared into our present fiscal position and prospects, whereas this gives a few - lip service in a few words, but in general it might have been started at any time in any year. It is not at all geared in to your critical problems of the next two or three years, and presented this way it would be very dangerous to you. In other words, there ought to be emphasis here on the Treasury interest. They ought to say something about the order in which it - this is too big a program for one Act anyway, and for one year.

White: This is part of the New Deal program.

Viner: I would say that --

H.M.Jr: What is New Deal?

White: The New Deal which has the only justification for being called the New Deal.

Viner: For a full program of social security --

H.M.Jr: Written by OPM?

White: Is it like OPM?

H.M.Jr: Written by OPM?

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- White: Oh, no, not this. They wouldn't like this. They will disapprove of it.
- Bell: Would you say that if Congress goes along with these recommendations the full way on rates that you ought to still have the dismissal?
- White: Sure, I think so. There might be some modification of the unemployment insurance rate by one per cent or so, but there still is room for a severance wage.
- H.M.Jr: Well, I will tell you. This is very easy for me, Mr. Bell. Who are you talking to about this?
- Bell: Altmeyer and McNutt.
- H.M.Jr: You can just tell them that I haven't - this was brought to my attention today for the first time.
- Bell: Well, in its detail, but you have had it brought to your attention before that it was in the shop.
- H.M.Jr: Not to my attention. In the room here, this is - it has never been brought to me before.
- Bell: No, it has not. I asked you for a conference, you remember, before you went away, and you set a date and then we had to cancel it.
- H.M.Jr: Yes, so I have never seen it.
- Bell: You have never seen it.
- H.M.Jr: No, I have never seen it. Stop and think of it. I have never seen it.

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Bell: But the matter has been brought to your attention.

H.M.Jr: Well, it has been brought to my attention, but I never saw it. Well, don't let's you and I spar. I want time, and I don't care how I get it, and I am not willing to be the goat. If they don't want to wait for me - I am certainly not going to go into this until I thoroughly understand it, which I don't. I want to go into this dismissal wage very, very carefully, which I haven't been able to do.

Viner: Well, there is one argument in your interest in adopting a little more cooperative attitude toward them and that is that you are increasing your vulnerability if you put them in a position where they can go ahead now without having to receive your comments. You might be able to get them to make changes that you would like in submitting their own report.

H.M.Jr: You haven't seen Miss Perkins?

Viner: Oh, I have seen Miss Perkins.

H.M.Jr: On this thing?

Viner: Oh, I have seen her before on this.

H.M.Jr: Well, you can't tell her anything.

Viner: I know that.

Bell: Is she against this?

H.M.Jr: Oh, she is for this, and I brought up something the other day about the dismissal wage and she said, "Mr. Morgenthau, you just don't understand the problem."

- Viner: If what she said had been true, you would have both been in the same boat. (Laughter).
- H.M.Jr: I don't understand that.
- Viner: Because I know that she doesn't understand the problem and has no capacity for understanding it.
- Bell: The only deadline on this, Harry, is that they said that they had a tentative appointment with the President to discuss this report and that he was anxious to send it up by the middle of this month. I don't know whether that is --
- White: You know the details of this are so important, as well as the whole thing, that I think that --
- H.M.Jr: I need time.
- Bell: Of course you haven't got the details. You haven't got a bill before you. What you have got is a report that is pretty general.
- Viner: Oh, but it isn't. It is so general that it does not make any reference at all to our special fiscal needs over the next few years and the great importance of timing.
- White: There is no implication here what the income and the outgo will be by months.
- Haas: Well, they have refused consistently to make that a point in the social security point.
- Bell: That is right.
- White: But that is where the Secretary can take a definite position. That is his interest.

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- Viner: And say that they disregard it and if they do, he is justified in cutting the whole program even though he might be enthusiastic about parts of it.
- Blough: They think this is very helpful fiscally.
- Viner: If they don't themselves in their reports stress the importance that over the next few years nothing be done which decreases the net inflow to the Treasury, if they present a table like that to Congress --
- White: It is over a four year period.
- Viner: Over a four year period showing the decline under one possible alternative of the net collections to the Treasury --
- Blough: This wasn't their alternative. We have worked this out. They wouldn't admit that was an alternative.
- Viner: But they don't condemn it in their report. They say if we do this so and so, and if we do that so and so, and then Congress will pick out what it wants.
- Bell: They think it is bad to stress the fiscal point of this program from the standpoint of the laboring people. It gets around that all you are doing this for is to bring money into the Treasury to finance this program.
- Haas: If they take that program you will never get it through with the taxes because somebody will put it on a pay as you go, and that means drop the taxes down to just meet the outgo, and its fiscal worth is nil.
- White: I think one could take this position, although it is dramatizing it possibly a little too

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much, that if you have inflation a social security program is diminished in its effectiveness by a very great deal. It may even be seriously disrupted and so, though it is important to extend social security programs and though it is part of the regular program, at this particular time a vital consideration also is the fiscal one and price one, and therefore the thing can be postponed at least until the matter has been thoroughly examined from that point of view and changed from that point of view, where you would not have that same justification two or three years ago or possibly two or three years from now.

- Viner: Or they can enact the general statement of policy, sort of a general over-all program over the years.
- Bell: It seems to me that stressing the fiscal part of it might very well be put in the President's message and say very definitely in that message that we can't have this liberalization go through without the taxes that we have recommended, and the taxes will help prevent inflation, and so forth. Have the President say it, and say it very strongly.
- Haas: It is much better to tax a wage earner this way as he gets something eventually out of it, than to tax him in the ordinary method.
- White: I think you need both. I don't think the tax program is a substitute fiscally for this at all.
- Haas: No.
- Blough: They make this point.
- White: Or this for the tax program.

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Blough: They make the point that this brings you in about four billion dollars a year and then after the defense period is over pays out six billion dollars a year.

White: I don't know, does it? They don't clearly indicate that. At any rate, it seems quite clear that this is an extremely important problem both from a fiscal policy and general policy.

H.M.Jr: Now, listen, Dan, who is contacting them, you?

Bell: Well, Roy and I provide the contact.

H.M.Jr: Get me time. Buy me time. What?

Bell: I don't know what Budget has done on it. It is really --

H.M.Jr: It is a terrific problem.

Bell: It is a joint responsibility of the Budget and the Treasury.

H.M.Jr: Why don't you speak to your friend Harold Smith and see if you can't buy me a little time?

White: Has it taken the form of a written bill yet?

Bell: No, and that is the difficulty of knowing just where they are going. You have got no written bill or anything.

Blough: But there is not a great deal of time because Ways and Means now is free. A little later in the year it may have another tax bill on its neck.

H.M.Jr: Well, I again say, between you (Bell) and --

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- Bell: If he goes to the President and the President says, "I want to send it up this week," then we can't ask for time.
- H.M.Jr: When we just can't do it. See if you can't buy me a little time.
- Bell: The President is pretty well snowed under. I guess he isn't going to consider this thing this week.
- H.M.Jr: I was surprised. Paul McNutt at Cabinet brought it up and he was saying something about the Treasury and the Budget holding him up and the President says, "Bring it to me next week." Well, of course his mother died and he has got a speech to make. In the room here, Harriman is leaving over the weekend for England. He wants the President to see him and Jones and me so that before he goes to Russia he can find out where he stands. He doesn't want to go to Russia on a purchasing mission of supplies until he knows what the Russians are going to use for money. He happens to get into a lot of things. So let's leave it that way, and you keep poking at me on this, and I will keep studying it and talking about it.
- Viner: Also we have to poke at them to get more breakdowns and details.
- H.M.Jr: That is right. Who are you using, Roy, on this?
- Bell: Yes, Roy has been doing the legal work. We have had meetings here.
- Viner: Roy, I would tell them in order to have a judgment we must have for every alternative

plan they have, a schedule by years of inflow and outflow for the Treasury, by years, not a four year total. By months, if possible.

Bell: Well, that is asking a little too much.

Viner: Months is impossible, I know.

Bell: Get it by years and you will be good.

Reagh: They can't give you a reasonable breakdown by months.

H.M.Jr: Are you all right?

Bell: I will do my best.

H.M.Jr: All right. I have got ten minutes and I would like to talk a minute to Dr. Viner.

September 10, 1941

MEMORANDUM FOR THE SECRETARY

The current legislative program of the
Social Security Board

The legislative program of the Social Security Board for the current year calls for the extension and expansion of all features of the social security system.

I. With respect to public assistance (aid to the aged, blind, and dependent children), the Board is recommending:

a. The liberalization and simplification of eligibility tests under the old-age assistance program in order to raise the standard of assistance in the less liberal States.

b. The introduction of a special system of increased Federal grants-in-aid to low-income States (for old-age assistance, aid to dependent children, and aid to the blind).

c. The introduction of a fourth public assistance category - general relief, financed partly by Federal grants to States, to provide assistance to needy persons now ineligible for aid under existing public assistance programs.

These proposals would increase annual Federal expenditures for public assistance from \$357,000,000 in 1942 to between \$597,000,000 and \$942,000,000. ^{1/} The net increase in Federal expenditures would be somewhat less since these increases would tend to reduce expenditures for other Federal-aid programs.

^{1/} All estimates used in this memorandum were supplied by Social Security Board.

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The estimated details for the separate categories are:

	: :Old-age: :	:Dependent: :children: :and blind:	:General: :relief:	: :Total
(In millions)				
Fiscal 1942 expenditures under present law:				
Federal, State and local expenditures	\$ 540	\$ 202	\$ 350	\$ 1,092
State and local expenditures	270	115	350	735
Federal expenditures	270	87	0	357
Proposed additional Federal expenditures	30-175	10-60	200-350	240-585

II. With respect to old-age and survivors' insurance, the Board is recommending:

a. The broadening of the insurance program to include cash benefits for unemployment due to permanent disability.

b. The reduction of retirement age for women from 65 to 60.

c. The extension of insurance coverage and payroll taxation to agricultural labor, domestic service workers, employees of nonprofit institutions, governmental employees, farm operators, and other self-employed groups. Agricultural labor and domestic service workers would be included through the use of a stamp-book system. The coverage of State and local employees would be voluntary with State and local governments.

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In 1941 approximately 40,000,000 individuals worked in covered employment. The proposed extension of coverage would affect 21,000,000 additional jobs. ^{1/} Approximately half of the persons in these jobs already work part of the time in covered employment and are included in the 40,000,000. The proposed program would thus raise the number in covered employment to about 50,000,000.

III. With respect to unemployment insurance, the Board is recommending:

a. The conversion of the present Federal-State unemployment insurance system to a straight Federal system.

b. The liberalization of benefits with a view to raising the standard of benefits and shortening the waiting period between unemployment and the start of benefit payments.

c. The extension of payroll taxation and coverage to include the wage workers of all employers of one or more workers, maritime employees, and some other wage workers now excluded.

In 1941 approximately 32,000,000 workers acquired some benefit rights under the unemployment insurance system. The proposed extensions would add approximately 3,000,000 to the covered workers, which, together with improved employment conditions, would raise the total number of workers in covered employment to between 35,000,000 and 36,000,000.

^{1/} The 21,000,000 jobs include 3,500,000 agricultural laborers, 2,300,000 domestic service workers, 700,000 employees of nonprofit organizations, 7,000,000 farm operators, 4,000,000 other self-employed, and 3,500,000 Federal, State and local employees. If coverage were limited to governmental employees not at present covered under existing retirement pension systems, only 1,500,000 additional workers would be covered.

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IV. The Board is also recommending:

a. The broadening of the insurance program to include cash benefits for temporary disability and cash hospital benefits. ;

b. The protection of the insurance rights of persons engaged in the national defense program and the protection of the dependents of persons in military service.

c. The consolidation of all social security programs into one national security system, to provide for a more uniform program, including the collection of one social security contribution in lieu of the present separate taxes.

d. Placing the administration of both functions - the collection of contributions and payment of benefits - in a single Federal agency.

e. Increasing in January 1942 the present schedule of payroll taxes totaling 5 percent (3 percent on employers for unemployment insurance and 1 percent each on employers and employees for old-age insurance) to 10 percent (4 percent on employers for unemployment insurance, 1 percent on employers and 3 percent on employees for old-age insurance, and 2 percent on employees for temporary disability and hospital benefits). Under present law the rates for old-age insurance will increase from 1 percent each on employers and employees to 2 percent each in 1943, 2½ percent each in 1946, and 3 percent each in 1949. The rates for unemployment insurance remain at 3 percent on employers.

The present 2 percent tax for old-age and survivors' insurance is producing \$800,000,000. The proposed extension in coverage and increase in rate to 4 percent would raise the annual yield to \$2,030,000,000.

The present 3 percent tax for unemployment insurance is producing \$900,000,000. The proposed extension of coverage, improved employment conditions, changes resulting from the nationalization of the system, together with an increase in the tax rate to 4 percent, would raise the yearly collections to \$1,600,000,000. The special 2 percent tax for temporary disability benefits and cash hospital benefits would produce \$800,000,000. The combined effect of the Board's proposals would be an increase in yearly collections from \$1,700,000,000 in 1942 to \$4,430,000,000 in a full year of operation (1943).

V. The Board estimates that the proposed changes in the insurance features of the Social Security Act will increase tax collections more than outpayments. The effect on fiscal operations for the four calendar years 1942-1945 is estimated as follows:

	Collections	Disbursements	Excess of collections
	(In millions)		
Present program	\$ 10,458	\$ 2,652	\$ 7,806
Proposed expansion and extension without tax rate changes <u>1/</u>	11,958	5,157	6,801
Net change over present law	1,500	2,505	-1,005
Proposals, including 10 percent payroll tax beginning in January 1942	17,713	5,157	12,556
Net change over present law	7,255	2,505	4,750

1/ But including the scheduled 2 percent rate increase in 1943.

September 11, 1941
1:00 p.m.

HMJr: Hello.

Kenneth
Hogate: Hello, Mr. Secretary.

HMJr: How are you?

H: All right, sir.

HMJr: Well, I didn't want to get you out of the
apple orchard.

H: (Laughs) I was supposed to be there, but
I'm - I'm glad to have a few minutes' respite
from it.

HMJr: Well, I wanted to ask a favor of you.

H: Yes, sir.

HMJr: I wonder what you could find out for me
where you - what you did a couple years
ago about somebody else about David Hanna
Morris, Jr. He's the Vice-President of
Traphagen's Bank.....

H: Yes.

HMJr:and how he stands in the community, how
able he is, and so forth and so on.

H: All right, I think I can find out about
him.

HMJr: How well he's liked, you know, is there any
sour' - anything sour or anything - anything
that I ought to know.

H: Yes.

HMJr: I was thinking of asking him to come down
and help us down here.

H: I met him a few times, and he's a very

pleasant young fellow.

HMJr:

Yes.

H:

But I don't know enough about him to answer your question yet.

HMJr:

Could you find out?

H:

You bet I can.

HMJr:

I'll be home Saturday and Sunday, and I hope Monday.

H:

Well - you mean out in the country?

HMJr:

Yes.

H:

Well, I'll be delighted to - you want me to call you before then, of course, don't you?

HMJr:

Well, no. If you could let me know, as I say, either Saturday or Monday.

H:

All right, fine.

HMJr:

That would be all right.

H:

All right. I'll call you at home Saturday or Monday.

HMJr:

Beacon 211.

H:

Beacon 211.

HMJr:

Yeah.

H:

Thank you very much, and I'll get the dope for you.

HMJr:

How are your apples?

H:

I haven't any apples.....

HMJr:

Oh.

H:

.....to speak of, to such an authority as you.

HMJr: I see.

H: I've got some darned nice cows, though.

HMJr: All right.

H: (Laughs)

HMJr: All right.

H: I'll call you Saturday or Monday then,
Mr. Secretary.

HMJr: Thank you.

H: Beacon 211.

HMJr: That's right.

H: All right. Thank you.

HMJr: Good-bye.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

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PROCUREMENT DIVISION

WASHINGTON

September 11, 1941

MEMORANDUM TO THE SECRETARY RE: Conference concerning BPC
Requisition for 7,200,000
Gallons of Ethyl Alcohol

Present: Hon. Henry Morgenthau, Jr.
Senator Clyde Herring
Mr. Clifton E. Lack

At your request, I was present at your office today when Senator Herring called to inquire about the requisition for ethyl alcohol. Senator Herring advised that his interest was on behalf of individuals in Louisiana plant capable of producing alcohol.

The Senator stated that the original requisition called for conversion into alcohol of molasses to be supplied by the British but that an amendment to the requisition recently submitted by BPC called for the supplying of the molasses by the United States as well as converting. He added that the British have a substantial stock of molasses in this country and, in his opinion, should be required to use it.

You asked me for a summary of the facts and I stated that the Division of Defense Aid had cleared both the original and the amendment as coming within the scope of the lend-lease act, and that OPI had cleared both the original and the amendment as to availability which placed us in the position to purchase according to the amended requisition. I pointed out that yesterday inquiry had been made by Mr. Laverne--at which point Senator Herring stated

9/11/41

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that his son, Laverne Herring, had asked Mr. Freeman of the Procurement Division whether such an amendment had been received. In response to your question as to the interest of the Senator's son in this matter, Senator Herring advised that his son is interested in the plant in Louisiana. I then added that this morning Mr. Freeman had received a telephone call from OPM advising that they intended to withdraw their clearance on the amendment. You interposed that perhaps that was the result of the inquiry by the Senator, and the Senator stated that he had taken the matter up with Mr. Reid (OPM) who advised that he did not know the clearance had been granted on the amendment but would go into the matter.

You then stated that the question as to whether we would use our own or British molasses was a question of availability of stocks for OPM to decide as the Procurement Division handled the purchase after a requisition had been established as coming within the scope of the lend-lease act and had been cleared for availability by OPM.

Senator Herring thanked you for the clarification and the conference was concluded.

Cliff Mack
Clifford E. Mack,
Director of Procurement.

TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE September 11, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 11 o'clock this morning Mr. Gautier, the Managing Director of the Banque Nationale Suisse now in the United States, telephoned me from New York. He stated that Mr. Schnorf, the Director in charge of foreign business of the Banque Nationale Suisse, telephoned him yesterday from Zurich. Schnorf reminded him that the application for the license to move \$2,000,000 of Swiss gold from New York to Lisbon had been pending for three weeks. He instructed Gautier to take the matter up at once with the Department of State, through the Swiss Legation in Washington, if a decision had not been reached by today.

Mr. Gautier is coming to Washington this afternoon. I told him that the application was being given most careful consideration. He promised to call me at 10:15 tomorrow, Friday morning, to see if I have any word for him, before he or the Legation proceeds further in the premises.

When in Washington this week President Sproul of the Federal Reserve Bank of New York brought this case up with me. You might be interested in speaking with him thereon. Mr. Sproul's opinion was, I believe, in brief, that considering the undertakings which the Swiss Government and Central Bank gave when General License 50 was to be issued after the freezing of Swiss assets, this application, vouched for by the Swiss authorities, should be approved unless our policy of economic warfare has become so total as to eclipse other considerations, such as that of relations in gold with neutral central banks.





OFFICE OF THE DIRECTOR

*Original to
Procurement
11/2/41*

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TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

September 11, 1941

MEMORANDUM TO THE SECRETARY:

At the suggestion of Mr. Donald M. Nelson, Executive Director, SPAB, Mr. Ward called at this office and inquired whether it would be possible for the employees in our State Procurement Offices to investigate priority matters involving manufacturers throughout the country.

Mr. Ward stated that he does not know the extent of the work necessary in connection with field priority inquiries which would involve checking up on inventories of critical stocks or obtaining information in those cases which require such verification.

Mr. Ward further indicated that they believe our field agency is best qualified to handle this type of inquiry and that he intends to discuss with the Bureau of the Budget the matter of reimbursement for such services.

Inasmuch as this is somewhat outside of the scope of our usual procurement functions, will you please indicate your attitude in the matter.

Clifton E. Mack
Clifton E. Mack,
Director of Procurement

*OK
10/1/41*

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE SEP 11 1941

TO Secretary Morgenthau
FROM A. H. Foley, Jr.

You will recall that the Procurement Division has been selling aluminum scrap collected as a result of the recent drive put on by Mayor LaGuardia's organization. I am informed that the scrap is now in the hands of the Procurement Division but that so far the smelters have been reluctant to accept delivery of it at the price fixed by OPACS.

As I understand it the original arrangement between OPM and the smelters was that they would take the scrap at the price fixed by OPACS. The price fixed is 11-1/2 cents, but the smelters apparently feel that the price is too high in view of the character of the scrap and the fact that the Aluminum Company of America has, since the deal was made, lowered the price of virgin aluminum to 15 cents (the price ceiling on secondary aluminum is 17 cents). The argument is, of course, that aluminum made from scrap can't be sold at 17 cents for long under such conditions, and that therefore 11-1/2 cents is too high a price to pay for our scrap.

Procurement Division officials have been discussing the situation with representatives of OPM and OPACS in an attempt to work it out. The result may be that OPACS will revise downward the price ceiling for scrap of the character collected. In any event, we are putting as much pressure as we can on both OPM and OPACS to get them to make a decision, inasmuch as we may be subjected to criticism if the scrap is not disposed of very soon. Here again we are more or less caught in the middle -- between the defense and price agencies on the one hand and the industry on the other -- but we hope the situation will be worked out within the next couple of days.

S. 274

September 11, 1941

Dear Ed:

Thank you for your letter of
September 9th.

I, too, feel that the two meet-
ings have been profitable ones and that
the revised procedure will bring good
results.

Yours sincerely,

(Signed) Henry

Mr. E. H. Stettinius, Jr.,
Lend-Lease Administrator,
515 22nd Street,
Washington, D. C.

Dr. Newsinger

Gibbons
4:10 pm

Miss Chauncey

OFFICE OF PRODUCTION MANAGEMENT
SOCIAL SECURITY BUILDING
WASHINGTON, D. C.

September 9, 1941

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

Dear Henry,

We had a very satisfactory session in Phil Young's office yesterday afternoon with Cliff Mack.

I feel it has resulted in a meeting of minds, and you will shortly receive a memorandum covering the matter from Phil Young, which I hope you will find satisfactory.

If you would like to discuss this with me after the memorandum is received, please call me, and I shall be available to come to your office at any time.

With best wishes,

Sincerely yours,



E. R. Stebbins Jr.

September 11, 1941

My dear Mr. Sloan:

Thank you for your interesting letter of September 4th which I have read very carefully.

I agree with you that you have made real progress and I hope that you will continue to do so, because the Allison engine plays such an important part in our airplane program.

If you are ever in Washington, I would be delighted if you would drop in and have a visit.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Alfred P. Sloan, Jr.,
Chairman, General Motors Corporation,
Broadway at 57th Street,
New York, N. Y.

GENERAL MOTORS CORPORATION

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BROADWAY AT 57TH STREET

NEW YORK, N. Y.

September 4, 1941.

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

RE: ALLISON ENGINE DIVISION - GENERAL CONDITIONS

My dear Mr. Secretary:-

Perhaps it is presumptuous on my part to take the liberty of writing you, but in view of our very pleasant contact a year ago, I thought you might like to get from me, due to your interest in our Allison adventure, an up to date picture of just what has happened since we last discussed the matter over the telephone. Here it is, for what it may be worth to you:-

First. You recollect that the prime thing we were contending with at the time you and I got together on the subject, was the question of deliveries. The last contact was with regard to deliveries involving the months of April, May and June, concerning which you made inquiries over the telephone. Without going into detail, would state that deliveries of finished engines have been gradually improving as new equipment has become available and as we were able to control the limiting factors, with the result that in the month of August, just passed, we reached the highest peak yet -- to be exact, 671 engines.

Our contracts call for 1,000 a month, beginning in December. We shall be able to meet that, providing machinery which has been on order for months, comes in to us according to the present schedule. That is the limiting factor. Outside of that, however, the natural improvement will enable us to build up deliveries in excess of what we are now accomplishing.

I call your attention to the fact that deliveries have been somewhat prejudiced (and this is the point around which our telephone conversation in May centered) by the transition from the 'C' engine to the 'E' and 'F' engines. All deliveries on the 'C' engine have long since been completed and we are now working on orders for the 'E' and 'F'.

Again, approaching deliveries from a different standpoint, I might say that I have just returned from a trip to the Pacific Coast where I visited plane manufacturers who are using Allison engines. In all cases, I found a large surplus of engines over current plane deliveries. In other words, irrespective of our deliveries, they are far in excess of what is needed to protect the current deliveries of planes.

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Hon. Henry L. Morgenthau, Jr.
September 4, 1941.

Second. With regard to capacity, you recall when we completed our type test, something like a year ago, we had a rating of 1040 h.p. at sea level. In my talk with you, I told you confidentially that we would be able to increase that by improving the characteristics of the design in various ways, without in any way changing the fundamentals of the engine. Our latest type test is 1325 h.p. at sea level -- an important improvement. I am quite convinced (altho it is not yet 'in the bag') that we will be able to go still farther than we have already gone - just how much, I do not know. But I feel sure there is considerably more in this particular job than we have as yet demonstrated.

Third. In addition to deliveries and adequate horsepower, it is important of course that the engine, being the heart of the plane, give a good account of itself from the standpoint of serviceability and of all the other characteristics involving the maneuverability of the plane.

I have kept in touch with the matter, in considerable detail, and I am quite convinced, even without considering the fact that this engine, due to the emergency, was pushed ahead, from the mass production basis, more rapidly than would be justified by an ordinary commercial operation, that such difficulties as have developed in service, either in the design or in the manufacture, or both, are really less than what could reasonably be expected, and that what has happened has been due primarily to lack of understanding on the part of the operators, because this type of engine has certain different operating characteristics than the ordinary air-cooled variety.

To sum up, I might say that it is now a little over two years since we took a piece of farm land outside of Indianapolis and started to build a plant to make these Allison engines. We now have fifteen thousand skilled workers employed, supported by a highly technical staff, which is not only giving consideration to the daily problem, but is working forward along the lines of promoting additional technical advances. An output of approximately 700 engines a month, involves a productivity, with the extra parts, of approximately \$14,000,000 or an annual rate of \$168,000,000.

While undoubtedly a better job could be done -- a better job can always be done -- I am boring you with these details because I really want to emphasize again the point I made to you in our first discussion in your office, a little over a year ago, at which time I pointed out, that going into the manufacture, on a mass production basis, of what is certainly a most highly technical product - especially when starting with a semi-developed piece of apparatus and accepting the hazards and difficulties which are always bound to arise - is something which involves the question of time. And that is true no matter how experienced the organization may be. When I mentioned certain difficulties, you remarked to me that General Motors ought to know enough to foresee those difficulties. All I can say along those lines is: - that while we might foresee some things, we

Page #3
Hon. Henry L. Morgenthau, Jr.
September 4, 1941.

are bound to miss other things because the rules governing these intricate reactions and forces involved in matters of this kind, are not sufficiently well known and can not be closely analyzed to cover all contingencies. There must be a certain class of items -- just how they fall, is always unknown - that can only be dealt with on an experimental basis. As a matter of fact, it is really more difficult than that, because even when it is dealt with on an experimental basis, as a research or engineering activity, there are still additional factors which always cause delays and difficulties which can only develop as a result of applying to the design the principles of mass production, as well as the altered circumstances that the practical application of the device, whatever it may be, always develops in service.

I thank you for the kind consideration which you have extended to us in the evolution of this particular project.

Very truly yours,


C h a i r m a n.

AHSJr./K

September 11, 1941.

Dear Professor Brown:

I was happy to learn from your letter of September 9 that you are making satisfactory progress with the arrangements which will permit you to come down from Brown and help us on the Stabilization Fund.

In this envelope I am enclosing a letter which constitutes the order for your recent travel to Washington, and a further letter of appointment as Consulting Expert in the Office of the Secretary. A letter has been addressed directly to President Wriston requesting your part-time services, a copy whereof is appended. I believe these documents should consummate the preliminary arrangements.

I enjoyed very much your visit this week and will look forward to your arrival on Thursday next, as well as our future association in the Treasury.

Faithfully yours,

E. Merle Cochran,
Technical Assistant to the Secretary.

Professor William Adams Brown, Jr.,
Institute for Advanced Study,
Princeton, New Jersey.

EMC:dm:9/11/41

SEP 1 1941

Dr. William Adams Brown, Jr.,
Providence, Rhode Island.

Sir:

You are hereby appointed a Consulting Expert in the Office of the Secretary with compensation at the rate of fifteen dollars and fifty-five cents per diem, when actually employed, with official headquarters at Providence, Rhode Island.

In connection with your employment as a Consulting Expert, you are hereby authorized to make such travel between your post of duty at Providence, Rhode Island, and Washington, D. C., and between any other points in the continental United States, as may be necessary for the purpose of conducting official business for this Department.

In making the above-mentioned travel, the Government will pay your transportation expenses and allow you \$5.00 per diem in lieu of subsistence, such allowance for subsistence to be payable for all time you are in a travel status or while on duty in Washington, D. C.

Your compensation, transportation, and subsistence expenses will be paid from the Exchange Stabilization Fund.

A copy of this travel authorization should accompany each voucher making claim for expenses incurred hereunder.

Very truly yours,

Secretary of the Treasury.

September 6, 1941.

Dr. William Adams Brown, Jr.,
Princeton, New Jersey.

Sir:

It will be appreciated if you can find it convenient to come to Washington for a conference to be held on September 8, 1941, on matters now under consideration by the Treasury Department.

The Government will reimburse you for your transportation expenses as well as for other necessary expenses incident to this travel, such as lodging, meals, taxicabs, tips, etc. Your transportation and actual expenses will be reimbursed to you from the appropriation, "Exchange Stabilization Fund".

A copy of this letter should accompany the voucher claiming reimbursement for the expenses incurred hereunder.

Very truly yours,

By: *H. M. Morganthau, Jr.*

Secretary of the Treasury.

Dear Dr. Wriston:

In connection with a program of work which the Treasury Department is planning, we would like to obtain the services of Dr. William Adams Brown, Jr., of your university on a part-time basis. Dr. Brown has kindly consented to assist us and I am, therefore, writing you at this time to request that, if possible, he be released to come to Washington for conferences one or two days a week.

It is hoped that you may find it convenient to release Dr. Brown for this work and I wish to assure you that if you do, it will be greatly appreciated by my assistants and myself.

Sincerely yours,

Secretary of the Treasury.

Dr. Henry Merritt Wriston,
President,
Brown University,
Providence, Rhode Island.

SEP 1 1941

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My dear Mr. Secretary:

I have your letter of August 23, 1941 concerning the proposed tax convention between the United States and the British Government.

The steady multiplication of the complexities of state taxing systems would seem to bar the hope of obtaining judicial pronouncements marking the boundaries of sovereign immunity with sufficient certainty to justify a resort to litigation. In these circumstances, the possibility of settling this problem by a tax convention seems to me to provide a readier and more feasible means than any other which has been suggested.

The draft of the proposed convention submitted with your letter is agreeable to me with two qualifications.

It is suggested that in lieu of the first paragraph of Article III of the proposed convention the following provision be inserted:

"The provisions of this Convention shall not be construed to restrict in any manner any exemption, deduction, credit, or other allowance accorded by the law of either High Contracting Party, or any state,

territory, political subdivision or local taxing authority thereof."

This paragraph is substantially the same as the last sentence of paragraph C of Article II of the Convention For The Establishment of an Inter-American Bank, and would seem to accomplish the purpose of a saving clause. Moreover, in view of actions currently being taken by this Government in respect of property of other Governments (e.g., foreign funds control), there are cogent reasons why any reference to rights under any law other than that of the Nation or the several States should be avoided and their existence not raised by implication.

It is also suggested that consideration be given to extending the scope of the proposed convention to include (1) so far as the British Government is concerned, all its possessions, dependencies and other areas (such as Burma and Newfoundland) under the control of the British Empire, but exclusive of the Dominions, and (2) reciprocally on the part of the United States, its possessions, dependencies and other areas (such as Puerto Rico and the Virgin Islands) subject to its jurisdiction, excluding, however, the Philippines.

Sincerely yours,

File to Mr. Thompson

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

The Honorable,

The Secretary of State.

By Messenger *Leung* 4/5 pm
cc - Miss *Channing*

DEPARTMENT OF STATE
WASHINGTON

August 23, 1941

My dear Mr. Secretary:

Reference is made to your letter of July 16 regarding the taxation of the British Government and instrumentalities thereof on transactions performed in the United States and on property brought into or acquired in this country in connection with defense activities. You suggest that in view of the fact that the dollar exchange of the British Government will be depleted to the extent that taxes are paid by that Government, or on its behalf, consideration should be given to the conclusion of a special convention relating to taxation.

As a result of conferences between officials of this Department, the Treasury Department and the Department of Justice, a proposed draft convention has been prepared, of which I attach a copy. I shall
be

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

be pleased to be informed whether you still feel that such a convention should be concluded and whether the draft meets with your approval.

If it is decided that we should go forward with the negotiations, I will submit the draft to the British Government for its consideration.

Sincerely yours,

A handwritten signature in cursive script, reading "Cordell Hull". The signature is written in dark ink and is positioned below the typed name "Cordell Hull".

Enclosure:

Copy of proposed
draft convention.

Convention between the United States of America
and Great Britain for Reciprocal Exemption from
Taxation of the High Contracting Parties and
Agencies and Instrumentalities Thereof

The President of the United States of America and
His Majesty the King of Great Britain, Ireland and the
British Dominions Beyond the Seas, Emperor of India,
in respect of Great Britain and Northern Ireland,
being desirous of furthering the attainment of those
objectives the accomplishment of which is of mutual
interest and paramount importance to both High Con-
tracting Parties,

Have decided to conclude a convention and have
appointed for that purpose as their respective
Plenipotentiaries:

The President of the United States of America;

• • •

His Majesty the King of Great Britain, Ireland
and the British Dominions Beyond the Seas, Emperor of
India;

• • •

for Great Britain and Northern Ireland; • • •

• • •

Who, having communicated to each other their full
powers, found in good and due form, have agreed as
follows:

ARTICLE I

ARTICLE I

Each High Contracting Party and any instrumentality thereof engaged in carrying out a defense purpose shall be exempt from all taxes imposed by or under the authority of the other High Contracting Party, or any state, territory, political subdivision, or local taxing authority thereof.

All defense articles situated in the territories of either High Contracting Party of which the other High Contracting Party or any instrumentality thereof is the legal or equitable owner, and all real property similarly situated and owned, which is used for or in connection with the manufacture, procurement, or repair of defense articles shall be exempt from all taxation, whether national, state, territorial, or local, other than assessments levied against real property benefited by local improvements or services.

As used in this Convention:

- (a) The term "defense articles" shall include
- (1) any weapon, munition, aircraft, vessel, or boat;
 - (2) any machinery, facility, tool, material, or supply necessary for the manufacture, fabrication, production, processing, repair, servicing or operation of any article described in this paragraph;
 - (3) any component material or part of or equipment for any article described in this paragraph; and
 - (4) any agricultural, industrial, or other commodity

commodity or article produced by either High Contracting Party for its defense.

- (b) The term "instrumentality" shall include
- (1) any commission or public authority of either of the High Contracting Parties;
 - (2) any corporation, substantially all the capital stock of which is owned by or held for one of the High Contracting Parties;
 - and (3) any person, firm or corporation, but only to the extent and in the transactions with respect to which, such person, firm or corporation is entitled by contract with either High Contracting Party to be reimbursed for the specific costs incurred in connection with the production or repair of defense articles.

ARTICLE II

Any tax imposed by or under the authority of either of the High Contracting Parties, or any state, territory, political subdivision, or local taxing authority thereof, shall, for the purposes of this Convention, be deemed to be a tax imposed upon a defense article whenever such tax is imposed with respect to any one or more of the following transactions, and would be borne by one of the High Contracting Parties:

(1) The

(1) The transfer or other disposition for defense purposes of any bond, note, certificate, or instrument, or the issuance, transfer or other disposition for defense purposes of any policy or instrument of insurance, by or to the other High Contracting Party or by or to any instrumentality thereof; or

(2) the acquisition or sale, transfer, or other disposition, of any defense article, by or to the other High Contracting Party or by or to any instrumentality thereof; or

(3) the use, storage, or consumption by the other High Contracting Party or by any instrumentality thereof of any defense article.

ARTICLE III

Nothing in this Convention shall be construed to deny to either High Contracting Party the right to other or additional exemptions from taxation under the laws of the other High Contracting Party or under the law or comity of nations.

The territories to which the provisions of this Convention shall apply are, on the part of the United States of America, the continental territory of the United States of America and the Territories of Alaska and Hawaii; and, on the part of His Majesty, the United Kingdom of Great Britain and Northern Ireland.

ARTICLE IV

ARTICLE IV

The present Convention shall come into force on the day following the exchange of the instruments of ratification, and shall continue in force until July 1, 1945.

IN WITNESS WHEREOF the respective Plenipotentiaries have signed this Convention and have affixed their seals hereto.

DONE in duplicate at Washington this day
of , 1941.

August 19, 1941.

I'd Rather Be Right

By Samuel Grafton



A ghost flies through the streets of America again. She takes many forms, and sometimes she looks like a sleek woman, with two smears of lipstick on her white face. Some of the ex-service men have been seeing her around. They have

seen into the haze, pale, to tell about it, they remember her from last time.

Who is that woman of easy virtue who got mixed up, somehow, with the dream of glory we were fighting for in 1917. Nobody ever really knew her name. Sometimes they called her the spirit of war profiteering, or the sweetheart of the high cost of living. When the war was over, and the men who were in it tried to recall the full vision which had made them want to fight, they found they could not remember because this harlot face would inter-

pose. I see in the papers that Americans have bought so much liquor, so many train fares and theatre tickets or picked up so many night-club checks, as during this past summer. The spree started on July 1. The party gets wilder each week. Nobody is taking the lady out again.

Mr. Morgenthau must have seen her on the street in Boston the other night. When he reached the Ad Club, where he was scheduled for a speech, he seemed to want to talk mostly about the fact that flour is selling at 15 percent more than a year ago, though we have more wheat now than we had then; more, in fact, than we have ever had in our history. Mr. Morgenthau cannot understand why the price should be up. He has that puzzled look which defenders of democracy used to have in the first world war, when they walked the streets of New York on furlough, and got some of the ghost's perfume as she whizzed by.

Mr. Morgenthau also thinks it very odd that the prices of butter, cheese, beef and pork should be so high, when we have more of these goods, too, than we had a year ago. Funny thing. If we want to lower the price of bread, there are 498,000,000 bushels of surplus wheat in Canada, trying to get in over our border. Three months ago we quietly issued a quota order keeping it out. If the wheat got in, the lady with the red lips might have to walk. Though perhaps we could bear it, for the torch on the Statue of Liberty would rise at least an inch.

Twenty-five percent more liquor is being sold than a year ago. This is a big party, a monumental blow-out. But not quite big enough, for in ten thousand small factories, gray little men go quietly mad trying to manufacture their products without raw material.

And two million Americans are on the march, homeless and townless, looking for those defense jobs. They meet the red-lipped lady, too. Sometimes they fancy they see her sitting on the grocery counter, early in the morning, looking at them with a bright, fixed smile.

She has been around a lot. They say she made a brief appearance on the French battlefields, in May of 1940, after passing a gay, expensive winter in Paris, and it was noted that wherever the soldiers saw her, or thought they did, or caught the whiff of her special scent, they would go away and sit down somewhere and think, instead of fighting.

She has come here because she believes in the rebirth of France, and finds that America is the closest thing in the world today to the gay, expensive France she knew in 1939 and 1940, with lots of men who have it to spend, and perfectly safe, too, because all those nice boys are in uniform to see that nobody upsets the party and spoils the fun.

Sometimes someone says something about the need for saving England, and the lady with the red lips smiles. "Stop worrying," she says. "It's a party. You always have to have some reason for a party. We'll break it up and go safely home before dawn." That is what some of them think they hear her say, though others can remember nothing but a sly, knowledgeable red-lipped smile.

Treasury Department
Division of Monetary Research

Date September 11, 1941 19

To: Secretary Morgenthau

1. Ezekiel called me again and gave what appeared to be several good reasons why the wheat quota should not be lifted. I believe there may be enough trouble ahead to justify a conference with the Agricultural people before you do anything further about it.

2. Should the opportunity present itself and should Harriman want to take a man along who could be helpful, I hope you remember that "Barkus" is very willing -- and able.

HW

MR. WHITE
Branch 2058 214

UNITED STATES SAVINGS BONDS

CONFIDENTIAL

Comparative Statement of Sales During
First Eight Business Days of July, August, and September, 1941
(July 1-10, August 1-9, September 1-10)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	September	August	July	September over August	August over July	September over August	August over July
Series E - Post Offices	\$13,939	\$14,755	\$17,539	-\$ 816	-\$ 2,784	- 5.5%	- 15.9%
Series E - Banks	<u>22,618</u>	<u>27,458</u>	<u>26,883</u>	- <u>4,840</u>	<u>575</u>	- <u>17.6</u>	<u>2.1</u>
Series E - Total	36,557	42,212	44,422	- 5,655	- 2,210	- 13.4	- 5.0
Series F - Banks	6,305	8,472	8,236	- 2,167	236	- 25.6	2.9
Series G - Banks	<u>41,361</u>	<u>54,966</u>	<u>56,660</u>	- <u>13,605</u>	- <u>1,694</u>	- <u>24.8</u>	- <u>3.0</u>
Total	<u>\$84,224</u>	<u>\$105,650</u>	<u>\$109,318</u>	- <u>\$21,426</u>	- <u>\$ 3,668</u>	- <u>20.3%</u>	- <u>3.4%</u>

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

September 11, 1941.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - September 1941
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
September 1941									
2	\$ 3,021	\$ 3,385	\$ 1,182	\$ 5,510	\$ 10,077	\$ 6,406	\$ 1,182	\$ 5,510	\$ 13,098
3	972	1,933	585	5,790	8,308	2,905	585	5,790	9,280
4	1,365	2,540	645	4,846	8,032	3,906	645	4,846	9,397
5	1,852	3,689	1,162	10,486	15,336	5,540	1,162	10,486	17,188
6	1,419	3,144	707	4,666	8,516	4,562	707	4,666	9,935
8	2,858	3,032	521	3,549	7,102	5,890	521	3,549	9,960
9	973	2,013	528	1,532	4,073	2,987	528	1,532	5,046
10	1,479	2,883	975	4,984	8,841	4,362	975	4,984	10,320
Total	\$ 13,939	\$ 22,618	\$ 6,305	\$ 41,361	\$ 70,284	\$ 36,557	\$ 6,305	\$ 41,361	\$ 84,224

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

September 11, 1941.

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

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

DEFENSE SAVINGS STAFF

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ADVANCE SCHEDULE OF RADIO PROGRAMS

THURSDAY - SEPTEMBER 11, 1941.

Time: 9:15 - 9:30 A.M.
Program: Ellen Randolph
Station: WRC and NBC Red Network

Time: 11:15 A.M. - 12:00 Noon
Program: Mary Mason's Home Forum
Station: WRC - Washington

Time: 2:45 - 3:00 P.M.
Program: Woman of Courage
Station: WJSV and CBS Network

Time: 5:30 - 5:45 P.M.
Program: Paul Sullivan reviews the News
Station: WJSV and CBS Network

Time: 7:00 - 7:30 P.M.
Program: Maxwell House Coffee Time
Station: WRC and NBC Red Network

Time: 9:30 - 10:00 P.M.
Program: "The Great Gunns"
Station: WOL and MBS Network

Time: 9:30 - 10:00 P.M.
Program: Quiz of Two Cities
Station: WRC - Washington
WFBR - Baltimore

Time: 9:30 - 10:30 P.M.
Program: Chalky Wright-Joey Archibald
Featherweight Title Contest
Station: WMAJ and NBC Blue Network

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.

HOLD FOR RELEASE

HOLD FOR RELEASE

HOLD FOR RELEASE

SEPTEMBER 11, 1941

CAUTION: The following address of the President, to be broadcast from the White House, MUST BE HELD IN CONFIDENCE until released.

NOTE: Release to editions of all newspapers appearing on the streets NOT EARLIER THAN 9:00 P.M., E.S.T., September 11, 1941. The same release of the text of the address also applies to radio announcers and news commentators.

CARE MUST BE EXERCISED TO PREVENT PREMATURE PUBLICATION.

STEPHEN EARLY
Secretary to the President

MY FELLOW AMERICANS:

The Navy Department of the United States has reported to me that on the morning of September fourth the United States destroyer GREER, proceeding in full daylight towards Iceland, had reached a point southeast of Greenland. She was carrying American mail to Iceland. She was flying the American flag. Her identity as an American ship was unmistakable.

She was then and there attacked by a submarine. Germany admits that it was a German submarine. The submarine deliberately fired a torpedo at the GREER, followed later by another torpedo attack. In spite of what Hitler's propaganda Bureau has invented, and in spite of what any American obstructionist organization may prefer to believe, I tell you the blunt fact that the German submarine fired first upon this American destroyer without warning, and with deliberate design to sink her.

Our destroyer, at the time, was in waters which the Government of the United States had declared to be waters of self-defense -- surrounding outposts of American protection in the Atlantic.

In the North, outposts have been established by us in Iceland, Greenland, Labrador and Newfoundland. Through these waters there pass many ships of many flags. They bear food and other supplies to civilians; and they bear materiel of war, for which the people of the United States are spending billions of dollars, and which, by Congressional action, they have declared to be essential for the defense of their own land.

The United States destroyer, when attacked, was proceeding on a legitimate mission.

If the destroyer was visible to the submarine when the torpedo was fired, then the attack was a deliberate attempt by the Nazis to sink a clearly identified American warship. On the other hand, if the submarine was beneath the surface and, with the aid of its listening devices, fired in the direction of the sound of the American destroyer without even taking the trouble to learn its identity -- as the official German communique would indicate -- then the attack was even more outrageous. For it indicates a policy of unprovoked violence against any vessel sailing the seas --

This was piracy -- legally and morally. It was not the first nor the last act of piracy which the Nazi Government has committed against the American flag in this war. Attack was followed attack.

A few months ago an American flag merchant ship, the *WADSWORTH*, was sunk by a Nazi submarine in the middle of the South Atlantic, under circumstances violating long-established international law and every principle of humanity. The passengers and the crew were forced into open boats hundreds of miles from land, in direct violation of international agreements signed by the Government of Germany. No apology, no allegation of mistake, no offer of reparations has come from the Nazi Government.

In July, 1941, an American battleship in North American waters was followed by a submarine which for a long time sought to maneuver itself into a position of attack. The periscope of the submarine was clearly seen. No British or American submarines were within hundreds of miles of this spot at the time, so the nationality of the submarine is clear.

Five days ago a United States navy ship on patrol picked up three survivors of an American-owned ship operating under the flag of our sister republic of Panama -- the *U. S. S. S-104*. On August seventeenth, she had been first torpedoed without warning, and then shelled, near Greenland, while carrying civilian supplies to Iceland. It is feared that the entire members of her crew have been drowned. In view of the established presence of German submarines in this vicinity, there can be no reasonable doubt as to the identity of the attacker.

Five days ago, another United States merchant ship, the *U. S. S. S-104*, was sunk by a German aircraft in the Red Sea two hundred and twenty miles south of Suez. She was bound for an Egyptian port.

Four of the vessels sunk or attacked flew the American flag and were clearly identifiable. Two of these ships were warships of the American navy. In the fifth case, the vessel sunk clearly carried the flag of Panama.

In the face of all this, we Americans are keeping our feet on the ground. Our type of democratic civilization has outgrown the thought of feeling compelled to fight some other nation by reason of any single piratical attack on one of our ships. We are not becoming hysterical or losing our sense of proportion. Therefore, what I am thinking and saying does not relate to any isolated episode.

Instead, we Americans are taking a long-range point of view in regard to certain fundamentals and to a series of events on land and on sea which must be considered as a whole -- as a part of a world pattern.

It would be unworthy of a great nation to exaggerate an isolated incident, or to become incensed by some one act of violence. But it would be inexcusable folly to minimize such incidents in the face of evidence which makes it clear that the incident is not isolated, but part of a general plan.

The important truth is that these acts of international lawlessness are a manifestation of a design which has been made clear to the American people for a long time. It is the Nazi design to abolish the freedom of the seas, and to acquire complete control and domination of the seas for themselves.

For with control of the seas in their own hands, the way can become clear for their next step -- domination of the United States and the Western Hemisphere by force. Under Nazi control of the seas, no merchant ship of the United States or of any other American Republic would be free to carry on any peaceful commerce, except by the condescending grace of this foreign and tyrannical power. The Atlantic Ocean which has been, and which should always be, a free and friendly highway for us would then become a deadly menace to the commerce of the United States, to the coasts of the United States, and to the inland cities of the United States.

The Hitler Government, in defiance of the laws of the sea and of the recognized rights of all other nations, has presumed to declare, on paper, that great areas of the seas -- even including a vast expanse lying in the Western Hemisphere -- are to be closed, and that no ships may enter them for any purpose, except at peril of being sunk. Actually they are sinking ships at will and without warning in widely separated areas both within and far outside of these far-flung pretended zones.

This Nazi attempt to seize control of the oceans is but a counterpart of the Nazi plots now being carried on throughout the Western Hemisphere -- all designed toward the same end. For Hitler's advance guards -- not only his avowed agents but also his dupes among us -- have sought to make ready for him footholds and bridgeheads in the New World, to be used as soon as he had gained control of the oceans.

His intrigues, his plots, his machinations, his sabotage in this New World are all known to the Government of the United States. Conspiracy was followed conspiracy.

Last year a plot to seize the Government of Uruguay was smashed by the prompt action of that country, which was supported in full by her American neighbors. A like plot was then hatching in Argentina, and that Government has carefully and wisely blocked it at every point. More recently, an endeavor was made to subvert the Government of Bolivia. Within the past few weeks the discovery was made of secret air landing fields in Colombia, within easy range of the Panama Canal. I could multiply instances.

To be ultimately successful in world mastery, Hitler knows that he must get control of the seas. He must first destroy the bridge of ships which we are building across the Atlantic, over which we shall continue to roll the implements of war to help destroy him and all his works in the end. He must wipe out our patrol on sea and in the air. He must silence the British Navy.

It must be explained again and again to people who like to think of the United States Navy as an invincible protection, that this can be true only if the British Navy survives. That is simple arithmetic.

For if the world outside the Americas falls under Axis domination, the shipbuilding facilities which the Axis powers would then possess in all of Europe, in the British Isles, and in the Far East would be much greater than all the shipbuilding facilities and potentialities of all the Americas -- not only greater, but two or three times greater. Even if the United States threw all its resources into such a situation, seeking to double and even redouble the size of our Navy, the Axis powers, in control of the rest of the world, would have the man-power and the physical resources to outbuild us several times over.

It is time for all Americans of all the Americas to stop being deluded by the romantic notion that the Americas can go on living happily and peacefully in a Nazi-dominated world.

Generation after generation, America has battled for the general policy of the freedom of the seas. That policy is a very simple one -- but a basic, fundamental one. It means that no nation has the right to make the broad oceans of the world at great distances from the actual theatre of land war, unsafe for the commerce of others.

That has been our policy, proved time and time again, in all our history.

Our policy has applied from time immemorial -- and still applies -- not merely to the Atlantic but to the Pacific and to all other oceans as well.

Unrestricted submarine warfare in 1941 constitutes a defiance -- an act of aggression -- against that historic American policy.

It is now clear that Hitler has begun his campaign to control the seas by ruthless force and by wiping out every vestige of international law and humanity.

His intention is, as heur, more clear. The American people can have no further illusions about it.

No tender whisperings of appeasement that Hitler is not interested in the Western Hemisphere, no apocryphal lullabies that a wide ocean protects us from him -- can have any effect on the hard-headed, far-sighted and realistic American people.

Because of these episodes, because of the movements and operations of German warships, and because of the clear, repeated proof that the present Government of Germany has no respect for treaties or for international law, that it has no decent attitude toward neutral nations or human life -- we Americans are now free to face not with abstract theories but with cruel, relentless facts.

This attack on the BREIT was no localized military operation in the North Atlantic. This was no mere episode in a struggle between two nations. This was one determined step towards creating a permanent world system based on force, terror and murder.

And I am sure that even now the Nazis are waiting to see whether the United States will by silence give them the green light to go ahead on this path of destruction.

The last danger to our western world has long ceased to be a mere possibility. The danger is now -- not only from a military enemy but from an enemy of all law, all liberty, all morality, all religion.

That has now come a time when you and I must see the cold inescapable necessity of saying to these lawless, unrestrained seekers of world conquest and permanent world domination by the sword -- "You seek to throw our children and our children's children into your form of terrorism and slavery. You have now attacked our own safety. You shall go no further".

Normal practices of diplomacy -- note writing -- are of no possible use in dealing with international outlaws who sink our ships and kill our citizens.

One peaceful nation after another has met disaster because each refused to look the Nazi danger squarely in the eye until it actually had them by the throat.

The United States will not make that fatal mistake.

No act of violence or intimidation will keep us from maintaining intact two bulwarks of defense: first, our line of supply of materiel to the enemies of Hitler, and second, the freedom of our shipping on the high seas.

No matter what it takes, no matter what it costs, we will keep open the line of legitimate commerce in these defensive waters.

We have sought no shooting war with Hitler. We do not seek it now. But neither do we want peace so much, that we are willing to pay for it by permitting him to attack our naval and merchant ships while they are on legitimate business.

I assume that the German leaders are not deeply concerned by what we Americans say or publish about them. We cannot bring about the downfall of Nazism by the use of long-range invective.

But when you see a rattlesnake poised to strike, you do not wait until he has struck before you crush him.

Those Nazi submarines and raiders are the rattlesnakes of the Atlantic. They are a menace to the free pathways of the high seas. They are a challenge to our sovereignty. They hammer at our most precious rights when they attack ships of the American flag -- symbols of our independence, our freedom, our very life.

It is clear to all Americans that the time has come when the Americas themselves must now be defended. A continuation of attacks in our own waters, or in waters which could be used for further and greater attacks on us, will inevitably weaken American ability to repel Hitlerism.

Do not let us split hairs. Let us not ask ourselves whether the Americas should begin to defend themselves after the fifth attack, or the tenth attack, or the twentieth attack.

The time for active defense is now.

Do not let us split hairs. Let us not say -- "We will only defend ourselves if the torpedo succeeds in getting home, or if the crew and the passengers are drowned".

This is the time for prevention of attack.

If submarines or raiders attack in distant waters, they can attack equally well within sight of our own shores. Their very presence in any waters which America deems vital to its defense constitutes an attack.

In the waters which we deem necessary for our defense, American naval vessels and American planes will no longer wait until Axis submarines lurking under the water, or Axis raiders on the surface of the sea, strike their deadly blow -- first.

- 6 -

Upon our naval and air patrol -- now operating in large number over a vast expanse of the Atlantic Ocean -- falls the duty of maintaining the American policy of freedom of the seas -- now. That means, very simply and clearly, that our patrolling vessels and planes will protect all merchant ships -- not only American ships but ships of any flag -- engaged in commerce in our defensive waters. They will protect them from submarines; they will protect them from surface raiders.

This situation is not new. The second President of the United States, John Adams, ordered the United States Navy to clean out European privateers and European ships of war which were infesting the Caribbean and South American waters, destroying American commerce.

The third President of the United States, Thomas Jefferson, ordered the United States Navy to end the attacks being made upon American ships by the corsairs of the nations of North Africa.

My obligation as President is historic; it is clear; it is inescapable.

It is no act of war on our part when we decide to protect the seas which are vital to American defense. The aggression is not ours. Ours is solely defense.

But let this warning be clear. From now on, if German or Italian vessels of war enter the waters, the protection of which is necessary for American defense, they do so at their own peril.

The orders which I have given as Commander-in-Chief to the United States Army and Navy are to carry out that policy -- at once.

The sole responsibility rests upon Germany. There will be no shooting unless Germany continues to seek it.

That is my obvious duty in this crisis. That is the clear right of this sovereign nation. That is the only step possible, if we would keep tight the wall of defense which we are pledged to maintain around this Western Hemisphere.

I have no illusions about the gravity of this step. I have not taken it hurriedly or lightly. It is the result of months and months of constant thought and anxiety and prayer. In the protection of your action and mine it cannot be avoided.

The American people have faced other grave crises in their history -- with American courage and American resolution. They will do no less today.

They know the details of the attacks upon us. They know the necessities of a bold defense against these attacks. They know that the times call for clear heads and fearless hearts.

And with that inner strength that comes to a free people conscious of their duty and of the righteousness of what they do, they will -- with Divine help and guidance -- stand their ground against this latest assault upon their democracy, their sovereignty, and their freedom.

Treasury Department
Division of Monetary Research

Date September 11, 1941

To: Secretary Morgenthau

Lloyd George on Machine Gun Production

Apparently Kitchener was also a far-sighted General.

In the summer of 1915 the British War Office still did not realize the significance of the machine gun. After much pressure Lord Kitchener, then Minister of War, finally initialed the following memo.

"Essential 2 per Battalion. If possible run to 4 per Battalion and above 4 may be counted as a luxury". (Geddes, Lloyd George's assistant, was so elated at having at last extracted a proposal from Kitchener, that he misspelled the word luxury).

Lloyd George, on receiving this memo, gave the following order.

"Take Kitchener's maximum; square it, multiply that result by 2; and when you are in sight of that, double it again for good luck".

Lloyd George adds that even on this basis the British never had too many machine guns up to the end of the war.

(Lloyd George's War Memoirs, 1915-16, pp. 65-67)

MR. WHITE
Branch 2058 - 214j

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE September 11, 1941

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Airplane Deliveries to the British

Summary

1. A total of 34 planes is reported as shipped in the latest statement received, 19 planes going to England and 15 to the Middle East.
2. The number of planes delivered to the British in this last week is the lowest weekly total in the past 20 weeks.

Airplane Shipments to the British
(From February 1 to September 6 by air
January 11 to August 16 by sea)

Table A. - Shipments by Area

	Latest Week	Total Reported To Date	
<u>To the United Kingdom</u>			
Light and medium bombers	14	823	
Heavy bombers	0	43	
Naval patrol bombers	1	73	
Pursuit	<u>4</u>	<u>40</u>	
Total to United Kingdom	19		979
<u>To the Middle East</u>			
Light and medium bombers	15	190	
Pursuit	<u>0</u>	<u>516</u>	
Total to Middle East	15		706
<u>To the Far East</u>			
Light and medium bombers	0	6	
Naval patrol bombers	0	9	
Pursuit	0	145	
Trainers	<u>0</u>	<u>55</u>	
Total to Far East	0		215
<u>Totals</u>			
Light and medium bombers	29	1,019	
Heavy bombers	0	43	
Naval patrol bombers	1	82	
Pursuit	4	701	
Trainers	<u>0</u>	<u>55</u>	
Grand Total	34		1,900

Table B. - Shipments by Types

	Latest Week	Total Reported To Date
Bell Airacobra (P-39)	4	31
Boeing B-17	0	21
Brewster Buffalo	0	145
Consolidated Catalina	1	82
Liberator	0	22
Curtiss Tomahawk	0	516
Douglas Boston I	0	1
Boston II	0	72
Boston III	19	208
Glenn Martin Maryland	0	150
Grumman Martlet II	0	9
Lockheed Hudson I	0	1
Hudson III	8	174
Hudson IV	0	18
Hudson V	0	344
North American Harvard II	0	55
United Chesapeake	<u>2</u>	<u>51</u>
Grand Total - All Types	34	1,900

Table C. - Plane Deliveries to the British by Weeks

Week Ended	Light and Medium Bombers	Heavy Bombers	Naval Patrol Bombers	Pursuit	Trainers	Total
Feb. 8 *	22	-	3	-	-	25
Feb. 15 *	39	-	-	100	-	139
Feb. 22*	35	-	-	27	-	62
Mar. 1 *	7	-	5	25	-	37
Mar. 8 *	16	-	3	10	-	29
Mar. 15*	26	1	4	-	-	31
Mar. 22*	17	-	2	22	-	41
Mar. 29*	25	-	3	18	-	46
Apr. 5*	21	-	7	73	-	101
Apr. 12*	21	2	2	27	-	52
Apr. 19*	20	3	4	5	-	32
Apr. 26*	23	2	3	-	28	56
May 3*	61	1	2	15	27	106
May 10*	36	1	8	10	-	55
May 17*	61	13	7	19	-	100
May 25*	30	10	-	25	-	65
June 1*	28	5	5	21	-	59
June 8*	37	2	7	-	-	46
June 15*	26	1	4	20	-	51
June 22*	28	-	4	52	-	84
June 29*	45	-	1	50	-	96
July 6*	19	-	3	20	-	42
July 13*	34	-	3	48	-	85
July 20*	41	-	1	32	-	74
July 27*	45	-	-	24	-	69
Aug. 3 *	45	-	-	11	-	56
Aug. 10*	53	1	-	15	-	69
Aug. 17*	49	-	-	12	-	61
Aug. 24*	36	1	-	11	-	48
Aug. 30*	44	-	-	5	-	49
Sept. 6*	29	-	1	4	-	34
	<u>1,019</u>	<u>43</u>	<u>82</u>	<u>701</u>	<u>55</u>	<u>1,900</u>

* The date given is for shipments by air. Shipments by water start three weeks earlier. That is, the statement reporting the shipment of planes by air for the week ending September 6 would report the shipment of planes by water for the week ending August 16.

TREASURY DEPARTMENT

93

INTER OFFICE COMMUNICATION

DATE September 11, 1941

TO Secretary Morgenthau
FROM Mr. Kamarck

Subject: Comments in British Air Magazines on American Planes

(This memorandum brings together the most important comments on American airplanes made in the last month in the British military magazines, The Aeroplane and Flight. The magazines which were used are appended with clips in the pages from which excerpts were drawn. If this manner of presentation is not more satisfactory than the old method, please indicate).

Better U.S. Boats and Bombers

(Article by J.J. Waddington in Flight, July 31, 1941
pg. b)

1. "There is...no doubt that the United States designers led the world in large civil aircraft, and in this way we may be very thankful, for we are now reaping the benefit of their experience in the shape of Flying Fortresses, Liberators and even larger types yet to come.

"...In the large aircraft, the air-cooled engine comes into its own and so gives the American bomber the advantage of engines on which the American engine manufacturers have had long and extremely satisfactory experience.

"There is, however, the same old criticism still to be levelled at even the recent types of bombers which we are now receiving from across the Atlantic - inferior armaments and armour. But we can still hope to see this speedily rectified by the present collaboration between our armament experts and American designers, and we shall see the results in the introduction of power-operated turrets, which are already being fitted to certain American types.

"(Although the B 17)...certainly flies according to our standards, it is hardly a fortress, as its U.S. armament comprises 5 single rifle-calibre guns, manually operated and fixed almost arbitrarily in various portions of the ship.

"The Catalina which has been so very successful as a reconnaissance flying boat in our hands, was, of course, publicized recently by the good work it did in making contact with the Bismarck.

"The Liberator (Consolidated 4-motor bomber) is very imposing in its night-bomber black, but one is struck by the very low ground clearance under the belly of the machine, which must make the bombing-up operations rather difficult. The structural work is extremely robust and the workmanship is excellent. It is understood, however, that the wing is constructed in one piece, which may be of some advantage in production but which will surely make repair schemes rather difficult. This aeroplane should be a very formidable addition to our bombing force when British armament is installed.

"In its latest form, with unspecified engines of greater power, (The Douglas Boston, D.B.7) has achieved in the States a speed of 380 miles an hour. This aircraft was designed essentially for production, the wing being in four parts, the fuselage in three and the tail unit in seven. The main criticism to level at an otherwise excellent airplane is that the crew of 3 are located in the slim fuselage in such a manner that none of them can move over in an emergency to any of the other stations.

"The Martin factory, established in 1909, was recently considered the best production unit for metal aircraft in the United States, and has produced some very good land planes and boats. Of land planes, we have already in service with the R.A.F., the Marylands, or Model 167. This aircraft has done remarkably good service in the Near East and, amongst other things, took the pictures of Taranto Harbour after the Fleet Air Arm had dropped in to pay a call (and to cripple the Italian Fleet).

"The smoothness of all flying controls, in which they compare favorably with British types, has been a subject of favorable comment by pilots who have flown most of the American aircraft we have over here, including the Maryland...

"Lockheeds, one of the youngest of the U.S. companies, have provided a very valuable and considerable addition to our air strength in the Hudson... This aeroplane has been most successful as a reconnaissance and light bomber type and, equipped with a Boulton Paul power-operated turret, has given a remarkably good account of itself in fighting off and destroying enemy fighters.

"In conclusion, when one considers the potentialities of American aircraft production in all military types, one is bound to realize with thankfulness that, given time for their production to grow and to be put into operation over here, there is no military power in the world which can stand up to the weight of bombs which we shall be able to deliver, carriage paid, 'leased and lent' to our friends the enemy. Even those of us who believed, before the war, that the United States would be able to come into quantity production in a big way, must be amazed at the rapidity with which they have got going... Although they have still a lot to learn as regards war operational needs, I feel convinced that, in the matter of sheer production, neither this country nor Germany, despite their enormous efforts, will be able to hold a candle to the United States by the end of 1942".

2. "Consolidated Catalina... two-motor long-range flying-boats are now in service with the R.A.F. Coastal Command in useful numbers and are playing an active part in the Battle of the Atlantic. Their maximum range of more than 4,000 miles makes them ideally suited to long patrols as guards over convoys".
(Source: The Aeroplanes, August 15, 1941, pg. 172.)

The High-Flying Fortress

(The Aeroplane, August 22, 1941, pg. 198)

3. "Boeing Fortresses have been reaching Great Britain from America in a steady stream for some months past. They have been flown across the Atlantic, and at least one squadron of them is now on active service with the Royal Air Force. More squadrons are now being formed.

"The Fortress has many virtues, but the greatest of them all is an ability to fly unusually high. This rare merit has already won it fame in day-light operations against enemy strongholds notoriously dangerous to assail either by day or night. On all occasions, the Fortress has dropped its bombs in the target area and returned unchallenged by guns or fighters. So far it has been used only for daylight operations.

"No one can deny that the Boeing is a good-looking aeroplane.

"Externally and internally, the Fortress is typically American. Here and there one can detect methods and systems that are foreign to British practices. There is not that strict insistence on superlative finish and as a result parts seem more robust than refined.

"In allocating the accommodation, the designer showed thought for the crew...the bomb sight is as efficient as it was rated.

"Before the crews go to full operational heights, they are accustomed to the conditions they will meet by spells in a 'pressure chamber' from which most of the air is slowly exhausted.

"Lavish praise is showered on the Fortresses by their crews. The pilots like their flying qualities and the gunners their armament. All like raiding by day rather than by night...

"Certain alterations are made to the structure and armament after the Fortress arrives in Britain and before it goes into service with the R.A.F. For instance, the .50 Brownings are 'beefed up' to give a rate of fire of 900 rounds a minute.

"First evidence of the bomber's superiority was given at Brest on July 24. Subsequently, further proof was offered in attacks on targets at Cologne and De Kooy on August 12. Above Cologne, Luftwaffe fighters were seen weaving intricate patterns with vapour trails as they flew back and forth, searching in cold, humid regions for the elusive Fortresses several thousand feet higher, making a steady, unmolested journey to their objectives".

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

98

DATE September 11, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

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

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
Sept. 1				
2	2,250	58,274	12,000	12,000
3	896	25,383	Nil	Nil
4	1,142	70,119	Nil	Nil
5	320	20,805	Nil	Nil
6	250	11,420	Nil	Nil
	<u>4,858</u>	<u>186,001</u>	<u>12,000</u>	<u>12,000</u>
Sales from Feb. 22, 1940 to Aug. 30, 1941	<u>9,794,257-1/2</u>	<u>279,899,088</u>	<u>45,033,216</u>	<u>37,012,581</u>
Total Feb. 22, 1940 to Sept. 6, 1941	<u>9,799,115-1/2</u>	<u>280,085,089</u>	<u>45,045,216</u>	<u>37,024,581</u>

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BRITISH EMBASSY,

WASHINGTON, D.C.,

September 11th, 1941.

With the Compliments of Mr. W.

Ritchie

Copies of letter from Mr. Marris
to Mr. FinletterMr. Merle Cochran,
U. S. Treasury Department,
Washington, D. C.

Copy:slm 9-11-41

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BRITISH EMBASSY,

WASHINGTON, D.C.,

September 10, 1941.

My dear Finletter,

Our Embassy in Santiago recently telegraphed that they had learned and that it had been subsequently reported in the Chilean press that the Japanese Government were attempting to arrange with Chile a barter deal of cement against minerals including copper ores and concentrates.

Our Ambassador reported to us that he was consulting his American colleague about the advisability of making representations to the Chilean Government regarding the incompatibility of this proposal with the United States and United Kingdom purchasing plans.

We have subsequently heard from the Ministry of Economic Warfare that on August 30, N.Y.K. Valparaiso advised their Tokyo office that funds amounting to several million dollars sent by the Specie Bank in New York to the Bank of Brazil the day prior to the United States freezing order, were all the Japanese had to depend on, and that these funds were as good as frozen because if drawings on them are forwarded to United States Banks for exchange settlement they are refused in New York.

The telegram from the Ministry of Economic Warfare in question, however, stated that N.Y.K. now seem much happier and say that after import of cement had been approved by Chile, barter negotiations of a general nature were instituted. N.Y.K. anticipate that these negotiations will be the corner stone for a yen/peso exchange agreement and that a clearing agreement will be established.

Mr. Stopford our Financial Counsellor, is sending a copy of this letter to the Treasury with regard to the financial side of the above.

Yours sincerely,

A.D. Marris.

Mr. T.K. Finletter,
Special Assistant to the Secretary
Room 362, United States Department of State
Washington, D.C.

Copy:alm:bj:9-11-41

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BRITISH EMBASSY,
WASHINGTON, D.C.,
September 11th, 1941.

With the Compliments of Mr. R.J.

Stopford

Copies of letter from Mr. Noel F.
Hall to Mr. Acheson, dated September
11th, 1941.

Mr. Merle Cochran
U. S. Treasury Department,
Washington, D.C.

SLIP HAND

BRITISH EMBASSY,
 WASHINGTON, D.C.,
 September 11th, 1941.

My dear Acheson,

With reference to your letter of August 25th, 1941, and to Stopford's two letters to you of August 30th, 1941, regarding the proposed purchase by Brazil of certain of their State Bonds held in France against Brazilian cotton for delivery after the War, we have received from our Embassy in Buenos Aires some information which seems to have an indirect bearing on this matter and which I am therefore passing on to you. It is as follows:-

"I have heard here a circumstantial story, based mainly on private statements made by Cheysson, the French Commercial Attache, but not sufficiently definite or authenticated to telegraph to you, to the effect that the French Government hold a considerable amount of escudos. With this currency, they have been buying gold in Lisbon, shipping it to Rio, selling it to the Banco do Brasil for milreis and then buying free Argentine pesos (that is, pesos outside the Accord Franco-Argentino) with the milreis. The French Government's idea is to purchase quietly and hold so long as may be thought convenient, Argentine produce, on the lines of what they propose to do in Brazil.

"Moreover, it is thought possible that some of the milreis from the Franco-Brazilian (bond) operation might find their way to Buenos Aires, to be put into the Argentine produce purchase scheme."

A copy of this letter is being sent to Cochran at the Treasury Department.

Yours sincerely,

(Sgd) Noel F. Hall

Mr. Dean Acheson,
 Assistant Secretary of State,
 State Department,
 Washington, D. C.

NOTE - AS - 9/11/41

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DEPARTMENT OF STATE
WASHINGTON

In reply refer to
SA 894,5151/260

September 11, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits paraphrases of telegram No. 1598, dated October 9, 1941, from the American Embassy, Tokyo, Japan, concerning the foreign exchange situation in Japan.

Enclosure:

From Embassy, Tokyo,
No. 1598, October 9, 1941.
(two copies)

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Tokyo, Japan.

DATE: October 9, 1941, 9 p.m.

NO.: 1598.

(1) From what is considered to be a very reliable source, a staff member of mine has learned that the available foreign exchange supply of the islanders of Japan has been reduced to around 20,000 reichsmarks, and that foreign exchange contracts on date of maturity will be defaulted because it will have no other recourse than to do so.

Exchange transactions in guilders, dollars, and sterling have been completely blocked by the British, Netherlands East Indies and American freezing orders. Dealings in South American currencies have been sharply curtailed because of the aforementioned freezing orders. According to the statement of our informant, his exchange contracts amount to around 5,000,000 Swedish kronor. He also stated that during the past several months Japanese purchases from Sweden have been financed mainly through Berlin, supposedly by the advancement of German credits.

(2) These credits have recently been frozen by Germany. The Germans advised the Japanese that purchases of German goods only could be financed by these credits. According to information received from our informant, another likely motive is that the Germans anticipate the withdrawal of Japan from the

from the Axis powers. In as much as Sweden is deeply in debt to Germany for ammunition and arms, they suggested that in place of kroner Germany is at the present time demanding goods from Sweden. Japan, according to reports which have been made in Tokyo, owes Germany around 80,000,000 marks at the present time.

(3) The result is that Japan is now in the same embarrassing international financial position as the one in which the foreigners in Japan have been placed.

GREW

LMS

EA:MCE

Copy:hr:10-13-41

EMBASSY OF THE
UNITED STATES OF AMERICA

No. 316

Chungking, China,

September 11, 1939.

SUBJECT: Method of Applying for Special
Permits to Import Prohibited
Articles.

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to refer to the Embassy's despatch No. 311, of August 21, 1939, on the subject, "Prohibition of Certain Imports and Exports Over Chinese Frontiers During the Period of Emergency".

The Embassy endeavors to translate regulations of this sort as they appear in the press, but it has also asked the Ministry of Foreign Affairs to supply official copies. Under date of August 21, 1939, the Ministry supplied a copy of "The procedure governing prevention of import and export by smuggling of special commodities via land, water and air", a translation of which had already been mailed to the Department with the despatch of that date.

Under date of August 31, 1939, the Ministry supplied copies of regulations dealing with the method of applying for special permits to import prohibited articles, entitled:

- (1) Procedure governing prohibition of the importation of articles during the period of emergency;
- (2) List of articles prohibited from import; and
- (3) Procedure governing application for special import permits covering articles prohibited from import.

1/ A translation of the covering note and of the enclosures is enclosed. The subject matter of these regulations has been dealt with in earlier despatches, but a complete translation is submitted herewith for ease of reference.

The list of prohibited imports contains some articles deprivation of which will cause serious inconvenience to American citizens residing in the "unoccupied areas" of China, especially clothing (No. 144 on the list), provisions (No. 299 and others), tobacco (No. 420 and others), gasoline (520), kerosene (532), paper (550), and toilet equipment (667). While the regulations provide forms for the filing of applications by private persons for permission to import, the last sub-enclosure seems to carry the implication that permission to import will be granted only in those cases in which the imported articles are to be used in some way for the public benefit. The needs of foreign consular and diplomatic establishments and personnel are provided for.

The Embassy, when appealed to for information, is informing American citizens of the method of filing import applications, but no information is yet available whether such applications will, or will not, receive favorable consideration. In view of the enforcement of restrictive regulations of this sort in many other countries at the present time, the Embassy does not feel that any protest would be justified against their enforcement in China, unless in exceptional circumstances.

Respectfully yours,

NELSON TRUSIER JOHNSON.

Enclosure:

- 1/ Translation of Foreign Office note of August 31, 1939, and enclosures thereto.

Original (by air mail) and four copies to Department;
Copy to Embassy, Peiping;
Copy to Consulate General, Shanghai;
Copy to Consulate General, Hong Kong;
Copy to Consulate General, Canton;
Copy to Consulate, Yunnanfu.

624/690/610.2

WRP:Hel

Copy:lg 8/26/41

Communication from Ministry of Foreign Affairs to
American Embassy

108

Dated: August 31, 1939. Rec'd.: September 4.
Trans: Hsi 9/5/39
Checked: WEP 9/6/39
Typed: MCL 9/7/39

Sirs:

A communication has been received from the
Ministry of Finance stating:

"It is observed that this Ministry has obtained approval for and has promulgated and put into effect the PROCEDURE GOVERNING PROHIBITION OF THE IMPORTATION OF ARTICLES DURING THE PERIOD OF EMERGENCY and the LIST OF ARTICLES PROHIBITED FROM IMPORT as well as the PROCEDURE GOVERNING APPLICATION FOR SPECIAL IMPORT PERMITS COVERING ARTICLES PROHIBITED FROM IMPORT enacted on the basis of Article 3 of the above Procedure. Articles prohibited from importation will be admitted into the country only after applications have been submitted to this Ministry in accordance with the law and this Ministry after examination of the applications has issued special permits for such importation.

"The embassies and consulates of the various nations in China which propose to purchase from abroad articles prohibited from import are requested to transmit beforehand a list to your Ministry giving in detail the kinds, names, brands and countries of origin of such articles as well as the quantities needed. Your Ministry is requested to forward the list to this Ministry under cover of a communication in order that a Special Import Permit Covering Articles for Exclusive Use may be issued on presentation of which to the Customs the latter may release the shipment after it has been examined."

The Ministry has the honor to transmit one copy each of the PROCEDURE GOVERNING PROHIBITION OF THE IMPORTATION OF ARTICLES DURING THE PERIOD OF EMERGENCY, the LIST OF ARTICLES PROHIBITED FROM IMPORT and the PROCEDURE GOVERNING APPLICATION FOR SPECIAL IMPORT PERMITS COVERING ARTICLES PROHIBITED FROM IMPORT, for the Embassy's information and action.

With compliments,

(seal) Ministry of Foreign Affairs

Instruction

No. Yu (Chungking)/Tse

(National Resources
Commission) - 511,

July 1, 1939.

The PROCEDURE GOVERNING PROHIBITION OF THE IMPORTATION OF ARTICLES DURING THE PERIOD OF EMERGENCY and the LIST OF ARTICLES PROHIBITED FROM IMPORT are hereby enacted and promulgated.

(Appendices: PROCEDURE GOVERNING PROHIBITION OF THE IMPORTATION OF ARTICLES DURING THE PERIOD OF EMERGENCY and LIST OF ARTICLES PROHIBITED FROM IMPORT.)

KUNG Hsiang Hsi,

Minister.

PROCEDURE GOVERNING PROHIBITION OF THE IMPORTATION
OF ARTICLES DURING THE PERIOD OF EMERGENCY

(1) The Ministry of Finance shall direct the Inspector General of Customs to instruct all Customs uniformly to prohibit the importation of articles under Customs Import Tariff numbers as shown on the appended list.

(2) The interport transshipment of the above-mentioned articles prohibited from import shall be prohibited simultaneously after the prohibitive order is issued.

(3) For the adjustment of market prices in the rear, meeting special needs, or for other proper reasons, and having been considered by and at the request of government organizations, the Ministry of Finance may investigate and in consideration of the actual needs issue special permits for the purchase and shipment of articles prohibited from import. The procedure governing the issuance of such permits shall be enacted separately.

(4) Articles prohibited from import imported from abroad by parcel post or mailed from one domestic port to another shall also be governed by this Procedure.

Trans. : Hsi
Checked : WEP

Copy:wec:8-26-41

LIST OF ARTICLES PROHIBITED FROM IMPORT

Received from the Ministry
of Foreign Affairs under
date of August 31, 1939.

<u>Tariff No.</u>	<u>Article</u>
77	Imitation Gold or Silver Thread, on Cotton.
80	Lace, Trimmings, Embroidered Goods, and all other materials used for decorative or ornamental purposes; and all products made wholly thereof.
102	Lace, Trimmings, Embroidered Goods, and all other materials used for decorative or ornamental purposes; and all products made wholly thereof.
115	Lace, Trimmings, Embroidered Goods, and all other materials used for decorative or ornamental purposes; and all products made wholly thereof.
116	Woolen Knitted Tissue, pure or mixed.
120	Woolen Velvets, Plushes, and all other Pile Cloths, pure or mixed.
122	Woolen Piece Goods, pure or mixed, n.o.p.f.i.- (a) Weighing not more than 200 grammes per square metre. (b) Weighing more than 200 grammes but not more than 400 grammes per square metre.
125	Woolen Carpets, Carpeting, and all other Floor Coverings, pure or mixed.
126	Hats, Caps, and Hat Bodies, of Felt: - (a) Hats and Caps.
129	Natural Silk, Raw.
130	Artificial Silk Floss and Yarn.
131	Waste Natural Silk.
132	Waste Artificial Silk.
133	Spun Natural Silk.
134	Spun Artificial Silk (including Artificial Woolen Yarn).

Tariff
No.

Article

- 135 Silk Yarn and Thread, pure or mixed, n.o.p.f.
- 136 Imitation Gold or Silver Thread, on Silk, pure or mixed.
- 137 Lace, Trimmings, Embroidered Goods, and all other materials used for decorative or ornamental purposes; and all products made wholly thereof.
- 138 Silk Knitted Tissue, pure or mixed.
- 139 Bolting Cloth.
- 140 Silk Velvets, Plushes, and all other Pile Cloths, pure or mixed.
- 141 Silk Waterproof Cloth, Rubbed, pure or mixed.
- 142 Silk Piece Goods, pure or mixed, n.o.p.f.:—
 - (a) Of Natural Silk
 - (b) Of Artificial Silk
 - (c) Of Natural Silk and Artificial Silk
 - (d) Of Natural Silk and Wool, or of Natural Silk and Wool and Vegetable Fibre
 - (e) Of Artificial Silk and Wool, or of Artificial Silk and Wool and Vegetable Fibre
 - (f) Of Natural Silk and Cotton
 - (g) Of Artificial Silk and Cotton
 - (h) Others
- 143 Silk Elastic Braid, pure or mixed.
- 144 Clothing, and all other articles of personal wear and parts or accessories thereof, n.o.p.f.
- 145 Silk Goods and Silk Mixtures, n.o.p.f.
- 275 Awabi: —
 - (a) In Bulk
 - (b) Canned
 - (c) Others
- 277 Cockles: —
 - (a) Dried
 - (b) Fresh
- 276 Bicho de Mari: —
 - (a) Black, Spiked
 - (b) Black, not Spiked
 - (c) White

<u>Tariff No.</u>	<u>Article</u>
278	Compo.
279	Crabs' Flesh, Dried.
280	Fish Bones.
281	Fish Cod, Dried (including Boneless).
282	Fish Cuttle.
283	Fish Dried and Smoked (not including Dried Codfish and Cuttle-fish).
286	Fish Maws: - (a) 1st Quality (i.e., weighing 6 hectogrammes or over per piece) (b) 2nd Quality (i.e., weighing under 6 hectogrammes per piece)
287	Fish, Salmon, Salt.
289	Fish Heads, Lips, Skins and Tails.
290	Mussels, Oysters, and Clams, Dried.
291	Prawns and Shrimps, Dried, in bulk.
292	Seaweed, cut.
293	Seaweed, Long.
294	Seaweed, Prepared.
295	Seaweed, Red.
296	Sharks' Fins, Prepared.
297	Sharks' Fins, not Prepared: - (a) Value not over G.U. 0.80 per kilogramme (b) Value over G.U. 0.80 but not over G.U. 4.10 per kilogramme (c) Value over G.U. 4.10 per kilogramme
299	Asparagus (in cans or bottles).
300	Bacon and Hams: - (a) In bulk (b) Canned or in any other packing
302	Beef, Corned or Pickled: - (a) In barrels (b) Canned or in any other packing

- 303 Birds' Nests.
- 304 Biscuits.
- 312 Confectionery.
- 313 Currants and Raisins.
- 314 Eggs, Game and Poultry.
- 315 Fruits, Table and Pie (in cans or bottles).
- 316 Honey.
- 317 Jams and Jellies.
- 318 Lard: -
 - (a) In bulk
 - (b) Canned or in any other packing
- 319 Macaroni, Vermicelli, and similar products: -
 - (a) In bulk
 - (b) Canned or in any other packing
- 321 Meats, Dried and Salted.
- 328 Pork Rind.
- 329 Soy, Sauce, and all other Preparations, Extracts, or Substances for Flavouring Food, n.o.p.f.
- 330 Sausages, Dry.
- 332 Syrups, Table.
- 333 Tea: -
 - (a) Dust, Black
 - (b) Others
- 336 Apples, Fresh.
- 351 Chestnuts.
- 353 Cinnamon: -
 - (a) In bulk
 - (b) Others
- 354 Cloves: -
 - (a) In bulk
 - (b) Others
- 355 Cloves, Mother.
- 360 Fruits, Fresh, Dried, and Preserved, n.o.p.f.: -
 - (a) Copra (in bulk)
 - (b) Others

- 115
- 364 Groundnuts: -
 (a) In Shell
 (b) Shelled
- 366 Isinglass, Vegetable.
- 367 Lemons, Fresh.
- 368 Liches, Dried.
- 369 Lily-flowers, Dried.
- 370 Lunggan Pulp.
- 371 Lunggan, Dried.
- 375 Mushrooms.
- 376 Nutmegs, in bulk.
- 377 Olives (including Fresh, Dried and Preserved).
- 379 Oranges, Fresh.
- 380 Peel, Orange, in bulk.
- 381 Pepper, in bulk: -
 (a) Black
 (b) White
- 382 Potatoes, Fresh.
- 389 Seed, Pine (i.e., Fir-nuts).
- 392 Spices, and Condiments, n.o.p.f., not Prepared: -
 (a) In bulk
 (b) Others
- 393 Sugar Canes.
- 394 Vegetables, Fresh, Dried, Prepared and Salted: -
 (b) Others
- 397 Sugar (Sucrose), not including Cube, Loaf, and
Sugar Candy (May be admitted by Special Import
Permit Covering Articles for Sale):-
 (a) Refined, with more than 2 percent
 of Invert Sugar
 (b) Others (including Raw)
- 399 Sugar, Cube and Loaf.
- 400 Sugar Candy.
- 401 Saccharine.
- 403 Champagne and any other Wine sold under the
label "Champagne".
- 404 Other Sparkling Wines.

- 405 Still Wines, Red or White (not including
Vins de Liqueur): -
(a) In bottles
(b) In barrels
- 406 Port Wines: -
(a) In bottles
(b) In barrels
- 407 Marsala: -
(a) In bottles
(b) In barrels
- 408 Vins de Liqueur other than Port and Marsala
(viz., Madeira, Malaga, Sherry, etc.): -
(a) In bottles
(b) In barrels
- 409 Vermouth, Byrrh, and Quinquina.
- 410 Vermouth, in barrels.
- 411 Sake: -
(a) In barrels
(b) In bottles
- 412 Ale, Beer, Porter, Stout, Cider, Perry, and
similar fermented Spirituous Liquors made of
Fruits and Berries.
- 413 Brandy and Cognac: -
(a) In bottles
(b) In barrels
- 414 Whisky: -
(a) In bottles
(b) In barrels
- 415 Gin: -
(a) In bottles
(b) In barrels
- 416 Rum: -
(a) In bottles
(b) In barrels (not including Rum for
Industrial uses)
- 417 Liqueurs.
- 418 Waters, Table, Aerated and Mineral.
- 419 Wines and all other Alcoholic or Spirituous
Liquors and Beverages, n.o.p.f.
- 420 Cigarettes: -
(a) Value over G.U. 10 per 1,000 and all
Cigarettes not bearing a distinctive
branch or name on each Cigarette.

- 117
- (420) continued: Cigarettes: -
- (b) Value over G.U. 6.40 but not over G.U. 10 per 1,000.
 - (c) Value over G.U. 4.80 but not over G.U. 6.40 per 1,000.
 - (d) Value over G.U. 3.20 but not over G.U. 4.80 per 1,000.
 - (e) Value over G.U. 1.60 but not over G.U. 3.20 per 1,000.
 - (f) Value G.U. 1.60 or less per 1,000.
- 421 Cigars: -
- (a) Value over G.U. 130 per 1,000
 - (b) Value over G.U. 70 but not over G.U. 130 per 1,000.
 - (c) Value over G.U. 50 but not over G.U. 70 per 1,000.
 - (d) Value over G.U. 20 but not over G.U. 50 per 1,000.
 - (e) Value G.U. 20 or less per 1,000.
- 422 Snuff and Chewing Tobacco.
- 423 Tobacco, Leaf: -
- (a) Value over G.U. 1.75 per kilogramme
 - (b) Value G.U. 1.75 or less per kilogramme
- 424 Tobacco, Prepared: -
- (a) In tins or packages
 - (b) In bulk
- 425 Tobacco, Stalk, Dust, Siftings, and Refuse.
- 520 Gasoline, Naphtha, and Bensine, Mineral (including similar motor fuels, n.o.p.f.)
- (a) In case (May be admitted by Special
 - (b) In bulk) Import Permit Covering Articles for Sale.)
- 532 Oil, Kerosene (including other mineral oils for illuminating purposes with specific gravity from 0.78 to 0.90):-
- (a) In case (May be admitted by Special
 - (b) In bulk) Import Permit Covering Articles for Sale.)
- 545 Paper, Boards, Coated or Uncoated, Lined or Unlined, White or Colored, Glazed or Unglazed, Plain or Embossed: -
- (a) Ivory Board, Chromo Board, Bristol Board, made wholly or partly of Chemical Pulp.
- 546 Paper, Cigarette: -
- (a) On bobbins or rolls
 - (b) Others
- 547 Paper, Coated and/or Enamelled on one or both sides, White or Colored (including Coated Art Printing Paper).

- 549 Paper, Drawing, Document, Bank-note and Document Bond.
- 550 Paper, Glazed, either Flint, Friction, Marbled or Designed, Plain or Embossed, White or Colored.
- 554 Paper, Parchment, Pergamyn, Glascine, and Grease-proof (including "Cellophane" and similar transparent paper).
- 557 Wall-paper, and Paper, Embossed, Metallic, or otherwise Decorated, n.o.p.f.
- 566 Manufactures of Leather, n.o.p.f. (all prohibited except Boots and Shoes.)
- 567 Skins (Furs): -
(a) Undressed
(b) Dressed and/or Dyed
- 568 Articles made wholly or chiefly of Skins (Furs), n.o.p.f.
- 572 Feathers, and Manufactures thereof, n.o.p.f.: -
(a) Feathers or Decoration
(b) Feathers, Other
(c) Manufactures made wholly or partly of Feathers, n.o.p.f.
- 573 Hair, and Manufactures thereof, n.o.p.f.: -
(d) Manufactures of Hair, n.o.p.f.
- 574 Horns, and Manufactures thereof, n.o.p.f.: -
(f) Manufactures of Horns, n.o.p.f.
- 576 Musk.
- 579 Animal Teeth and Manufactures thereof, n.o.p.f.
(d) Manufactures of Animal Teeth, n.o.p.f.
- 589 Teak-wood (Beams, Planks, and Logs), value over G.U. 30 per square metre.
- 592 Bamboos, and Manufactures thereof, n.o.p.f.
(a) Canes, Bamboo
(b) Others (including Bamboo, Split or Skin, etc.)
(c) Manufactures of Bamboo, n.o.p.f.
- 593 Coir, and Manufactures thereof, n.o.p.f.: -
(c) Mats, Door
(d) Matting, 92 cm. by 92 metres.
(e) Manufactures of Coir, n.o.p.f.
- 593 Mats for Packing Purposes (including Dunnage Mats)
- 596 Mats, n.o.p.f.: -

596 (continued)

- (a) Fancy
 - (b) Formosa Grass (Bed)
 - (c) Rattan
 - (d) Rush
 - (e) Straw
 - (f) Tatami
 - (g) Others
- 598 Rattan, and Manufactures thereof, n.o.p.f.
(d) Manufactures of Rattan, n.o.p.f.
- 600 Wood: -
- (a) Camagon
 - (c) Puru
 - (d) Red and Rose
 - (e) Sandal
 - (f) Scented and Fragrant (Hsiang Ch'ai)
 - (h) Others (Camphor-wood, Ebony, Kranjee-wood, Lignum-vitae, et cetera)
- 601 Woodware of all kinds and other Manufactures of Wood, n.o.p.f.
- (c) Furniture
 - (e) Sandal, Dust
 - (j) Wood Shavings, Hinoki
 - (k) Wood Veneer (including Plywood)
 - (l) Others
- 608 Chinaware (not including Chemical and Other Scientific Chinaware)
- 609 Enamelled Ironware: -
- (a) Basins, Bowls, Cups, and Mugs:
 - (1) Not over 11 centimetres in diameter
 - (2) Over 11 centimetres but not over 22 centimetres in diameter
 - (3) Over 22 centimetres but not over 36 centimetres in diameter
 - (4) Others
 - (b) Others
- 610 Glass, Plate, Silvered: -
- (a) Less than 1/10 square metre each (Unbevelled)
 - (b) Not over 1/2 square metre each:
 - (1) Bevelled
 - (2) Unbevelled
 - (c) Over 1/2 square metre each:
 - (1) Bevelled
 - (2) Unbevelled
- 611 Glass, Plate, Unsilvered: -
- (a) Less than 1/10 square metre each (Unbevelled)
 - (b) Not over 1/2 square metre each:
 - (1) Bevelled
 - (2) Unbevelled

611 (continued)

- (c) Over 1/2 square metre each:
 - (1) Bevelled
 - (2) Unbevelled
- 612 Glass, Plate or Sheet, n.o.p.f.
- 614 Glass, Window: - Colored, Stained, Ribbed, Embossed, or Wired.
- 615 Glassware (not including Chemical and other Scientific Glassware)
- 616 Mirrors
- 624 Tiles: -
 - (a) Glazed or Mosaic
 - (b) Others
- 627 Amber, Coral, Tortoiseshell, and Manufactures thereof, n.o.p.f.
 - (a) Manufactures
 - (b) Others
- 633 Curios and Antiques
- 634 Damasceneware, Satsumaware, and Lacquerware
- 635 Decorative or Ornamental Materials or Products, n.o.p.f. (including Spangles, Tinsel and Tinsel Wire, Metallic Trimmings, etc.)
- 638 Fans: -
 - (a) Palm-leaf
 - (b) Paper or Cotton
 - (c) Others
- 641 Phonographs, and other Talking Machines, and parts and accessories thereof.
- 645 Jewellery and Ornaments, n.o.p.f.
- 650 Manicure Sets and parts thereof; Powder Puffs and Cases, and Vanity Cases.
- 652 Musical Instruments: -
 - (a) Complete
 - (b) Parts and Accessories:
 - (1) Organ Reeds
 - (2) Ivory Key Boards
 - (3) Others
- 653 Pearls, Real or Imitation
- 655 Perfumery and Face Powder (Others not prohibited)
- 658 Precious and Semi-Precious Stones, Real or Imitation (including Jadestones, Cornelian Stone, etc.), and Manufactures thereof: -
 - (b) Others.

- 666 Tobacconists' Sundries
- 667 Toilet Equipments (such as Combs, Brushes, etc.)
- 668 Toys and Games
- 669 Trunks, Suit-cases, Satchels, Card Cases, Jewel Cases, Portfolios, and Travelling Bags or Boxes of all Kinds.
- 670 Umbrellas and Sunshades: -
 (a) With Handles wholly or partly of Precious Metals, Ivory, Mother-of-Pearl, Tortoise-shell, Agate, etc., or Jewelled
 (b) With all other Handles, all Cotton, or Cotton Mixtures, not Silk.
 (c) With all other Handles, Silk and Silk Mixtures.
 (d) With all other Handles, Paper.
 (e) With all other Handles, Others.
 (f) Parts and accessories.
- 671 Works of Art, such as Pictures, Etchings and Engravings, Paintings, Drawings, Statuary, Sculptures, and/or Copies, Replicas, or Reproductions thereof.

THE END

PROCEDURE GOVERNING APPLICATION FOR SPECIAL
IMPORT PERMITS COVERING ARTICLES PROHIBITED
FROM IMPORT DURING THE PERIOD OF EMERGENCY

Promulgated by the
Ministry of Finance
on
July 13, 1939.

1. This Procedure is enacted on the basis of Article 3 of the PROCEDURE GOVERNING PROHIBITION OF THE DEPORTATION OF ARTICLES DURING THE PERIOD OF EMERGENCY.

2. Applications for the purchase and shipment of articles prohibited from import and the issuance of Special Import Permits shall be governed by this Procedure.

3. Special Import Permits shall be divided into two kinds, viz., Special Import Permits Covering Articles for Exclusive Use and Special Import Permits Covering Articles for Sale. The limit of use of these permits shall be as follows:

A. Limit of use of Special Import Permits
Covering Articles for Exclusive Use:

- (a) Articles that government organizations find it necessary to purchase, directly or through business firms, for the adjustment of prices on domestic market.
- (b) Articles actually needed by government or private organizations, public bodies, individuals, and legal enterprises for scientific, industrial, medical, sanitary, philanthropic, relief, educational, cultural, religious or other special uses.
- (c) Other cases where the Government considers that Special Import Permits Covering Articles for Exclusive Use shall be issued.

B. Limit of use of Special Import Permits Covering
Articles for Sale:

- (a) Sugar - Categories a and b of Item 397 of Customs Tariff.
- (b) Mercers, etc. - Categories a and b of Item 532 of Customs Tariff.
- (c) Medicines, etc. - Categories a and b of Item 500 of Customs Tariff.

-2-

4. Regarding articles within the limit of special permission for exclusive use, purchasers shall first submit applications giving in detail the names, kinds and brands of articles, names of the countries from which to be imported, quantities needed and actual uses, to the appropriate Central Ministries and Committees for transmission with comments to the Ministry of Finance for the issuance of Special Import Permits Covering Articles for Exclusive Use. The forms of application and permit are appended (the form of application is appended).

5. Regarding articles within the limit of special permission for sale, purchasers shall first submit directly to the Ministry of Finance applications giving in detail the names, kinds and brands of articles, names of the countries from which to be imported, estimated quantities for sale and areas in which sales will be made, for consideration and issuance of Special Import Permits Covering Articles for Sale. The forms of application and permit are appended (the form of application is appended).

6. The aforementioned articles of which importation is specially permitted shall be admitted by the Customs after examining the Special Import Permits Covering Articles for Exclusive Use or for Sale. Having released the shipment, the local Customs concerned shall transmit the permits to the Ministry of Finance for reference. As regards articles to be transhipped from borders by land and water into the interior for sale, the Customs handling the import shall issue in exchange for the Special Permits separate passes in order to facilitate inspection.

7. If the articles prohibited from import which are imported with special permission are subject to payment of taxes or reduced taxes or are exempted from taxation according to the Customs regulations or special instructions in force, they shall continue to be handled in accordance therewith.

8. This Procedure shall take effect from the date of promulgation.

Trans. IHel
Checked: WHP

Copy: sec: 8-26-41

SCOPE AND PROCESSES OF APPLICATION FOR SPECIAL IMPORT PERMITS COVERING ARTICLES PROHIBITED FROM IMPORT

1. The "government organizations" referred to in Category A/(a) of Article 3 of the PROCEDURE GOVERNING APPLICATION FOR SPECIAL IMPORT PERMITS COVERING ARTICLES PROHIBITED FROM IMPORT shall be confined to the Commission for the Control of Liquid Fuels of the Executive Yuan, the Foreign Trade Commission of the Ministry of Finance, and the organizations subordinate to the Ministry of Economic Affairs handling adjustment of prices. The "articles" referred to in the text, which are prohibited from being imported, shall be confined to those production of which in the rear is inadequate and their substitutes not sufficient and the purchase of which is really of necessity.

2. The "Government or private organizations, public bodies and individuals" referred to in Category A(b) of Article 3 shall be limited to those undertaking scientific research and public health and relief works. In the text the "legal enterprises" shall be confined to industrial, agricultural and mining enterprises.

3. The "appropriate Central Ministries and Committees" referred to in Article 4 of the PROCEDURE GOVERNING APPLICATION FOR SPECIAL IMPORT PERMITS COVERING ARTICLES PROHIBITED FROM IMPORT--in case applications are submitted by government or private organizations, public bodies, individuals or legal enterprises, and according to the intended uses of the articles to be imported--shall be the Ministry of the Interior, Ministry of Foreign Affairs, Ministry of Economic Affairs, Ministry of Education or the National Relief Commission which shall consider and transmit the applications.

4. Kerosene and gasoline have been under the control of the Commission for the Control of Liquid Fuels of the Executive Yuan; applications for Special Permits Covering Articles for Exclusive Use or for Sale shall first be submitted to the Commission. The Commission shall consider the applications and forward them together with its comments to the Ministry of Finance for decision.

Trans. :Hsi
Checked: WEP

Copy:wec:8-26-41

-2-

COMMENTS OF APPROPRIATE AUTHORITIES

_____ has requested approval to import the
above articles to be shipped from _____ to _____
for the use of _____ (see "explanations" related above).
The request has been examined in detail and comments
thereon follow:

(Signature and seal) _____

Appropriate
Authorities.

(Date):

APPLICATION FOR SPECIAL IMPORT PERMIT
COVERING ARTICLES FOR SALE

No. Shang _____

Name of Article:

Grade:

Brand:

Areas in Which to be
Sold and Consumed
(detailed explanation
necessary):

Tariff No.:

Country of Origin:

Importing Port:

Quantity Applied for:

Estimated Price:

Unit Price _____ (legal tender notes) _____ (foreign currency)

Total Cost _____ (legal tender notes) _____ (foreign currency)

Place of Shipment:

Destination:

Via:

Where Foreign
Exchange Obtained:

Guarantor:

Address:

Applicant:

Address:

APPLICATION

The undersigned proposes to purchase the afore-mentioned articles to be shipped from _____ to _____ and imported at the port of _____ for sale in the _____ area; and, in compliance with the provisions of Article 5 of the PROCEDURE GOVERNING APPLICATION FOR SPECIAL IMPORT PERMITS COVERING ARTICLES PROHIBITED FROM IMPORT, submits with this application a guarantee certificate issued by _____. It is requested that a Special Permit Covering Articles for Sale be issued in

In order that the applicant may report these articles for importation, which will not be sold at places other than those approved. If the applicant makes private sales, he is willing to be punished according to regulations.

(Signature and seal) _____, Applicant.

Date:

To

Ministry of Finance.

GUARANTEE CERTIFICATE

_____ proposes to purchase the aforementioned articles to be shipped from _____ to _____ and imported at the port of _____ for sale in the _____ area. I guarantee that the applicant will not ship these articles to and sell them at other places; and request that the importation be approved. If in the future it is discovered that he privately transships and sells the articles in question, the guarantor is willing to be held responsible and punished according to regulations.

(Signature and seal) _____, Guarantor.

To

Ministry of Finance.

EJ

Shanghai via N. R.
 Dated September 11, 1941
 Rec'd 11 a.m., 12th

Secretary of State,
 Washington.

1249, September 11, 4 p.m. (SECTION ONE)

Last month the Kachū Sanshi Kaisha Limited (Japanese syndicate which has been endeavoring in recent years to monopolize the silk export business of this region) for the reason that Japanese firms could no longer function under the freezing orders began disposing of raw silk in quantities much more liberal than heretofore allowed to the long established silk exporting houses here and sizeable shipments were effected on the PRESIDENT COOLIDGE August 14th by Jardine Matheson and Company Limited (1000 bales), Charles (?) and Company (1500 bales) and Indier Ribet & Cie ((?) bales) for New York consignees. Immediately thereafter however the Kachū Sanshi Kaisha Limited began requiring exporters to whom it was delivering raw silk to sign a letter "A" reading as follows:

"Kachū Sanshi Kaisha Limited, Shanghai.

Dear

-2- #1249, September 11, 4 p.m. (SECTION ONE)
from Shanghai via N. R.

Dear Sirs:

In consideration of your selling raw silk to us we agree to import from the United States and to sell to you cotton, oil or gasoline, wheat or wheat flour or hemp bags. Yours faithfully.
Signed by exporter."

This letter was required by the local Japanese authorities functioning for the Asia Development Board which thus attempts to regulate the economy of the region and to secure American strategic and other commodities some of which are subject to United States export licensing. However the Kachu Sanshi Kaisha Limited was willing that exporters should sign another letter "B" similarly addressed, the text of which is:

"Referring to enclosed letter regarding imports from the United States of cotton goods, oil, gasoline, wheat, wheat flour, and hemp bags (?) but that we are in a position to import or sell to you any of the (?) that we wrote said letter (?) special goods mentioned. Yours faithfully."

LOCIGLRT

RR
HSM

KD

GRAY

Shanghai via N. R.

Dated September 11, 1941

Rec'd. 10:20 a.m., 12th

Secretary of State,
Washington.

1249, September 11, 4 p. m. (SECTION TWO)

This letter was patently an instrument concocted by the Kachu Sanshi Kaisha Limited, to get around regulations imposed by the Japanese authorities. Reputable exporters have declined to sign such letters but despite that fact Kachu Sanshi Kaisha Limited continues to deliver silk to them, believing that some way will be found for continuing the export movement of the silk.

Lately the Japanese local authorities have refused to permit exports of raw silk from Shanghai unless exporter can guarantee imports of above stipulated commodities to equivalent value.

The second exporter mentioned above, a Swiss firm, has approached this Consulate General inquiring as to the possibility of securing export commodities from the United States in exchange for silk on a link basis, saying it can no longer
export

-2- 1249, September 11, 4 p.m. (SECTION TWO), from Shanghai.

export silk unless it can satisfy the Japanese authorities. No encouragement has been given the Swiss fiscal agent in this particular. A local Korean firm has approached this Consulate offering to supply the United States Army with silk in exchange for gasoline.

Local exporters are now concerned over the activities of a Mr. R. Soriano (believed to be of Italian nationality, believe could be located through Balfour, Guthrie and Company, New York) who is in New York on behalf of Jas. A. Gray and Company, (British) of Shanghai and Kobe, representing himself as having special entre with the Japanese monopoly organization here and offering large shipments of raw silk to New York importers while at the same time apparently endeavoring to arrange exports of commodities desired by the Japanese authorities under link payment arrangements whereby both freezing and exchange stabilization policies now being attempted by the American authorities with regard to Shanghai may be circumvented. The foregoing should be of interest to the Treasury Department in relation both to freezing policies

-3- 1249, September 11, 4 p.m. (SECTION TWO) from
Shanghai.

policies and stabilization, as well as to Commerce
and to Department's Division of Controls.

Sent to the Department; repeated to Chungking.
(END OF MESSAGE)

LOCKHART

HPD

(CONFIDENTIAL)

134

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P A R A P H R A S E

A strictly confidential telegram of September 11, 1941 from the American Consul at Rangoon reads substantially as follows:

That the recent arrangement whereby General Yu has been granted full authority by General Chiang Kai-shek for control of the Burma highway traffic will mean little effort to fulfill the Arnetstein recommendations is the opinion of the Government of Burma. He has telegraphed this point of view to the British Government with copies to the British Embassy at Chungking and the British Embassy at Washington. This British opinion is founded upon the Chinese administration of the road following and before the establishment of the present highway commission. General Yu is in Rangoon at present.

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YPARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, BUENOS AIRES
TO: Secretary of State, Washington
DATED: September 11, 1941
NUMBER: 952

STRICTLY CONFIDENTIAL

Authentic information has been received by the Embassy that the Compania Siderurgica Pan-Americana, Incorporated, New York, has exported to Argentina steel for delivery to pro-Axis firms and that an export permit has been applied for in Washington in the name of Catita, a leading Argentine steel firm, covering steel products. No business relationships with Compania Siderurgica Pan-Americana had been had by Catita, according to information he has provided the Embassy. It is recommended by the Embassy that Compania Siderurgica Pan-Americana be retained on the Proclaimed List until clarification of their position. The situation has not been materially altered by the fact that Gangler has severed his connection with the firm.

ARMOUR

Copy:hbr:9-16-41.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, La Paz, Bolivia.

DATE: September 11, 1941, 4 p.m.

NO. : 243.

As regards the freezing of Japanese funds and also the list of blocked nationals, the Legation has been reliably informed that dollar drafts have been issued by the Banco Central on a bank in New York as stated below. The name of the New York bank is unknown although in all probability it is either the Chase National Bank or the Chemical Bank and Trust Company.

On the 5th of September a draft was drawn in the amount of \$10,000, payable to J. Faiguer Daguier (Ecuador?) for rice account Kyllman Bauary; on the 8th of September a draft was drawn for \$3,840 payable to Banco de Brazil for cotton textiles, account of Gustavo Schomann and Company (Zierlachs Becker).

In the case of both of the above-mentioned drafts, it would appear that the New York bank involved to make possible importations by the firms listed. In the latter case dollar payments probably would be made indirectly to a Japanese firm and the Legation is of the opinion that the approval of the Treasury Department should be obtained for such a transaction.

Possibly

-2-

Possibly the Department will consider that these cases should be investigated. If so, the payment of these drafts in New York could, without doubt, be stopped.

JENKINS

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TO THE SECRETARY
TECHNICAL ASSISTANT
OFFICE OF THE

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THE Y208A DEPARTMENT
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138

GRAY

Berlin

Dated September 11, 1941

Rec'd. 4:06 p.m.

Not for Publication

Secretary of State,

Washington.

3434, September 11, 2p.m.

New decrees issued at Cracow introduce the zloty currency of the Government General in the recently annexed district of Galicia as of September 8 and provide for the exchange of ruble notes and coins at the rate of five rubles for one zloty. Persons in the district holding old zloty notes of the Republic of Poland must turn them in to the authorities and the question of compensation will be decided later. Heavy fines and imprisonment are imposed for any attempt after certain dates to make payments with Russian or old Polish currency. For purposes of foreign exchange control, the district is to form a separate watertight area until a degree of economic and financial order has been attained to make its complete monetary union with the rest of the Government General feasible. The ruble — zloty rate established is equivalent to a valuation of the ruble at 10 pfennigs in contrast to the prewar official rate of approximately 47 pfennigs.

MORRIS

LMS

eh:copy
3-16-41

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PARAPHRASE OF TELEGRAM RECEIVED

139

FROM: AMERICAN EMBASSY, ROME
TO : Secretary of State, Washington
DATED: September 11, 1941, 5 p.m.
NO. : 1391

My telegram September 6, 8 p.m., no. 1358 is hereby supplemented.

The Official Gazette of September 10 announces the public offering of a new series of 9 year Treasury bonds, price 97. of par value; interest at 5%, to provide funds to "meet the necessities of war". A comparison with the issue brought out last February shows the terms of the new issue to be identical. From September 15 to 30 subscriptions will be received.

Bond owners will participate, as usual, in semi-annual drawings of money prizes totaling per billion lire of bonds 4.8 million lire. Annual service charges of these added to interest amount to 5.62% annually on the proceeds of the issue exclusive of amortization on the issue price of the discount of 2.5%, service charges being borne by the state.

The Minister of Finance "in relation to the results of the subscription" will decide the amount of the issue.

The maximum possible volume of subscriptions, in view of the top-heaviness in the current debt structure, will be an objective which is logical to expect. This topheaviness is reflected by the fact that 126 billion lire of deficit incurred in 6 years and 8 months through March 1941, figures given by the Ministry of Finance, would indicate that funding issues for financing only 41 percent, most of the remainder (presumably in the form of floating obligations) being represented by

12.2 billion of advances from credit institutions, 27. billion of Treasury bills and 30 billion unspecified except that the Bank of Italy partly covered the advances (the Commercial Attache's annual economic review mailed August 26, war financing portions, is referred to in this connection).

PHILLIPS

Copy:bj:9-22-41

RECEIVED
JAN 22 1941
U.S. DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

TREASURY DEPARTMENT

141

INTER-OFFICE COMMUNICATION

DATE September 11, 1941.

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£24,000
Purchased from commercial concerns	£24,000

Open market sterling held steady at 4.03-1/2, and there were no reported transactions.

The Canadian dollar, which closed at a discount of 10-1/2% last night, eased to a final quotation of 10-5/8% today, despite Post Office purchases of more than 100,000 Canadian dollars.

Continuing a downward movement which began late yesterday afternoon, the Argentine free peso declined to .2377 by the close today.

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

Brazilian milreis (free)	.0505
Colombian peso	.5800
Mexican peso	.2070
Venezuelan bolivar	.2755
Uruguayan peso (free)	.4400
Cuban peso	7/16% discount

In the absence of reports to the contrary, the New York banks believed that the yuan-dollar quotation in the Shanghai exchange market remained at approximately 5-11/32¢.

We purchased \$1,500,000 in gold from the earmarked account of the Central Bank of the Uruguayan Republic.

No new gold engagements were reported to us today.

Spot and forward silver were again fixed in London at 23-1/2d and 23-7/16d respectively. The U.S. equivalents were 42.67¢ and 42.55¢.

- 2 -

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

We made no purchases of silver today.

A handwritten signature in dark ink, appearing to be 'H.M.S.' with a flourish at the end.

CONFIDENTIAL

143

BRITISH EMBASSY,
WASHINGTON.

PERSONAL AND SECRET.

September 11th, 1941.

Dear Mr. Secretary,

I enclose herein for your
personal and secret information a copy
of the latest report received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

R. J. Campbell

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

TELEGRAM FROM LONDON DATED SEPTEMBER 9th, 1941.

1. Corfield minesweeper mined and sunk p.m. /8th south of the Humber Light-Vessel.
2. Suez Canal is open.
3. 8th. 10 Elenheims accompanied by fighters attacked two tugs and string of barges near Guernsey. Several barges sunk and one tug blown up by fighters.
4. Four fortresses despatched against Oslo but failed owing to strong attack by ME 109's. Two missing.
5. Night of 8th/9th about 100 aircraft despatched to deliver heavy attack on railway works Kassel and smaller attack on Cherbourg. Night of 7th/8th Suez was attacked twice by 24 aircraft.

RESTRICTED

145

G-3/2657-220; No. 490 M.I.D., W.D. 11:00 A.M., September 11, 1941

SITUATION REPORT

I. Eastern Theater.

Ground: German troops in the Arctic have begun an offensive in the direction of Murmansk.

No new information has been received as to the military situation in the Leningrad or Lake Ilmen areas.

Russian counter-attacks continue on the Central Front towards Smolensk.

No new information has been received as to the situation in the Konotop and Kiev areas on the Ukraine front.

The German force attacking from the Berialav bridgehead on the lower Dnepr appears to be heading for the Isthmus of Perekop, and not for Melitopol.

Air: Several hundred British fighter planes are reported sent to Russia.

German communiques stated that air raids on Odessa were being continued.

II. Western Theater.

Air: For the second successive day there were no reports of action in this theater from either side.

III. Middle Eastern Theater.

Ground: Little of importance.

Air: The first R.A.F. raids on Northern Italy were carried out last night against Turin and Genoa. Messina, Sicily, was also attacked.

Axis bombing activities on the 9th were reported today to have been concentrated against the airport at Ismailia, Suez.

RESTRICTED

Paraphrase of Code Cablegram
Received at the War Department
at 2:20 p.m., September 11, 1941

146

London, filed: 5:26 p.m., September 11, 1941.

1. British Air Activity over the Continent.

a. Day of September 10. A total of 261 fighters were employed as follows: 199 in the protection of shipping, 82 on interception patrols, 10 on offensive missions and 10 on special operations. Off the Norwegian Coast south of Lister Light, 4 motor vessels were attacked by 6 Beauforts which were carrying out patrols against German shipping. Hits by 2 torpedoes on a 5000 ton vessel were claimed. Off the Frisian Islands, 2 motor vessels were attacked by 6 Blenheims. The results of the raid were not observed.

b. Night of September 10-11. The railway center at Turin was attacked by 56 Wellingtons, 13 Sterlings and 7 Halifax. The objective was considerably concealed by haze and only about 60% of the aircraft dispatched made effective attacks. A few fires were started. Leaflets were dropped over Paris by 3 bombers.

2. German Air Activity over Britain.

a. Day of September 9. 10 reconnaissance aircraft and 10 long range bombers were used.

b. Night of September 9-10. Only 3 long range bombers were employed.

c. Day of September 10. No German aircraft appeared over Britain. A little reconnaissance of shipping was carried out.

d. Night of September 10-11. None reported.

3. Aircraft Losses Reported.

a. British losses. On September 10, 1 Whirlwind and pilot

were lost. The night of September 10-11, 3 Wellingtons, and 1 Halifax failed to return from the raid on Turin.

b. Axis Losses. None reported in the Western Theater.

4. British Air Activity, Other Theaters.

a. Mediterranean Theater. 23 Wellingtons dropped 22 tons of HE in an attack on the Corinth Canal the night of September 5-9. Several hits were claimed. For propaganda purposes, 9 boxes of food were dropped. The same night Palermo was attacked by 9 Wellingtons, which dropped 15 tons of HE. This raid was claimed to have resulted in damage to a motor vessel and its decks. Several direct hits were claimed on the power station at Messina in an attack by 8 Wellingtons the night of September 9-10. In this operation 12 tons of HE were dropped.

5. Axis Air Activity, Other Theaters.

a. North African Theater. 15 Axis aircraft attacked the air-drome at Ismalia the night of September 9-10. One Ju-88 was shot down and another damaged.

LEE

I. B. #4, 9:30A, 9/12/41

Distribution:

Chief of the Army Air Forces
State Department (2)
War Plans Division
Office of Naval Intelligence (2)
G. H. Q.
Record Section
Intelligence Branch
Secretary of Treasury
A.S.W.A.
Section File
Collection Section
B.E.
G-3
A.S.
CR, B & E

CONFIDENTIAL

CONFIDENTIAL

Paraphrase of a Code Radiogram
Received at the War Department
at 00:23, September 11, 1941

Expanded to
July
W.L.H.
9/11/41

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Hongkong, September 10, 1941.

Raw silk available in Hongkong, 500 bales each of 80 catties or 106.6 pounds Canton 20/2 and by December 31st from 5,000 to 9,000 bales will be available. Under Quasi-Chinese Government supervision this silk trickles through Japanese land blockade into Hongkong. Suitable for military use when properly processed. Radio action desired and if purchase contemplated an offer Hongkong delivery on 5,000 bales. Holders want bid on minimum of 5,000 bales. Rising price is now about Hongkong dollars 10.50 per pound.

MAYER

IB + E 9/12/41

Distribution:

7 Secretary of Treasury
Bureau of Export Control
Intelligence Branch
Collection Section
Far Eastern Section.

CONFIDENTIAL

INFORMATION COPY

The Secretary of the Treasury, by this public notice, invites tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated September 17, 1941, and will mature December 17, 1941, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, September 15, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 10 percent of the face amount of Treasury bills applied

for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

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 September 17, 1941.

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

- 3 -

local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest.

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

-oOo-

The Secretary⁵²

○ Here is a list
of purchasers of
Tax notes you
requested.

duwB

9-12

PURCHASERS OF \$1,000,000 AND OVER OF TREASURY TAX NOTES
DURING AUGUST, 1941, BY FEDERAL RESERVE DISTRICTS

BOSTON:

Associated Spring Corporation	\$ 1,000,000
Brown & Sharpe Manufacturing Company	1,500,000
The Fafnir Bearing Company	3,000,000
Eudlow Manufacturing Associates	1,500,000
Belville Shoe Corporation	1,000,000
Simonds Saw & Steel Company	2,000,000
Spaulding Fibre Company, Incorporated	1,206,000
The Stanley Works	1,100,000
United Fruit Company	2,000,000
United Shoe Machinery Company	2,500,000
Calumet & Hecla Consolidated Copper Company	1,000,000
Norton Company	2,000,000
The Heald Machine Company	1,000,000
(13 purchasers)	<u>20,806,000</u>

NEW YORK:

General Motors Corporation	\$200,000,000
Bethlehem Steel Corporation	7,500,000
Tidewater Oil Corporation	2,000,000
Youngstown Sheet and Tube Corp.	7,000,000
New Jersey Zinc Company	4,000,000
St. Joseph Lead Company	2,530,000
Texas Gulf Sulphur	1,000,000
Central Hanover Bank and Trust Co.	1,000,000
Goodyear Tire & Rubber	5,750,000
Cincinnati Milling Machine	6,000,000
Luckenbach S. S. Co.	1,750,000
Corn Products Refining	7,500,000
Singer Manufacturing Co.	6,000,000
Congoleum-Nairn Corporation	1,000,000
Eastman Kodak Company	10,000,000
National Biscuit Company	10,000,000
New York Central RR Company	6,000,000
Great Northern Paper Company	1,500,000
Ingersoll Rand Company	4,000,000
Lehigh Portland Cement	1,500,000
American Air Lines	1,000,000
American Tel. & Tel. Company	15,000,000
American Brake Shoe Foundry	2,000,000
American Smelting and Refining	8,000,000
Trico Products Company	1,000,000
Creole Petroleum Corporation	3,200,000
Large Petroleum Corporation	8,000,000
Standard Oil of N. J.	7,600,000
Raybestos-Manhattan Company	1,000,000

NEW YORK: (continued)

Curtis Wright Corporation	\$ 12,000,000	
Revere Copper and Brass	4,000,000	
Wright Aeronautical Corporation	8,000,000	
Carter Oil Corporation	2,000,000	
Standard Oil of Louisiana	1,700,000	
Kennecott Copper	10,000,000	
Chase Brass and Copper	3,000,000	
First National Bank, N. Y. C.	2,000,000	
Phelps Dodge Copper Products	5,000,000	
Colgate Palmolive Peet	1,000,000	
United States Steel	5,000,000	
Standard Vacuum Oil	5,000,000	
Moore-McCormick Lines	1,000,000	
Socony-Vacuum Oil	14,000,000	
Cerbidde and Carbon Chemical Corp.	5,000,000	
Electro Metallurgical Company	2,000,000	
Linde Oil Products Corporation	1,000,000	
National Carbon Company	1,000,000	
Union Pacific RR Company	6,000,000	
Union Bag and Paper Company	2,000,000	
Texas Electric Service Corp.	1,100,000	
National City Bank, N. Y. C.	1,000,000	
Louisville and Nashville RR Co.	2,000,000	
Pittsburgh and Lake Erie RR	1,000,000	
Savage Arms Corporation	2,000,000	
Cluett-Peabody Corporation	1,000,000	
(55 purchasers)		\$ 433,630,000

PHILADELPHIA:

Atlas Powder Company	\$ 1,500,000	
The Atlantic Refining Company	4,001,200	
Campbell Soup Company	2,551,200	
Campbell Soup Company (Central Division)	1,801,200	
The Coca Cola Company	1,000,000	
Mrs. Ethel M. Dorrance, George M. Dorrance, Arthur C. Dorrance and Camden Trust.	2,000,000	
Trustees u/w of John T. Dorrance deceased.	55,000,000	
E. I. duPont de Nemours and Company	2,500,000	
The Midvale Company		
(8 purchasers)		\$ 70,353,600

CLEVELAND:

Alleghany Ludlum Steel Corporation	\$ 1,000,000
American Rolling Mill Company	3,500,000
American Steel & Wire Company	1,000,000
Bessemer & Lake Erie Railroad	1,500,000
Champion Spark Plug Company	1,000,000
Chesapeake & Ohio Railway Company	2,000,000
Cincinnati & Suburban Bell Telephone Company	2,002,400

CLEVELAND: (continued)

Cleveland Electric Illuminating Company	\$ 4,000,000	
Cleveland Twist Drill Company	2,000,000	
Harbison-Walker Refractories Company	2,000,000	
Industrial Rayon Corporation	1,500,000	
Interlake Steamship Company	1,000,000	
Jones & Laughlin Steel Corporation	5,000,000	
Koppers Company	1,001,200	
Libbey Owens Ford Glass Company	5,500,000	
Lincoln Electric Company	1,500,000	
Midland Steel Products Company	1,500,000	
Monarch Machine Tool Company	1,000,000	
National Malleable & Steel Castings Company	1,020,000	
National Tube Company	5,400,000	
Otis Steel Company	1,001,200	
Pere Marquette Railway Company	1,000,000	
Pittsburgh Plate Glass Company	2,000,000	
Proctor & Gamble Company	4,160,000	
Pump Engineering Service Corporation	1,121,200	
Republic Steel Corporation	12,001,200	
Standard Oil Company (Ohio Corporation)	2,500,000	
Timken Roller Bearing Company	6,000,000	
U. S. Ordnance Engineers	1,000,000	
Valley Mould & Iron Corporation	1,000,000	
Carnegie Illinois Steel Corporation	10,000,000	
Warner & Swasey Company	6,000,000	
Westinghouse Air Brake Company	<u>4,000,000</u>	
(33 purchasers)		\$ 96,207,200

RICHMOND:

U. S. Fidelity and Guaranty Co.	\$ 1,000,000	\$ 1,000,000
(1 purchaser)		

ATLANTA:

Tennessee Coal, Iron and Railroad Company	4,400,000	\$ 4,400,000
(1 purchaser)		

CHICAGO:

Acme Steel Company	\$ 2,500,000	
American Steel Foundries	1,000,000	
Borg Warner Corporation	3,500,000	
Bycrus Erie Company	2,200,000	
C. B. & Q. RR. Company	4,000,000	
Chrysler Corporation	30,000,000	
James B. Clow & Sons	1,200,000	
Commonwealth Edison Company	16,000,000	
Consolidated Paper Company	2,000,000	
Elgin National Watch Company	1,000,000	
Great Lakes Steel Corporation	2,500,000	

CHICAGO: (continued)

Holland Furnace Company	\$ 1,000,000	
Inland Steel Company	6,000,000	
Illinois Central RR. Company	3,000,000	
International Cullocotton Products Co.	1,000,000	
International Harvester Company	10,750,000	
Joliet and Eastern RR. Company	1,500,000	
Kellogg Company	1,500,000	
R. G. LeTourneau, Inc.	1,500,000	
Marshall Field and Company	2,000,000	
Michigan Alkali Company	1,000,000	
Nash Kelvinator Corporation	1,500,000	
Public Service Company of Northern Ill.	2,600,000	
Jos. L. Ryerson & Son	3,000,000	
South Bend Lathe Works	1,325,000	
Standard Oil Company, Indiana	7,500,000	
United Drill & Tool Corporation	1,000,000	
United States Gypsum Company	5,000,000	
Weyerhaeuser Timber Company	2,900,000	
Wisconsin Electric Power Company	2,000,000	
Wm. Wrigley Jr. Company	<u>2,000,000</u>	
(31 purchasers)		\$ 123,975,000

ST. LOUIS:

Anheuser, Busch, Inc.	\$ 1,000,000	
International Shoe Co.	2,000,000	
May Dept. Stores Co.	2,000,000	
Monsanto Chemical Co.	5,000,000	
Servel, Inc.	<u>1,000,000</u>	
(5 purchasers)		\$ 11,000,000

MINNEAPOLIS:

Duluth, Missabe & Iron Range Railway	\$ 4,000,000	
Great Northern Railway Company	5,000,000	
Lake Superior Consolidated Iron Mines	1,195,200	
Minnesota Mining & Manufacturing Company	1,500,000	
Northern Pacific Railway Company	1,000,000	
Weyerhaeuser Timber Company	<u>1,800,000</u>	
(6 purchasers)		\$ 14,495,200

KANSAS CITY:

Great Western Sugar Company	\$ 1,500,000	
Western Auto Supply Company	1,500,000	
Sheffield Steel Corporation	<u>1,000,000</u>	
(3 purchasers)		\$ 4,000,000

- 5 -

DALLAS:

Magnolia Petroleum Company of Dallas	\$ 2,700,000	
Magnolia Pipe Line Company of Dallas (2 purchasers)	<u>2,630,000</u>	\$ 5,330,000

SAN FRANCISCO:

Bank of America N. T. & S. A.	\$ 3,750,000	
North American Aviation, Inc.	3,000,000	
Weyerhaeuser Timber Company	2,000,000	
Hawaiian Pineapple Company, Ltd.	1,500,000	
Union Oil Company of California	1,000,000	
Columbia Steel Co.	1,000,000	
Kern County Land Company (7 purchasers)	<u>1,000,000</u>	\$ 13,250,000

TOTAL FOR THE COUNTRY

165 Purchasers \$798,447,000

September 12, 1941
9:18 a.m.

HMJr:

Good morning, Dan. Dan, I've been wanting to talk to you for a long time about the two per cent we pay.

Daniel
Bell:

About what?

HMJr:

The two per cent interest we pay to the FDIC.

B:

Yeah.

HMJr:

And Postal Savings.

B:

Yeah.

HMJr:

I think it's too high. I think on the first of October we ought to drop it to one and a half. Certainly FDIC.

B:

Uh huh. Well.....

HMJr:

Think about it, will you?

B:

Yeah. We did - you remember that once before.....

HMJr:

You did what?

B:

We thought about it.....

HMJr:

I know.

B:

.....and didn't do anything about it. We've got another one down - account here which is rather a sizeable one. It's up to a hundred million now, and that's the Philippines' Trust Fund.

HMJr:

Why, I.....

B:

When we set that up we considered it more or less of a permanent loan, long-term, and so we made it two percent.

- 2 -

HMJr: Well, I think.....

B: And that's what we consider these other things there. While they're reserves, they're still on a long-term basis - chances are they are.

HMJr: Well, I think they ought to all be cut to one and a half. I wouldn't want to cut it to one in one fell swoop, you know.

B: Uh huh. Well, okay. There'll be some kick, because they figure that they can afford to keep that much money in the specials and they'll want to go out and invest in the market.....

HMJr: That's all right.

B:at a higher rate. Particularly the Postal Savings, because they've got to make a living. (Laughs)

HMJr: Well.....

B: They're paying two to the customers.

HMJr: Give me a report on it by, say, next Wednesday, when I'm back.

B: Yeah. What I would like to see done is the Postal Savings reduced to about one and a half, maybe.

HMJr: Well, you mean their interest rate?

B: Yeah, to the customer.

HMJr: Well.....

B: Along savings lines.

HMJr: Give me a report on all three on Wednesday.

B: All right.

HMJr: But I - I don't see why we should give them more than one and a half.

- 2 -

B: I see. All right. I'll look into it.

HMJr: Thank you.

B: All right.

September 12, 1941
10:00 a.m.

GROUP MEETING

Present: Mr. Graves
Mr. Cochran
Mr. Cairns
Mr. Haas
Mr. Bell
Mr. Blough
Miss Chauncey
Mr. Thompson
Mr. Sullivan
Mr. Schwarz
Mr. White
Mr. Odegard

H.M.Jr: We have been doing something important this morning. We have been hearing songs. We think we have discovered another song.

Thompson: I have several --

H.M.Jr: Come on, what have you got?

Thompson: I don't know whether you want to discuss these or not. They are promotions.

H.M.Jr: Well, stay behind, will you?

Thompson: All right. That is all I have.

H.M.Jr: All right. Daniel?

Bell: The Tax Notes that we sold last month at a low rate of interest have brought the average interest rate on the public debt down to two forty eight. We have broken two fifty, which means that the rate that we now give to the Federal Old Age and Survivors' Insurance Trust

- 2 -

Fund drops from two and five eighths to two and three eighths. That is the nearest one-eighth. This is the investment of two hundred and seven million at the two and three eighths rate.

(Mr. Graves entered the conference).

H.M.Jr: How about a little publicity on that?

Bell: I don't know whether there has been any or not.

Schwarz: Show the interest rate also?

Bell: Yes.

Schwarz: Swell.

Bell: I wouldn't on this.

H.M.Jr: An all-time low?

Bell: Yes, an all-time low. I wouldn't say anything about this particular fund, but just call attention to the average rate.

Schwarz: It is a good story that it is an all-time low, and the interest rate.

Sullivan: Is that the average for all outstanding securities?

H.M.Jr: Everything.

Bell: The direct public debt obligation.

H.M.Jr: Is that all?

Bell: Yes, sir.

H.M.Jr: Harry?

- 3 -

White: I have two studies here that we have mimeographed. One is on the food situation in continental Europe. I think you would be interested in reading the summary in the first two pages. It attempts to answer some important questions. You may want to send it around.

H.M.Jr: Give it to Miss Chauncey.

White: The second one is on British payment arrangements with Latin America, which contains a lot of significant information which hasn't been compiled before, and I know there are several other agencies who will be glad to get it. I don't know whether you would care to read it, but if we have your permission, we would like to send some of these around.

H.M.Jr: All right. What else?

White: That is all.

H.M.Jr: Chick?

Schwarz: The Herald Tribune was very much impressed with the chart that George had prepared at your suggestion on the Savings Bond seasonal drop in August and September, and they are asking if it could be fixed up so they could use it on Sunday.

H.M.Jr: I would like to see that myself. What I did was, I suggested that - I used it at the press conference and I said you could get a chart and show that there is a seasonal factor there, Harold.

Graves: Yes.

Schwarz: We haven't sent it in yet because they were using the work sheet in order to make one that would reproduce.

- 4 -

H.M.Jr: Where is it, George?

Haas: We are making one that can be duplicated.

H.M.Jr: Can I see it?

Haas: I can get the rough one for you right now.

H.M.Jr: Send for it.

Schwarz: That is all.

H.M.Jr: We have got to give it to all the papers.

Schwarz: That is right. We offered it to all of the major ones and we are telling the others about it, too.

H.M.Jr: Good. What else?

Schwarz: That is all.

H.M.Jr: Peter? I would like to see you afterward. I want to see you and Ferdie and before you come in, would you - say at eleven o'clock? I wish I had known you were going to be here. Would you tell him about what you (Kuhn) and your wife and I were talking about to reach the consumers and let him think about it before he comes in, whether he has any contribution to make? I am sure he will. It is merchandising my speech, you see.

Odegard: Oh, yes.

H.M.Jr: Incidentally, you can get the list from - I would like to send it to every member - every registered economist. You know that list.

White: We have a list.

H.M.Jr: Would you? Get it from him.

- 5 -

Bell: Mr. Secretary, Doc Burgess called up and he said he wanted me to tell you he enjoyed your speech very much, and thought it was excellent. He wanted to know if you were taking steps to see that it was distributed throughout the country and if you wanted any help from their bank or any of the associations to which he belongs. He would certainly help out on it.

Kuhn: We are printing three and a half million.

Bell: I told him I thought you were taking steps to distribute that.

H.M.Jr: Well, he would get different kinds of lists, but I thought of the lists of economists. You might call up Randolph Burgess and ask him what he has in mind.

White: I think that speech needn't be confined to the list we had. It is a rather selective list. I think that speech can go to the entire American Economic Association, which is a much bigger list.

H.M.Jr: Will you send it in to them?

White: Yes.

Kuhn: Do you know how many there are, Harry?

White: My guess would be there are a thousand, but I will let you know.

H.M.Jr: I thought there were a little over two thousand registered economists.

White: There may be, I don't know.

H.M.Jr: Well, send it in to them.

- 6 -

White: Yes.

Haas: Here is that chart.

H.V.Jr: Did you say I got a good play in Minnesota?

Odegard: Excellent.

Haas: This is the average of the whole series from 1935 on.

H.V.Jr: You are not going to run all those damn lines, are you? Why don't you just run the average?

Bell: What is each year.

Haas: Well, just as you say, the --

Bell: The average isn't quite as sharp a drop as this year.

Schwarz: There is a better comparison with some of the years.

Haas: These will be subdued and this will stand out strong. It adds some confidence. They know that you haven't done any trick work with the averages.

H.M.Jr: What do you mean, we never do trick work. I am surprised, George.

Haas: but other people do.

H.M.Jr: I am surprised. (Laughter):

White: You wouldn't consider making any slight change in that speech before sending it out, would you?

H.M.Jr: No.

Bell: George, that is the dollar amount, isn't it?

Haas: Yes, did you see it?

Bell: It is the dollar amount?

Haas: Yes.

Bell: The other series were on a ten thousand dollar series basis.

Haas: Well, it is just a question of seasonality.

H.M.Jr: anything else, George?

Haas: I have another report here.

H.M.Jr: while I am going around, anybody that has any suggestions for a speech from me October 1, "American Bankers, continuing along the line of that inflation - I want to follow it up, would they please get it into the hands of Ferdinand Kuhn not later than Tuesday night. Anybody that has got any idea of what they would like me to say. I want to continue on anti-inflation. So if anybody has got any ideas let Ferdinand Kuhn have them not later than Tuesday night, please. Incidentally, I accepted an invitation from the President and Vice President of the Public Administration Group. Do you know who is President of the Public Administration Group? Harold Smith. The Vice President is Gulick.

Bell: Is that right?

H.M.Jr: To talk in New York December 28. They and this --

Odegard: American Science Association.

H.V.Jr: Yes, they are going to meet together.
It is the opening night.

Odegard: That is swell.

Schwarz: The Institute of Public Administration?

Odegard: American Society of Public Administration.

H.M.Jr: Are you all right, Blough?

Blough: Yes, I am all right.

H.M.Jr: Huntington?

Cairns: You inquired about Ambassador Oumansky. You have the legal power without going to Congress to make a Stabilization Loan, but you have a moral commitment to the House and Senate Committees to consult them before making it.

H.M.Jr: Well, I have that moral commitment?

Cairns: You have a moral commitment.

H.M.Jr: That is what I told him. He seemed a little bit annoyed last night. He came up to me all excited - he hasn't any money, and this is all in the room - he is down to four hundred thousand dollars. He was with the President for two hours yesterday, and I said, "Look here, Ambassador, you always come to me at the last minute." He is leaving tomorrow. He kind of resented that a little bit. This is the first time I ever criticized him. I said, "I can't help it, you always do." I said, "One o'clock my time today is the deadline," but the President will have to call me up. The whole thing is, Jesse Jones is sitting there and won't give up.

- Bell: I think Jesse is probably out on a limb, isn't he?
- H.M.Jr: He said he made the public statement that Russia is a good risk. What is the matter over there, Dan?
- Bell: As I read his authority, he has got to have American securities as collateral, hasn't he, Huntington?
- Cairns: I don't know what he has to have.
- Bell: He can make loans, but they haven't got any such animal. I don't think he can make a loan to Russia except maybe through the Export-Import Bank.
- H.M.Jr: You know what happened, don't you? Besides everything else, Jesse gave them a piece of paper and said, "Here is what we have done for the Chinese. We are willing to do the same for you."
- Bell: Yes.
- H.M.Jr: And of course that made matters even worse. But there is something wrong. But, as I say, I am not going to worry why Jesse doesn't. Let the President. Don't you think that is up to the President of the United States? He has made the commitment.
- Bell: And they will hammer Harriman. He has been in touch with Jesse, and he thinks Jesse talked too fast before he had his authority.
- I think the Export-Import Bank has authority to make the loan under its original limitation, but they have committed all that. Maybe they can draw back some of the Finnish money or some of that.

H.M. Jr:

Of course the Ambassador is taking the position that he can't pledge any more gold, which is just damned nonsense. So I said, "I can't do it any other way." So he said, "Well, I am leaving tomorrow." So I said, "Well, here is Madam Oumansky, I will be glad to do business with her." He thought that was wonderful, and he called her over, and I said, "Let the Ambassador go, Madam, you and I can do business. He says he can't get a pledge. Let him send a cable tonight. How long will it take you to get an answer?"

"Forty hours."

I said, "Well, Madam Oumansky and I will be here, and we can settle it." It just tickled him pink.

In the room here, an amusing episode. They had a little dinner last night of eighty-six people, and down at the other end Oumansky got up and made a speech giving the health of President Roosevelt, and I sat up at Madam Oumansky's right and Harriman on the left, and he addressed himself to Harriman and wished him good luck. The dinner was a send off to this mission. After he did that, Harriman leaned over and said, "Are you going to give the toast?" I said, "Oh, no, it is your mission." I said, "You are here and it is your mission. He mentioned you, and he didn't mention me." He kept going back and forth and finally he jumped up and said, "I give the toast to Stalin." I just outsmarted them. I would much rather have Averill Harriman give the toast to Stalin. He didn't recover all the rest of the evening.

With eighty-six people, I think it wouldn't have been more than an hour before, "Morgen-thau proposes a toast to Stalin." That is

news. If Averill Harriman does, it is not. But I was patting myself on the back.

What else have you done? Have you developed any more speeches?

Cairns: If you plan to discuss wheat and cotton at the Cabinet meeting, George Haas and I would like to have a few minutes with you this morning.

H.M.Jr: All right, eleven fifteen. I sent the letter over by mail to the President. I am not going to bring it up unless he does, but I would like to meet you anyway.

Bell: You know what they were confronted with?

H.M.Jr: Seventeen people. That is why we are going to town so on this sending this speech out.

What else?

Carins: That is all I have.

H.M.Jr: All right.

Kuhn: I have nothing.

H.M.Jr: Harold?

Graves: Here is a suggested letter to Governor Lehman. There continue to be stories in some newspapers to the effect that the Treasury is seriously considering a plan of forced savings, and I suppose the people who read those stories think about it in terms of enforced investment in Savings Bonds; and that, I think is interfering somewhat with what we are trying to do. I bring this up because Mr. Kuhn suggested that I might bring it up as having a possible bearing,

for instance, on your speech in Chicago. At any rate, I think something ought to be said that would clarify your position on that.

- Schwarz: It would be very much worth while giving some attention to that. The Wall Street Journal apparently has decided to interpret your suggestion on Social Security as what they called, "an American plan of forced savings."
- White: Well, that is just what it was, as it was described. That is exactly what it was.
- Schwarz: Yes, but the connotation is bad.
- H.M.Jr: Feed the stuff into Ferdie, and I doubt whether I will make any more public announcements between now and October 1, but I may.
- Graves: We are saying ourselves to people who make inquiry that the Treasury is not thinking about forced savings in the sense that is generally meant by people who talk about this.
- H.M.Jr: O.K. Keep after me on it. Anything else?
- Graves: Nothing else.
- Kuhn: You have said--
- White: You had better hesitate, Mr. Secretary, in making the statement that we are not, because I think until you make up your mind and until that speech is forthcoming, until you know exactly what you are going to do, I think nothing had better be said because you may be committing yourself to something you may not want to stay by.

- Schwarz: I have answered a few letters by referring to what already has been said and not making any predictions about the future.
- Graves: I don't think people generally, when they hear that term "forced savings," have in mind any modification of the Social Security tax.
- Odegard: That is true.
- Graves: They think about forced investment in Savings Bonds, and we don't mean that. If we don't have that in mind, I don't see why we shouldn't say that much. I think it would be a help to what we are trying to do.
- H.M.Jr: All right. Well, keep the ball in the air until we get it settled, Harold.
- Graves: Yes.
- Odegard: The thing I ran into, Mr. Secretary, in many places is the - from our own committees - is the feeling that people hesitate to buy Defense Bonds because they think that the Defense Bond money is going to be used for non-defense purposes, and if a statement could be made, they suggest, that the money from Defense Bonds is to be used for defense purposes--
- H.M.Jr: Can't do it, Peter. It isn't the truth. I can't do it. I mean, don't misunderstand me, I can't do it because I wouldn't be telling the truth.
- Odegard: They would suggest that the President indicate that a certain amount of money is going into defense and the Defense Bond money - it is perfectly all right to say that.
- H.M.Jr: After the President's speech, things may

move so rapidly that all of this stuff will clear up. What?

Bell: You might say some place that the regular expenditures of the Government are so much and the taxes are so much, which leaves a certain balance in the tax receipts to apply on defense expenditures. The balance has to be raised through sale of United States Savings Bonds.

Sullivan: Yes, and I think the comment on that, Dan, would bring it to the attention of a lot of other people who haven't thought of it, and it is the very thing Peter is trying to get away from.

Bell: I am not so sure if you want to emphasize the expenditures for defense.

White: I think the failure to have a larger sale of Defense Bonds is something more fundamental than these difficulties, and I do think your statement has contributed some to it, and I think there is no way of avoiding it until that matter is settled, but I think that we - we musn't make the error in allocating to the volume of Defense Savings matters which are in the realm of superficial reasons.

Graves: I agree with you.

White: There is something much more basic.

Graves: You are quite right about that.

White: And by saying that I don't mean that there has been any error or any fault. It is merely, I think, an anticipated concomitant of the general situation, which makes necessary

such proposals as are being considered.

- H.M.Jr: This is marvelous, in the ticker. Seven Senators have gotten together protesting my thing, and the group said that the cotton farmer should be receiving thirty cents a pound for cotton and the wheat farmer two dollars a bushel. Isn't that perfect? That is perfect. This is for you, Ferdie. Get the original statement. I mean, it is wonderful. If they had said "Well - (Laughter)
- White: They are playing right into your hand.
- Sullivan: Put that in the speech. That draws the issue.
- H.M.Jr: That is marvelous. Get the correct statement, Ferdie. Isn't that wonderful?
- Sullivan: What the people of the country choose, whether they want what this crowd is offering or what you are offering.
- H.M.Jr: But they could only get seven Senators to sign the statement.
- Sullivan: That is all right, take a crack at the seven.
- Kuhn: They say the Secretary has never opened his mouth about wage increases.
- Odegard: That is not true.
- Kuhn: It was in the speech.
- White: I hope it is true. (Laughter)
- H.M.Jr: All right, where were we? How far had we gotten?

Cochran: Here is a letter to Mr. Altschul. I am not sure we can get it through.

H.M.Jr: Doesn't that help, that thing?

Kuhn: Perfect.

Sullivan: The National Tax Association wants an address on October 14. We are so sorry you can't do it. Here is the letter saying it.

H.M.Jr: You sound like a Japanese, so sorry.

Sullivan: We have a communication from the Paraguayan Minister. I have been through that with Mr. Bernstein. Here is a letter to the Secretary and a memo on that.

H.M.Jr: What do you tell him?

Sullivan: We tell him we will be glad to go into it. He owes us an undeterminable amount of money in addition to what he has paid in later years, and we are holding that until we can get him to talk. There is the confidential sheet on what we did yesterday. We wound up the bill yesterday afternoon.

H.M.Jr: Are you through up there now?

Sullivan: Yes, sir.

H.M.Jr: Can you stay afterward?

Sullivan: Yes, I want to.

H.M.Jr: Because Ben Robinson is outside, PM.

Sullivan: Well, we can't give that out.

H.M.Jr: You wouldn't give it out?

Sullivan: No, sir, that is confidential until Monday.

H.M.Jr: I have no intention of giving it out.

Sullivan: We can't talk about what happened up there and what they agreed on.

H.M.Jr: You haven't told me.

Sullivan: If you will just give me a chance to get a word in edgewise--

H.M.Jr: Well, you are just so bashful.

Sullivan: Well, naturally.

H.M.Jr: So wait until - stay with me through PM and then stay after that.

Sullivan: Yes, sir.

H.M.Jr: You will get a chance after that.

Sullivan: All right.

H.M.Jr: My plans are these. I am going to stay up on the farm Monday, I hope. Tuesday I see my son, Bob, graduated as an ensign, and I ought to get back here either Tuesday night or Wednesday, so carry on.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE September 12, 1941.

TO Secretary Morgenthau
FROM Mr. White

Sir Frederick Phillips and Mr. Bewley called to see me Thursday, September 12, 1941, at 5:30 p.m.

Sir Frederick said that he had called on Jesse Jones to learn, if possible, what arrangements were to be made with Russia, and that Jones had informed him that there was nothing definite yet, but there might be something by Friday afternoon.

Sir Frederick said to me he was disturbed by what he thought might be a contemplated arrangement between the United States and Russia which he feared might call for repayments by Russia with goods and gold to an extent that might interfere with British arrangements with Russia. He stated that he was not positive but he believed that British arrangements with Russia were that goods to be shipped to Russia were to be paid for with 60 per cent credit and 40 per cent payment in goods, gold or dollars. He thought that if Russian gold and dollars were to be used in repayment of American credits that Russia would be unable to make the 40 per cent contribution to England. England in that case might not be able to send goods to Russia which had been acquired by the British through expenditures of dollars and gold. Then too, there was the question as to whether goods manufactured in Great Britain or obtained through Lend-Lease commodities could be sold to Russia for sterling credit or for dollars.

Sir Frederick was not specific about any aspects of the matter but I am bringing it to your attention because I believe that in the determination of the conditions of repayment required of the Russians for any credits extended by us that the effect of such requirements on the British-Russian arrangements should be considered.

Sir Frederick said that Mr. Jones asked him how much gold Russia had and Sir Frederick answered that he had no reliable information. Sir Frederick felt that they must have got rid of a good deal of their gold in preparation for this war.

THE SECRETARY OF THE TREASURY 179
WASHINGTON

September 12, 1941

My dear Mr. President:

If you decide that you want to do away with the quota for importation of wheat from Canada, the enclosed draft of a letter, I believe, is the way to go about it.

I hope you decide to do it.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "H. Stimson", written in a cursive style.

The President,
The White House.

My dear Mr. Stevens:

Reference is made to Proclamation No. 2489, dated May 28, 1941, in which I found "that wheat and wheat flour are practically certain to be imported into the United States under such conditions and in sufficient quantities as to tend to render ineffective and materially interfere with the program undertaken with respect to wheat under the Soil Conservation and Domestic Allotment Act, as amended, and to reduce substantially the amount of flour processed in the United States from wheat produced in the United States." I now have reason to believe that the circumstances requiring those provisions of Proclamation No. 2489 which relate to wheat no longer exist, or that changed circumstances may require modification of such provisions in order to carry out the purposes of section 22 of the Agricultural Adjustment Act (of 1933), as amended and reenacted and further amended. Therefore, the United States Tariff Commission is hereby directed to make, in accordance with Paragraph IV of Executive Order No. 7233, dated November 23, 1935, an

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immediate investigation to determine whether the circumstances requiring those provisions of Proclamation No. 2489 which relate to wheat presently exist or have changed.

Such investigation shall be made after due notice and opportunity for hearing to interested parties, as provided in Paragraph IV of Executive Order No. 7233. The Commission shall transmit to me its report of findings and recommendations, together with a transcript of the evidence taken at the hearings held by it in making such investigation, all as provided in Paragraph IV of Executive Order No. 7233.

A copy of the report and transcript shall also be transmitted to the Secretary of Agriculture.

Very truly yours,

The President.

Hon. Raymond B. Stevens,
Chairman, United States Tariff Commission.

Excerpt from Address Given by Secretary Morgenthau
September 9, 1941, before Advertising Club of Boston

"The most effective way to prevent a damaging rise in prices is, quite simply, to release surpluses from storage.

"I wonder if the housewife knows, when she pays 15 per cent more than she did a year ago for a bag of flour, that our supply of wheat is the largest on record, and that 498,000,000 bushels of several years' crops are available in our neighbor democracy of Canada.

"It is true that only three months ago a rigid quota was applied to the importation of wheat from Canada with the ultimate objective of keeping up the price of wheat in this country. But it is also true that only the other day the quota on sugar from Cuba was enlarged so substantially as to absorb most of the reserve stocks in that country.

"It seems to me desirable and necessary that we now follow the example set in the case of Cuban sugar and permit the entry of Canadian wheat in large volume."

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE September 12, 1941

TO: Secretary Morgenthau

FROM: Mr. Cairns
Mr. Haas

SUBJECT: Use of farm surpluses for inflation control, within the framework of the Administration's agricultural policy.

The President has stated in his press release of May 26, 1941, approving the 85 percent of parity loans (S. J. Res. 60):

(1) "This is an effort to obtain farm prices nearer parity. It reflects the Government's objective for the next eight years."

(2) He stated that "wholly unmanageable surpluses should not accumulate in the hands of the Government. Finally, the Commodity Credit Corporation should be free to dispose in an orderly manner of many commodities acquired under the loan program."

(3) "I am approving this Joint Resolution on the distinct understanding that parity payments will be limited to the amount necessary to bring the basic commodities to parity but not beyond parity."

A method by which the Government holdings of cotton and wheat could be used to stabilize prices, consistent with the Administration's stated policy on agricultural prices, is as follows:

The President or the Secretary of Agriculture could announce that the Government stood ready to sell wheat and cotton at parity price levels. The Government has 170,000,000 bushels of wheat and 6,000,000 bales of cotton available for this purpose. It is believed that these are sufficient quantities to maintain the open market price at parity for the time being. The parity price for cotton is at approximately the present market level, and for wheat somewhat higher than present market prices.

Secretary took to Cabinet 9/12/41

MEMORANDUM ON

S. J. RES. 60

Most of this Resolution covers technical provisions of existing law aimed at improvement in the operation of the Agricultural program. There is no budgetary or other administrative objection to any of these amendments.

Section 10, however, directs the Commodity Credit Corporation to make available loans to cooperators who grow cotton, corn, wheat, rice or tobacco at the rate of eighty-five percent of the parity price for the commodity as of the beginning of the marketing year.

This is an effort to obtain farm prices nearer parity. It reflects the Government's objective for the past eight years. It reflects the fact that the farmers did not have and have not as great a share of the national income as other groups.

There is, nevertheless, an obscurity or perhaps an omission in the language of the Resolution which I have sought to clarify before affixing my signature.

One effect of increasing the loan rate on the major crops will in many cases result in a lowering of existing or budgeted parity payments. It should be obvious to all that the Government ought not now to change the existing policy by giving to farmers a total remuneration greater than parity.

When this Bill becomes law the cooperating farmer will be able to receive an eighty-five percent Parity Loan plus a cash Parity payment plus a cash Soil Conservation payment. Under no circumstances should the sum of these three exceed parity.

Therefore I have taken up the construction of the law with certain Legislative leaders chiefly responsible for it and have received from them letters stating in effect that for the 1941 crop the broad intention is that parity payments should if necessary be so curtailed as to avoid a price above parity when added to the loan and the Soil Conservation payments. I am therefore confident that in the pending Appropriation Bill this clear interpretation and intent will be carried out.

Furthermore, it is my belief that in the Omnibus Bill submitted to the Congress by the Secretary of Agriculture minimum cotton and wheat allotments should more closely approximate current demand; cotton and rice penalties should be increased; all with the thought that wholly unmanageable surpluses should not accumulate in the hands of the Government. Finally, the Commodity Credit Corporation should be free to dispose in an orderly manner of many commodities acquired under the Loan program.

I am approving this Joint Resolution on the distinct understanding that parity payments will be limited to the amount necessary to bring the basic commodities to parity but not beyond parity.

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DEPARTMENT OF STATE
WASHINGTON

September 12, 1941.

My dear Mr. Secretary:

At the request of Ambassador Winant, there is enclosed herewith for your information a copy of telegram no. 4215 of September 11 from London, reporting on the favorable comment received by the Lend-Lease statement in all British papers on September 11.

Sincerely yours,

Herbert Feis

Herbert Feis
Adviser on International
Economic Affairs

Enclosure:

no. 4215 of September 11

The Honorable

Henry Morgenthau, Jr.,
Secretary of the Treasury.

COPY

London

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Dated September 11, 1941

Rec'd 9:50 a.m.

Secretary of State,

Washington

4215, Eleventh.

You may be interested to know that the Lend-Lease statement has received favorable comment in all British papers today, emphasis being placed on the change of policy here in relation to exports since the adoption of the Lend-Lease Act. It is pointed out that the need for increasing exports prior to its enactment was in large measure due to the necessity of maintaining a dollar position to permit purchases in the United States. It is further stated that the present demands on man-power in Great Britain for the production of the maximum output of munitions here requires a curtailment in exporting in order to concentrate on the war effort.

Some headlines read as follows:

DAILY MAIL "Our pledge to America: square deal over Lease-Lend"; one article in the LONDON TIMES has headline "New evidence of understanding - blow to Axis intrigue"; MANCHESTER GUARDIAN: "Assurances to the United States - Lend-Lease materials not used to help our exports"; DAILY MAIL: "British play fair"; other headlines simply limited to subject matter, such as "Lend-Lease and exports".

Editorial

Editorial comment is guided by a desire to create understanding of the situation.

It is frankly stated that in using Lend-Lease material there is to be no private gain within the country, or use of the Lend-Lease materials in exporting, or that the advantages accruing to Great Britain because of Lend-Lease should in any way be used to advance British trade as against United States trade. The following statement by the Ministry of Food, as reported in the "TIMES", you might like to use: "The Ministry of Food states that, though the total supplies of food likely to come from the United States under the Lend-Lease Act will constitute only some 5 or 6 per cent in tonnage of the United Kingdom's total consumption of food, home grown and imported, their value is considerably greater than these figures suggest. They include concentrated proteins such as cheese, canned milk, dried milk, eggs, canned fish, and canned meat. The United States supplies of some of these, such as canned milk, form a very considerable proportion of our total supply. The supplies under the Lend-Lease Act are restoring the balance in the British diet."

WINANT.

September 12, 1941

My dear Mr. President:

I am pleased to be able to report to you that, at my suggestion, ways have been found to considerably reduce the number of days that it takes for a requisition under Lend-Lease to reach us at the Procurement Division. Heretofore it has taken on the average of 42 days. Under the new time table it will take only 16 days.

I am enclosing herewith a memorandum from Clifton Mack, Director of the Procurement Division, explaining in detail how the saving in time is made.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

Copy of memo from Clifton Mack, dated Sept. 10, enclosed with this letter.

By *[Signature]* 9:50 am

[Signature]

September 10, 1941

MEMORANDUM TO THE SECRETARY:

At your instigation and upon your insistence I have gone very thoroughly into the matter of time required to make lend-lease purchases handled by the Procurement Division with a view to expediting all possible.

My memorandum of September 4, 1941, prepared in accordance with your request of the same date, states in substance that a spot check of requisitions showed that approximately 30 days are required before we are authorized to make purchase contracts.

I met with Mr. Stettinius and others Monday afternoon of this week, as arranged by you, to discuss expediting the procedure. As a result the following procedure is now in effect:

	<u>Average Time Required</u>
(1) From date of requisition of British or Chinese Supply Agencies, routed through the Division of Defense Aid Reports, to receipt in Procurement	2 days
(2) OPM examination for availability, priority rating and clearance to Procurement	7 days
(3) Time required for routine purchase	7 days

Representatives for the Division of Defense Aid Reports have stated that fund authorizations will be secured within four days, accordingly, with this reduction in time, we will be able to start our purchase negotiations as the fund clearance will be received before formal commitment is required. Hence, both procedures will be simultaneous under this proposed plan.

The revised procedure will reduce the average time required heretofore of 42 days to a total average time of 16 days.

(Signed) Clifton E. Mack
Director of Procurement



TREASURY DEPARTMENT

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PROCUREMENT DIVISION

WASHINGTON

OFFICE OF THE DIRECTOR

September 12, 1941

MEMORANDUM TO THE SECRETARY:

Weekly Report - Lease-Lend Purchases
(9/5 - 9/12/41)

<u>Requisitions</u>	<u>Estimated Cost</u>
Cleared by O.P.M.....\$	215,885,237.59
Awaiting clearance by O.P.M.....	18,513,529.75
	<hr/>
Total Pending Requisitions.....\$	234,348,767.34
Less Requisitions for metals and textiles, where contracts will be made for term periods and allocations required from O.P.M.....\$	122,772,195.72
	<hr/>
Total Pending Requisitions for Spot Purchases....\$	111,576,571.62
Purchases to 9/5/41.....\$	132,096,788.78
Purchases 9/5-9/12/41.....	7,568,762.99
	<hr/>
Total to 9/12/41.....\$	139,663,529.77

Action has been taken to select and appoint four special assistants to assist in the handling and expediting of lend lease purchases.

Thus far a man with specialized machinery training and another with experience in the handling of lumber and miscellaneous purchases have been appointed. An outstanding man with chemical experience and another with specialized knowledge of iron and steel are being sought.

(Handwritten initials)

(Signature)
Clinton E. Mack
Director of Procurement

Attachments-8

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>COUNTRY</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-1089	Reeves Steel & Mfg. Co.	U.K.	Drum Sheets	915,000#	\$ 29,131.00
DA-TPS-1090	Niles Rolling Mill Co.	"	" "	549,000#	17,842.50
DA-TPS-1091	American Brake Shoe and Foundry Co.	"	Drop Forgings	4,5000.Fgs.	5,265.00
DA-TPS-1092	Continental Steel Co.	"	Drum Sheets	2,138,700#	82,635.90
DA-TPS-1093	Revere Copper & Brass Inc.	"	Brass Tubes	221,600#	62,909.68
DA-TPS-1095	Parkersburg Iron & Steel Co."	"	Drum Sheets	755,000#	24,537.50
DA-TPS-811	Southeastern Cottons, Inc. China	"	Cottons	225,000Yds.	21,106.25
DA-TPS-835	Shapiro & Son Curtain Corp.	"	Cottons	100,000Yds.	15,250.00
DA-TPS-823	American Textile Co.	"	Cottons	60,000Yds.	9,480.00
DA-TPS-819	Arkwright Mills	"	Cottons	240,000Yds.	39,300.00
DA-TPS-818	Leward Cotton Mills	"	Cottons	500,000Yds.	83,125.00
DA-TPS-828	Pacific Mills	"	Cottons	100,000Yds.	15,512.50
DA-TPS-946	Southeastern Cottons, Inc.	"	Cottons	50,000Yds.	6,181.50
DA-TPS-1000	David Bickerton Co.	"	Cottons		1,396,065.59
DA-TPS-1097	W. H. Davey Steel Co.	U.K.	Drum Sheets	800,000#	26,080.00
DA-TPS-1098	Republic Steel Corp.	"	" "	1,224,000#	36,230.40
DA-TPS-1108	S.K.F. Steels, Inc.	"	Drop Forgings		148,105.80

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-1117	Bethlehem Steel Export Corp.	U.K.	Sheets & Circles	2,452,800# \$	89,217.56
DA-TPS-1118	Follansbee Bros. Co.	"	Drum Sheets	450,000#	16,425.00
DA-TPS-1120	Russell Burdsall & Ward	"	Bolts & Nuts		2,437.50
DA-TPS-1121	Pittsburgh Screw and Bolt	"	Bolts		8,979.64
DA-TPS-1122	Bethlehem Steel Export	"	Rivets, Bolts & Nuts		1,126.66
DA-TPS-1123	Wyckoff Drawn Steel Co.	"	Shafting	20 GT.	1,903.98
DA-TPS-260-13	Bethlehem Steel Export Corp.	"	Ni. Chrome Steel	2400 GT.	573,833.60
DA-TPS-325-6	Crucible Steel Co. of America	"	Ni. Chrome Steel	1000GT.	243,712.00
DA-TPS-1163	Bethlehem Steel Export Co.	"	Reinforcing Bars	3400 GT.	200,300.80
DA-TPS-1165	Wheeling Steel Corp.	"	Drum Sheets	1,034,000#	37,547.64
DA-TPS-1166	General Motors Corp.	"	Clevite Strip	102,000Ft.	22,050.00
DA-TPS-1125	ARMCO International Corp.	"	Drum Sheets	2,089,800#	76,472.46
DA-TPS-1133	RCA Manufacturing Co.	"	Ni. Plated Steel Strip	560#	238.00
DA-TPS-1134	The Allen Mfg. Co.	"	Special Screws	700pcs.	525.00
DA-TPS-951	SKF Steels, Inc.	"	Drop Forgings	730D.Fgs.	1,829.10
DA-TPS-1144	Baker and Co., Inc.	"	Plated Steel Strip	1 GT.	1,792.00
DA-TPS-258-5	Republic Steel Corp.	"	High Chr. Steel	205GT.	105,148.96

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-1156	U.S. Steel Export Co.	U.K.	Rivet Bars	600 GT.	\$ 34,764.80
DA-TPS-344 (Cancelled)	Schiavone-Bonomo Corp.	"	Scrap	8000 GT.	-155,200.00
DA-TPS-1157	Northwestern Steel & Wire Co."	"	Concrete Reinf. Bars	500 Gt.	40,208.00
DA-TPS-1201	U.S. Steel Export Co.	"	Wire Rope	332,000FT.	55,910.60
DA-TPS-1202	Apollo Steel Co.	"	Drum Sheets	282,000#	9,588.00
DA-TPS-1204	U.S. Steel Export Co.	"	Rails & Fish Plates	10 GT.	1,266.00
DA-TPS-1073	Jones & Laughlin Steel	"	Pipe	50.8 Mi.	337,989.06
DA-TPS-1135	SKF Steels, Inc.	"	Drop Forgings	216,610	217,447.05
DA-TPS-1136	SKF Steels, Inc.	"	Drop Forgings	4,500	9,469.50
DA-TPS-1137	SKF Steels, Inc.	"	Drop Forgings	1,420	4,435.50
DA-TPS-1138	SKF Steels, Inc.	"	Drop Forgings	800	2,187.00
DA-TPS-1139	SKF Steels, Inc.	"	Drop Forgings	1,750	4,785.00
DA-TPS-1143	Steel Improvement & Forge Co.	"	Drop Forgings	14,000	380,435.00
DA-TPS-1175	Mahoning Valley Steel Co.	"	Drum Sheets	591,000#	20,186.00
DA-TPS-1177	Uddeholm Co., of America	"	Spring Steel	1½ GT.	1,021.00
DA-TPS-1178	A. M. Byers, Co.	"	Bar Irons	34 GT.	4,476.34
DA-TPS-1241	U.S. Steel Export Corp.	"	Drum Sheets	3,815,200	130,451.27
DA-TPS-1244	National Steel Corp.	"	Rolled Steel	50,994#	2,318.11

MEMORANDUM TO THE SECRETARY
CONTRACT
NUMBER

CONTRACTOR'S NAME

REQUISITIONER

COMMODITY

QUANTITY

TOTAL VALUE

DA-TPS-1140	Globe Forge & Foundries, Inc. U.K.		Drop Forgings	4,300 D. Fgs.	\$ 4,885.00
DA-TPS-1141	The Cleveland Hardware & Fgs.	"	Steel	900 Pcs.	666.00
DA-TPS-1142	Atlas Drop Forge Co.	"	Drop Forgings	2,747 D. Fgs.	5,625.05
DA-TPS-1215	Ford Motor Co.	"	Drop Forgings	4,020 D. Fgs.	3,941.20
DA-TPS-1216	Ford Motor Co.	"	Tractor Valves	100,000 pcs.	37,400.00
DA-TPS-1217	Ford Motor Co.	"	Drop Forgings	17,000 D.Fgs.	3,582.00
DA-TPS-1218	Ford Motor Co.	"	Drop Forgings	4,500 D.Fgs.	6,256.00
DA-TPS-1219	Ford Motor Co.	"	Drop Forgings	56,000 D.Fgs.	88,980.00
DA-TPS-1220	Ford Motor Co.	"	Drop Forgings	74,000 D.Fgs.	114,480.00
DA-TPS-1221	Ford Motor Co.	"	Drop Forgings	3,040 D.Fgs.	3,067.30
DA-TPS-1222	Ford Motor Co.	"	Leavers	1,000 pcs.	230.00
DA-TPS-1223	Ford Motor Co.	"	Drop Forgings	1,740 D.Fgs.	1,951.60
DA-TPS-1224	Ford Motor Co.	"	Drop Forgings	11,500 D.Fgs.	10,511.00
DA-TPS-1225	Ford Motor Co.	"	Rod Ends	10,000 pcs.	1,120.00
DA-TPS-1226	Ford Motor Co.	"	Worms	1,500 pcs.	900.00
DA-TPS-1227	Ford Motor Co.	"	Drop Forgings	59,500 D.Fgs.	75,545.00
DA-TPS-751	Alladin Radio Industries, Inc."		Drop Forgings	11,200 D.Fgs.	10,483.20

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<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-1234	American Brake Shoe & Foundry Co	U.K.	Impeller Shoes	4 GT	\$ 551.00
DA-TPS-1236	Youngstown Sheet & Tube Co.	"	Conc.Reinf.Bars	2,352,000#	68,768.00
DA-TPS-1237	Continental Steel Corp.	"	" " "	1,232,000#	37,206.40
DA-TPS-1238	Inland Steel Co.	"	" " "	1,232,000#	33,202.40
DA-TPS-1240	Joseph T. Ryerson & Sons, Inc.	"	Bars	7½ GT	433.30
DA-TPS-1241	U.S. Steel Export Corp.	"	Drum Sheets	1,522,900#	49,143.24
DA-TPS-1241	" " " "	"	" "	332,300#	15,684.56
DA-TPS-1000 (Adj.Ded.)	David Bickerton Co.	China			- 1,395,750.59
DA-TPS-327-5	SKF Steels, Inc.	U.K.	Hi Carbon Chr. Steel	20 GT	4,959.92
DA-TPS-327-6	" " "	"	" " " "	52 GT	12,151.55
DA-TPS-327-7	" " "	"	" " " "	46 GT	10,741.70
DA-TPS-327-8	" " "	"	" " " "	58 GT	13,498.69
DA-TPS-325-7	Crucible Steel Co. of America	"	Nickel Chr. Steel	456 GT	109,984.67
DA-TPS-1255	Victualic Co. of America	"	Pipe Fittings	275 GT	264,914.35
DA-TPS-1256	Scully Steel Products Co.	"	Bars, Angles, Sheets	290 GT	16,510.06
DA-TPS-258-6	Republic Steel Corp.	"	Ni. Chr. Steel	550 GT	106,233.12
DA-TPS-257-3	Wyckoff Drawn Steel Co.	"	Ni. Chr. Steel	615 GT	157,977.68

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-1048	Remington Arms Co. Inc.	China	Shells, Shotgun	4,200,000	\$ 45,018.00
DA-TPS-1046	Sherwin-Williams Co.	"	Paris Green	100,000#	21,000.00
DA-TPS-1025	E.I. Dupont de Nemours & Co.	U.K.	Collodion for Stripping	100 gals.	203.52
DA-TPS-905	Bank of Greece	"	Trucks, Fire-fighting	24	142,950.00
DA-TPS-373	Taylor-Wharton Iron & Steel Co.	"	Oxygen Cylinders	1500	20,175.00
DA-TPS-1100	The Torrington Co.	"	Bearings, Needle		1,144.75
DA-TPS-1040	Whiting Corp.	"	Ladles, Hand	59	502.00
DA-TPS-1053	The Pharis Tire & Rubber Co.	"	Tires & Tubes	1000	8,930.00
DA-TPS-1061	Kelsey-Hayes Wheel Co.	"	Whells for Chev. Passenger Car		568.50
DA-TPS-1009	The Baldwin-Locomotive Works	"	Locomotives	25	1,762,416.36
DA-TPS-1020	Weyerhaeuser Timber Co.	"	Easy Bleaching Sulphite	500 ST	29,750.00
DA-TPS-1017	Gottesman & Co. Inc.	"	Kraft Pulp Unbleached Sulphite		180,000.00
DA-TPS-1018	" " " "	"	" " " "	"	180,000.00
DA-TPS-1099	General Motors Sales Corp.	"	Bearings, Ball	328	3,532.56
DA-TPS-992	Caterpillar Tractor Co.	"	Engines Diesel Power	12	25,363.44
DA-TPS-932	James Fyfe	"	Manila Fiber	116,875#	7,897.66
DA-TPS-933	Hanson & Orth	"	Manila Fiber	220,000#	13,492.19
DA-TPS-935	Henry W. Peabody & Co.	"	Manila Fiber	563,750#	38,206.51

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<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-1114	Norma Hoffman Bearings Corp.	U.K.	Bearings	9,500	\$ 3,850.00
DA-TPS-1107	The Fafair Bearing Co.	"	Bearings		7,028.96
DA-TPS-1111	The Timken Roller Bearing Co.	"	Bearings, Roller		2,020.87
DA-TPS-1113	The Timken Roller Bearing Co.	"	Bearings		1,587.00
DA-TPS-944	Reed Mfg. Co.	"	Cutters & Vises for Pipe		9,967.79
DA-TPS-934	Mac Leod & Co. Inc.	"	Manila Fiber	522,500#	34,650.00
DA-TPS-943	The Ridge Tool Co.	"	Wrenches, Pipe		4,972.20
DA-TPS-945	The Oster Mfg. Co.	"	Stocks & Dies		7,115.30
DA-TPS-1103	Strom Steel Ball Co.	U.K.	Balls, Bearings	175,968	3,683.01
DA-TPS-1145	Haskelite Mfg. Corp.	"	Plywood Aircraft	33,667 Sq.Ft.	19,431.82
DA-TPS-1101	General Motors Sales Corp.	"	Bearings		9,826.17
DA-TPS-1119	" " " "	"	Bearings		3,922.46
DA-TPS-1102	The Timken Roller Bearing Co.	"	Bearings		1,174.70
DA-TPS-1115	General Motors Sales Corp.	"	Bearings		6,092.00
DA-TPS-1068	Stroock & Wittenberg Corp.	"	Varnish Gum Damar Singapore 448#		76.16
DA-TPS-918	J. I. Case Co.	"	Spare Parts for Tractor Power Units		17,979.17
DA-TPS-375 (Adj. Ded.)	E.D. Etnyre & Co.	"			19.60

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-1071	Ralph B. Carter Co.	U.K.	Pumps, Trailer	60	\$ 79,860.00
DA-TPS-1235	Haskelite Mfg. Co.	"	Veneer Aircraft Birch		163,358.33
DA-TPS-712 (Adj.Ded.)	Benzol Products Co.	"			- 13,500.00
DA-TPS-1016	St. Regis Paper Co. Kraft Pulp Div.	"	Prime Bleached Sulphite	550 ST	44,000.00
DA-TPS-1019	The Champion Paper & Fibre Co.	"	Semi-Bleached Sulphite	500 ST	36,250.00
DA-TPS-1155	Rayonier Inc.	"	Chemical Wood Pulp	3,000 ST	240,000.00
DA-TPS-1002	W. S. Darley & Co.	"	Pumps, Trailer	24	23,760.00
DA-TPS-1126	M. S. Ginn & Co.	"	Case, Filing	400	500.00
DA-TPS-1127	The Stockett-Fiske Co.	"	Case, Filing	200	200.00

Total Purchases 9/5 to 9/12/41.....\$ 7,566,762.99

Personal

September 12, 1941

Dear Frank:

I have pleasure in acknowledging the receipt of your letter of September 9, referring to previous correspondence and to the present status of the visa application filed in behalf of our common friend Bloch-Laine.

The two officers in the Department of State most likely to be helpful in this situation are temporarily absent. Upon their return to duty in the next few days I shall be very happy to see if something can be done to facilitate a favorable decision in the premises.

With warm personal regards and best wishes, I am

Sincerely yours,

(Signed) Henry

Mr. Frank Altschul,
120 Broadway,
New York, New York.

(init) W. M. /

EMC:dm:9/12/41

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FRANK ALTSCHUL
120 BROADWAY
NEW YORK CITY

September 9, 1941

Dear Henry:

I revert to my letter of June 18 in regard to Bloch-Laine. Since that time I have arranged with the New School to offer him an appointment to deliver a series of lectures, which appointment he accepted towards the end of June. Thereupon I prepared the application for a visa which has, unfortunately, to some extent been caught by new American regulations of July 1. At present there seems to be a real danger that the application may be refused on the ground that he has relatives in occupied territory -- his wife and children are living in occupied France.

In fact, I am afraid that there is little likelihood of getting his application through unless you and/or possibly Sumner Welles, who both know him and of his extremely helpful activities in this country, would be willing to intervene on his behalf.

I think you know him possibly even better than I do, and on this account I feel sure that you would be completely confident that no amount of pressure of any sort could ever make him behave in this country in such a way as to make him an unwelcome visitor. On this account I am writing to ask you whether you could consistently intervene in this matter either through discussing the whole question with Welles or in any other manner that you deem more appropriate. With every passing day the danger to which he is exposed becomes increasingly acute and I should so like to facilitate his visit.

With many thanks for any assistance you may be able to give me, I am

Yours sincerely,

Frank

2x6, 117

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

September 12, 1941

MEMORANDUM FOR THE SECRETARY:

JLS

The House conferees on the tax bill have not yet been officially appointed so that the decisions of the conferees are still unofficial and confidential. Work by the conferees on the bill was completed yesterday, September 11. The decisions on controversial amendments were as follows:

Income tax

1. Optional simplified tax for incomes of \$3,000 or less - adopted.
2. Reduction of personal exemptions to \$750 and \$1,500 - adopted.
3. Alimony taxed as income to receiver instead of to payer in certain cases - eliminated, as a matter to be left for the administrative bill.
4. Deduction of expenses incurred in production and collection of income - eliminated, as a matter to be left for the administrative bill.

Corporation taxes

5. 1% increase made by the Senate in corporate surtax rates - adopted.
6. 10% special excess profits tax on companies using invested capital credit - eliminated, thus accepting Senate action.
7. Senate restoration of excess profits tax exemption of strategic minerals - exemption stricken out, thus following House action.
8. Annual capital stock declaration - eliminated, thus following House bill.

Estate tax

9. Amendment to estate tax with respect to previously taxed property - eliminated, as a matter to be left for the administrative bill.
10. Amendment to estate tax with respect to charitable deductions in the case of renunciations of legacies - eliminated, as a matter to be left for the administrative bill.

Excise taxes

11. Wine tax rates - compromise at 8 cents (House rate 8 cents, Senate rate 10 cents) on wines of not more than 14% alcohol; 30 cents (House rate 24 cents, Senate rate 35 cents) on wines having from 14 to 21% alcohol; Senate rates on other wines.
12. Maintenance of existing rates on non-beverage alcohol - eliminated.
13. Admissions tax exemptions - compromise, with no exemption except for children under 12 where amount paid is less than 10 cents; charitable and other exemptions eliminated.
14. Rate on local telephone bills - compromise at 6% (House rate 5%, Senate rate 10%).
15. News ticker exemptions from leased wire tax - adopted, following Senate bill.
16. Soft drinks tax - eliminated, following Senate bill.
17. Exemption of artificial lures, baits and flies from sporting goods tax - exemption eliminated, following House bill.
18. Tax on electric light bulbs - compromise at 5% rate (Senate bill rate 10%).

Excise taxes (continued)

19. Tax on jewelry - House tax on retail sales adopted in preference to Senate tax on manufacturers' sales.
20. Rates on slot machines and pin-ball machines - Senate rates of \$10 a year on pin-ball machines and \$50 a year on gambling machines adopted.
21. Rates on bowling alleys and pool tables - Senate rate of \$10 per year adopted.
22. Tax on outdoor advertising - eliminated, following Senate bill.
23. Tax on radio broadcasting - eliminated, following Senate bill.

Miscellaneous

24. Extension of time for credit against Federal unemployment taxes - adopted with understanding that this was to be the last extension.
25. Restrictions on Social Security Board appropriation for employment offices - eliminated for time being.
26. Amendment specifying date under acts suspending Vinson-Trammell Act - eliminated.

September 12, 1941.

MEMORANDUM FOR THE SECRETARY'S FILES:

A meeting relative to the administration of Executive Order 8389 was held in Mr. Foley's office at 3 p. m. on September 11, 1941, attended from time to time by the following:

Messrs. Foley (Chairman), Pehle, Cochran, E. Bernstein, Viner, E. M. Bernstein, Fox and Timmons for the Treasury; Messrs. Acheson, Fisher, Luthringer and Miller for State; Messrs. Shea, Kreeger, Jurenev and Swydler for Justice; and Mr. Gardner for the Board of Governors of the Federal Reserve System.

A letter has been received from Under Secretary Welles, referring to the Interdepartmental Committee a letter received from Vice President Wallace concerning the denial by the Committee of an application made by the Standard Oil Company of New Jersey to sell its Hungarian property to Germany for approximately \$24,000,000. It was agreed that a reply should be addressed to the Vice President stating that the application had been several times carefully considered by this Committee and that in view of all the facts and circumstances, and the policy pursued in similar cases, the application had been denied. There is to be attached to this letter for the Vice President's confidential information a copy of the memorandum prepared by the sub-committee setting forth the arguments for denial of this general type of case.

The Federal Reserve Bank of New York has received from the State Bank of U. S. S. R. the following cable: "At request Latvijas Banka transmit you following quote Debit our account and pay Svenska Tendstiks Aktiebolaget 100,000 U.S. dollars deposited by us with you Alatvijas Banka Ungquote." It was agreed that the Federal Reserve Bank of New York should be instructed to reply as follows: "Account in name of Latvijas Banka closed and transferred to account in name of Latvian Government on May 15, 1941."

Reference was made to the desirability of amending Confidential Circular No. 15 in order that interested banks may be informed that it is the view of the Treasury Department

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that free dollar accounts may not be established for the purpose of effecting remittances to Japan. This matter is to be further canvassed with the Far Eastern Division of the State Department and a report thereon made at the next meeting.

Mr. Fox stated that there are at present two applications filed by the Standard Vacuum Oil Company pending with the Foreign Funds Control. The first of such applications involves the payment of approximately \$557,000 from the blocked account of the Yokohama Specie Bank to Standard Vacuum. Such amount represents the so-called "August remittance", which is the net proceeds of the sale of oil by Standard Vacuum in Japan on February last. The second application relates to a shipment of oil from the Netherlands East Indies to Japan, for which payment is proposed to be made out of blocked Japanese guilder balances in the Netherlands East Indies to the Javanese Exchange Control and a corresponding payment of dollars by the Exchange Control to Standard Vacuum in New York. It is understood that the Standard Vacuum Oil Company has informed the Japanese that no further shipments of oil from the Netherlands East Indies will be considered until the August remittance is paid out. Mr. Acheson reviewed briefly the oil situation, stating that Export Control has granted three licenses for the export of certain quantities of oil. The Japanese have been informed that payment for such oil must be made from cash funds in Japanese possession. Both Messrs. Nishiyama and Iguchi have had several discussions of this matter with State and Treasury and have suggested that it may be possible for them to bring dollars into the United States from Japanese funds in South America. They have been told that this matter can be considered only when a definite proposal has been made. Mr. Acheson stated that the whole problem has recently been taken up with Secretary Hull and that Mr. Hull wants the Interdepartmental Committee to continue to examine the problem. He does not want any new restrictive measures to be introduced, but neither does he want any relaxation of our present attitude. With respect to the second application referred to above, we do not know whether the Dutch authorities will grant an export license. Mr.

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Acheson said that it would obviously be undesirable for us to grant any freezing control license which would enable any oil company to put pressure on the Dutch authorities in the East Indies to grant export licenses. The Dutch are willing to follow our lead in the matter of oil shipments and this action would suggest to them a retreat from our present position. With respect to the first application, the State Department does not want to grant the application at this time because of the fact that Standard Vacuum has reportedly advised the Japanese that until the payment involved in this application is granted, no further shipments of oil from the Dutch East Indies will take place. The Committee agreed that both applications should continue to be held without action.

Mr. Pehle reported to the Committee that he had just spoken to Secretary Morgenthau about the pending application to ship \$2,000,000 in gold from the account of the Banque Nationale Suisse to Portugal. The Secretary said that the application should be denied.

Mr. Bernstein referred to the problem of Konrad Fehringer, an Austrian who is Commercial Attache of the Paraguayan Legation. Mr. Fehringer is an undesirable person and State is anxious that he leave the country. He is reported to have a large amount of assets in this country, perhaps as much as a half million dollars in cash. He is willing to leave but demands that he be allowed to take all of his assets with him. Mr. Bernstein suggested that State Department advise the Paraguayan Legation that Fehringer be requested to advise the Treasury Department as to the total amount of his assets. Inasmuch as the Bureau of Internal Revenue has an unsatisfied tax claim against Fehringer, he is to be told that a sum sufficient to cover such claim must be deposited in a blocked account before he will be permitted to leave. It is to be further suggested to the Paraguayan Legation that the remainder of the sum which he desires to take out of the country be deposited in the account of the Paraguayan Central Bank in order that he may be paid local currency in Paraguay.

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Mr. Acheson reported that he had further discussed the North African agreement in the State Department and that it represents the settled policy of this Government. The Treasury will proceed to approve a pending application for the transfer of \$5,000,000 from the French Government funds to the North African account.

Mr. Acheson also referred to a pending application involving the payment of \$1,215,000 to withdraw attachments on eight French vessels in the United States. Such vessels were attached because of the non-payment of a bill of exchange given by the French Line in 1929 to the firm of Harland and Wolf, English ship builders. Mr. Acheson said that he had discussed the matter with Mr. Long and others in the State Department and that it was the Department's feeling that the payment should be allowed as it was thought undesirable at the present time to allow the boats to be sold to satisfy the claim. A letter on this subject is to be addressed to the Treasury by the State Department.

Mr. Acheson referred to the discussion at the last meeting of this Committee relative to the outstanding General Licenses for Portugal, Spain and Switzerland. A report on the exports of these three countries is in the process of preparation. Mr. Acheson also said that the British are apparently growing more suspicious of Spain and more favorable toward Portugal.

The license for the payment of the expenses of the French State in China is to be renewed for the month of September. Mr. Acheson stated that Mr. Welles will return next week and that all licenses which are presently being granted making available funds to the French will be reconvened with him at that time.

Mr. White referred to a memorandum left with Secretary Morgenthau by Mr. Rene Plevan, representative in the United States of General de Gaulle. In such memorandum Mr. Plevan requested that the Free French Colonies be granted

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the same general license treatment as has been accorded to the Netherlands East Indies. After discussion it was agreed that Mr. Acheson should raise in the State Department the question of including such Free French areas in General License No. 53.

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September 12, 1941

Files

Mr. Cochran

STRICTLY CONFIDENTIAL

During the meeting yesterday afternoon in Mr. Foley's office of the Inter-Departmental Policy Committee on Foreign Funds Control, Mr. Pehle was called to the Secretary's office. Upon his return he informed us that the Secretary desired that the application of the Banque Nationale Suisse for a license to transfer gold from New York to Lisbon be refused, even though a diplomatic protest may follow.

When Mr. Gantier of the Banque Nationale Suisse spoke with me by telephone between 9 and 10 o'clock this morning, I told him that he should speak with Mr. Pehle in regard to the present status of the application. I gave him no information whatever. I simply transferred the call to Mr. Pehle's office.

At 11 o'clock this morning Mr. Gantier telephoned me again to state that he had not been able to reach Mr. Pehle by telephone at the time I transferred the call, but had subsequently talked with him. Mr. Pehle had told him that the application had been refused by the Inter-Departmental Committee. I confirmed this understanding, but explained to Mr. Gantier that it was for the administrative officers of Foreign Funds Control to give him this report, and it was for this reason that I had transferred his call to Mr. Pehle. Mr. Gantier then told me that his Legation had arranged an appointment for the Charge d'Affaires and himself to be received by Assistant Secretary of State Acheson at 12:30 today. Incidentally, Gantier mentioned that Swiss Minister Brugmann is expected back in Washington from Switzerland next week. When Mr. Gantier told me that Mr. Pehle did not indicate the grounds on which the application was refused I told him there was nothing I could say on this point.

HMC: dm: 9/12/41

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

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DATE
September 12, 1941

TO Ferdinand Kuhn, Jr.
FROM Alan Barth

EDITORIAL OPINION
ON FOREIGN AFFAIRS:
THE PRESIDENT'S SPEECH

"Feet on the Ground"

The press had persuaded the country to hold its breath while waiting for the President's speech. Postponement of the address from Monday to Thursday provided ample opportunity for romantic speculation on the news pages and for a wide range of exhortations in the editorial columns.

Apparently the expectations thus engendered were not fully realized. But the dominant reaction emerges as one of relief, rather than of disappointment. Mr. Roosevelt's words seem to have satisfied a majority of the press; at the same time they satisfied the major desire of the editorial minority which had hoped that he would go even further than he did.

In comments during the past week on the attacks upon the Greer, the Steel Seafarer and the Sessa, there was overwhelming agreement among editorial writers that the United States must not retreat from its settled foreign policy. Raymond Clapper, in a column from London, expressed the feeling of almost all American

commentators: "This, it seems to me, is a moment when the United States must stand without flinching . . . To retreat . . . would be to display a national weakness that would be fatal to the prestige and power of America."

The initial anger of the American press at these attacks was undoubtedly inflamed by the propaganda line which the Germans saw fit to pursue. Many commentators were ready to acknowledge that the attempt to torpedo the Greer might have been a case of mistaken identity; very few chose to accept the Nazi claim that the Greer had fired first. Nazi epithets hurled at the President incensed the American press and, indeed, served in considerable measure to disarm isolationist critics. Only a few fanatic anti-administrationites cared to parrot the charges uttered by the Berlin Propaganda Bureau.

The prevailing view in this country was that freedom of the seas constituted the real issue at stake. Accordingly, there was general approval that the President's address centered upon the defense of this principle. The order to the United States Navy to clear the high seas of Axis warships was accepted as a necessary defensive measure. Strongly interventionist newspapers were disappointed that Mr. Roosevelt failed to ask for repeal of the Neutrality Act. The Cleveland Plain Dealer, for example, complained that, "This rather halting step . . . falls short of what

the nation had a right to expect . . . The menace to supplies going to Britain is not in the American 'defensive zones' but in the stretch from Iceland to the British Isles." There are indications that outright repeal of the Neutrality Act would receive majority editorial support.

That the President's order makes involvement in a "shooting war" an imminent possibility is taken for the most part calmly and philosophically. There is general acceptance of Mr. Roosevelt's statement that, "It is no act of war on our part when we decide to protect the seas that are vital to American defense. The aggression is not ours." The Raleigh News and Observer summed up the feeling on this score: "No other course lay open to a courageous and self-respecting American people."

Shift

A rather interesting correlation between press and public opinion is presented in a recent Gallup Poll on sentiment toward Japan. In the August 8 report on editorial opinion, it was noted that "The press has adopted an extraordinarily bellicose tone toward Japan . . . It is worth noting that a Gallup Poll shows no comparable belligerency on the part of the general public. The results of a survey published August 3 presented 51 per cent in favor of checking Japan even at the risk of war, 31 per cent opposed, 18 per cent undecided or with no opinion."

Results of a poll on the same question, published September 7, show a marked rise in hostility to the Japanese. Seventy per cent of the public indicated a willingness to risk war, 18 per cent were opposed and only 12 per cent remained undecided. It may be that the newspapers are not without influence in the formulation of popular attitudes.

At the present time there is considerable editorial hope of a reasonable rapprochement with Japan. But the line taken is that any appeasement must be by the Japanese in the direction of the United States. It is generally believed that the firm stand recently adopted by this country induced Japan to leave American shipments to Vladivostok unmolested and to reconsider aggressive designs against Thailand and the Soviet Union. Commentators insist that the firmness be continued, although they would make no objection to minor face-saving concessions for the sake of a general reversal of Japanese policy. There is a widely-held opinion that Japan is about ready to quit the Axis.

Doubt

The isolationists' investigation of the motion picture industry is condemned by the bulk of the press as illegal, prejudiced and farcical. But despite this editorial disapproval, the investigation has been given a prominence on news pages which

may accomplish all that its sponsors desire.

Senator Tobey somewhat naively admitted the true purpose of his colleagues when he remarked that the inquiry will have been completely justified if it proves to people that "their minds have been stolen." To satisfy the isolationists it need not prove anything so drastic; they will doubtless be content if they can merely imbue the public mind with doubt and suspicion about the films. Regardless of their protests, the newspapers are contributing toward this end.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

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DATE
September 12, 1941

TO Ferdinand Kuhn, Jr.
FROM Herbert Merillat

PRESS COMMENT ON SECRETARY
MORGENTHAU'S BOSTON SPEECH

Secretary Morgenthau's Boston address on inflation has had an unusually friendly reception in Eastern newspapers. Little comment from other sections is available at this time. In general the speech was acclaimed as a clear and courageous statement of the inflation threat and of ways of meeting that threat. The Secretary was praised as the first high Administration official to cross swords with groups opposed to effective inflation controls.

The big conservative Eastern papers, normally critical of the Administration's domestic policies, have been loudest in their praise of the speech. Some anti-Administration papers (for example, the Chicago Tribune and Cleveland Plain Dealer) have charged the Secretary with having contributed to those inflationary tendencies which he now deplures. The liberal press has been silent. The farm belt has not yet been heard from.

There have been few over-all editorial appraisals of the various items on the Secretary's anti-inflation program. Instead, many of the seaboard papers have singled out the farm bloc for

special chastisement in their comments on the speech. The Secretary's proposal to release accumulated stocks of farm commodities was welcomed in the East, both as a means of checking the rise in commodity prices and as giving emphasis to the part increased production can play in checking inflation.

Commentators have taken the occasion to deplore what they consider to be the apparent disinclination of the Administration to adopt a strong line with the Congressional farm bloc. They have urged support for the Secretary's anti-inflation fight, from political leaders and the country at large. This is no time, they say, for favors to special groups and political trading. Effective inflation-controls will call for farsighted planning along the lines charted by the Secretary.

Some of these writers, commenting on Secretary Wickard's announcement of an expanded farm production program, remarked that increased production at current price levels should fully satisfy the farmers. In that announcement they saw an argument against any attempt by farm interests to obtain further benefits.

Other items of the suggested program singled out for special emphasis are the proposal to curtail nondefense expenditures and the need to restrain wage increases. A few papers have taken the occasion to urge careful consideration of forced savings on the Keynes model.

Remarkably little attention has been given, in comments on the Secretary's speech, to the role of taxation in a program of inflation-prevention. This aspect of the problem, however, received great emphasis when the current tax bill was still open to changes in Congress, and doubtless it will again come to the fore when new taxes are under consideration.

There have been some sour notes. A few Administration critics have charged that the Secretary and the Administration have directly encouraged the advent of inflation, by the spending and borrowing policies of the past eight years, by failing to check rising farm prices and wage increases long ago, and by delaying the imposition of heavy taxes.

Sales Tax Talk

Since Senator Vandenberg proposed a federal manufacturers' sales tax several weeks ago there has been considerable editorial discussion of the merits of the plan. The arguments of the sales tax advocates, following the line set down by the Senator, are:

1. If food, clothing, and medicine are exempted from the tax, only 20 per cent of the average wage earner's income would be spent on taxable articles. Therefore the tax would not unduly burden the poor.

2. The sales tax would be paid by everyone -- a desideratum in any emergency tax.

3. A manufacturers' sales tax would be easy to collect and productive of much revenue -- about \$1½ billions annually if the rate were 5%.

4. A general sales tax would clear the way for repeal of the miscellany of special excises which have been enacted.

5. The revenue possibilities of the income tax have been exhausted. The sales tax is the sole remaining productive source of revenue.

Some favor a retail sales tax, some a graduated tax based on categories of luxuries, non-essentials, and necessities.

For the most part, this most recent campaign for a general sales tax has been carried on by papers which have long advocated such a tax. There is a growing feeling, however, even among opponents of the proposal, that a general sales tax will be adopted next year.

September 12, 1941

To: Mr. Harold N. Graves
 Subject: PROGRESS REPORT FROM MINING SAVINGS STAFF

SALE OF STAMPS

Stamp sales for August totalled \$4,453,748. This is an increase of approximately 30% over July. The figures for preceding months were:

July - \$3,283,283
 June - \$2,802,345
 May - \$3,475,070

A break-down of the stamps for August by denomination is as follows:

<u>Denomination</u>	<u>Number Sold</u>	<u>Value</u>
10¢	2,665,715	\$ 266,571.50
25¢	10,130,891	2,532,722.75
50¢	1,220,739	610,369.50
1.00	765,225	765,225.00
\$5.00	55,772	278,860.00

SALE OF BONDS

Actual cash receipts from the sale of E, F and G bonds from September 1st to 10th - \$84,224,000, which is a drop

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of 20.3% over the same period in August. Sales from August 1st to 9th were \$105,650,000. Sales from July 1st to 10th were \$109,318,000.

RETAILERS FOR DEFENSE WEEK

"Retailers for Defense Week" starts next Monday, September 15th, continuing through Saturday, September 20th.

Mrs. Eleanor Roosevelt, wife of the President, will inaugurate "Retailers for Defense Week" by buying the first stamp at noon at the Mayflower Hotel.

A "Retailers for Defense Clinic" will be held at the Mayflower Hotel next Monday beginning at 2:00 P.M.

There will be a dinner in the evening with Donald Nelson as the principal speaker.

"ANY BONDS TODAY"

Approximately 240,000 song sheets have been sent out with 40,000 request cards still to be counted. An additional 125,000 copies of the song have been ordered.

DIRECT MAIL

The industrial mailing, which started out early this month, to 375,000 corporations, associations, etc., has pulled in over \$105,000 in only four days. It looks very much as if this is going to be a very productive campaign.

Returns are starting to come in now from the third series of tests, which were put into the mail August 30th, to determine the relative pulling power of incomes over \$5,000 as against incomes under \$5,000. While we have had only a comparatively few days of pulling, the "over" lists are out-pulling the "under" lists by approximately 100%.

TREASURY HOUSES

In New York for the first eight days the "Treasury House" sold \$4,760 worth of stamps, and 1,423 albums were started.

In Boston for the first three days the "Treasury House" sold \$1,720 worth of stamps. No figures available about albums.

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SECRETARY MORGENTHAU'S INFLATION SPEECH

3,500,000 copies of Secretary Morgenthau's speech on inflation in Boston on Tuesday, September 9th, are now being printed. They will be distributed to 2,000,000 savings bond purchasers; 500,000 to state organizations with the Defense Savings Staff; and 1,000,000 will be distributed throughout the country.

FIELD FORCE

Here is the status of banks qualified as issuing agencies for bonds:

National Banks	- 5,138 or 86% of total in country.
State Banks	- 9,136 or 63% of total in country.
Mutual Savings Banks	- 552 or 86% of total in country.

These figures are of August 31st.

Considerable increase is being noted in the number of banks arranging plans whereby their customers can authorize periodic charges against their checking accounts to accumulate funds to buy bonds.

H. L. Rust, Jr. has been appointed chairman of the Defense Savings Committee for the District of Columbia.

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A new map showing status of Field Force operations by state is attached.

PRESS

Actual written reports from newspapers show that the "Defense Bond Quiz" boxes were used 46,681 times between June 23rd and September 9th. We estimate that if this space had been purchased the cost would have been \$354,775.

"Defense Bond Baseball Day" will be held at the Washington Baseball Park tomorrow, Saturday, September 13th. Undersecretary Bell will make a brief talk and will throw out the first ball. Boy Scouts will distribute pamphlets. Army Band will play and troops of the Washington Brigade will parade.

RADIO

The Gillette Company is sponsoring the World Series and have informed us that they will broadcast Defense Bond announcements during all games.

"For America We Sing", present NBC show produced by Frank Hummert, moves to Wednesdays beginning October 1st. The time will be either 9 or 10 o'clock Washington time.

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New announcements in German, Spanish, Italian and Polish were transcribed and sent to 250 radio stations. These were for broadcasting beginning September 9th and continuing for thirty days.

Five-minute transcribed interviews on Defense Savings Bonds have been distributed to all radio stations. Interviews on these transcriptions were with Undersecretary Bell, Assistant Secretary Gaston, and Eugene W. Sloan.

The Radio Section has contacted the Army, Navy, Marines, Air Corps, and OPM, informing them that the Treasury will be glad to cooperate with them in using any of their material in our announcements and other programs.

GENERAL

Results of "Defense Bond Baseball Day" are attached.

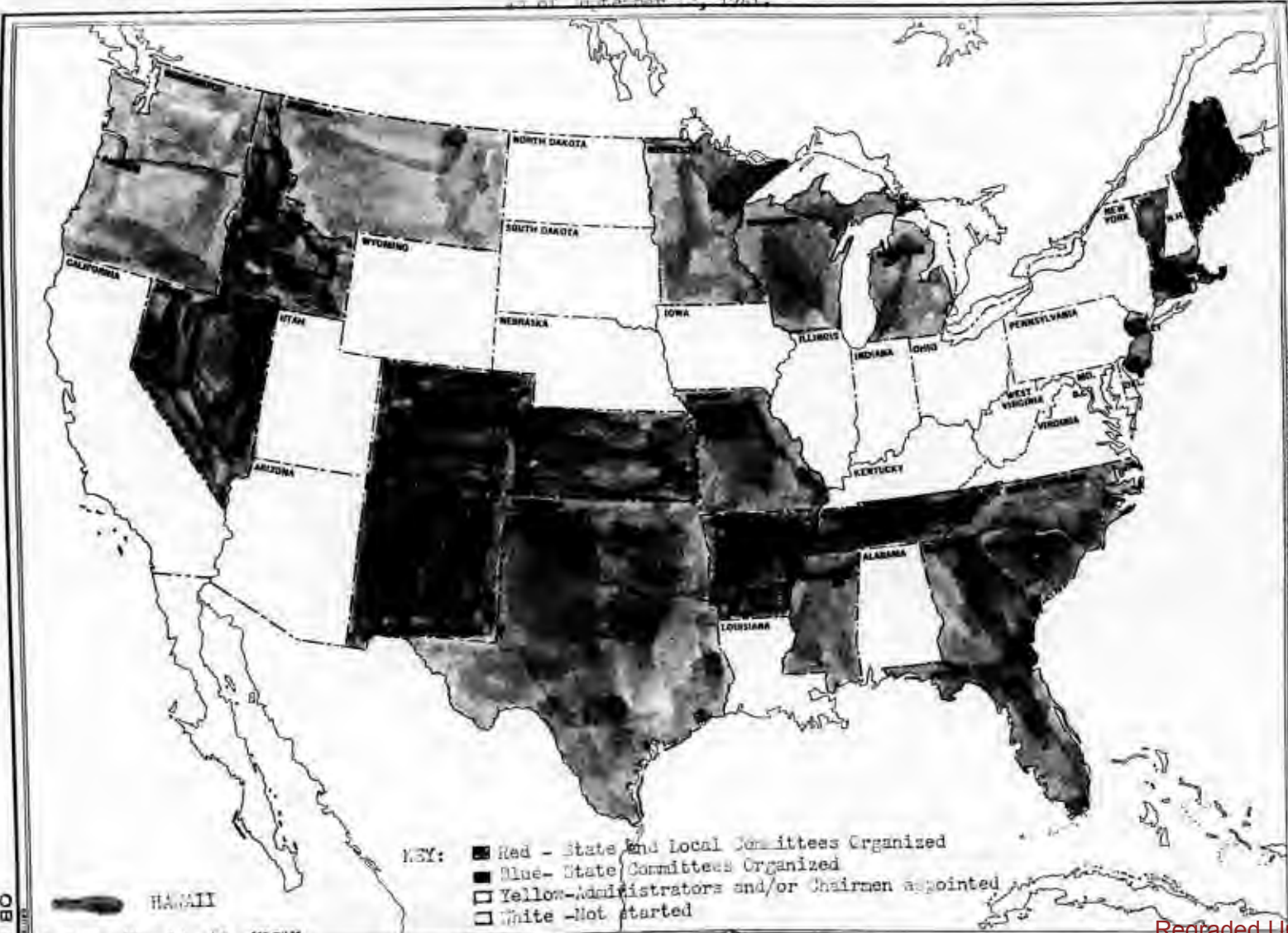
STATUS OF STATE RELATIONS
as of September 12, 1941.

MADE IN U.S.A.

RAND McNALLY

LOOSE LEAF OUTLINE MAP

225 UNITED STATES



KEY:
 Red - State and Local Committees Organized
 Blue - State Committees Organized
 Yellow - Administrators and/or Chairmen appointed
 White - Not started

0 100 200 300 400 500 MILES

HAWAII

OB 10

Regraded Unclassified

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

Box 680
Benjamin Franklin Station
Washington, D. C.

12th September, 1941.

Dear Cochran,

I enclose a copy of another
telegram from Hong Kong.

The telegram to which it
refers is one of those which I sent over
to you the day before yesterday.

Yours sincerely,

/s/ T. K. Bewley.

Mr. H. Merle Cochran,
United States Treasury,
Washington,
D. C.

I now enclose another just in. Whatever Rogers is,
he can't be accused of not being prolific.

COPY OF TELEGRAM OF SEPTEMBER 10th FROM ROGERS

My telegram No. 968 paragraph f.

Following for Treasury from Rogers.

The sudden diversion of cover from note market would cause severe disturbance and a heavy fall in quotation of Chinese currency notes, which it is important to avoid in the interest of confidence in Chinese currency generally and of the banks here, who hold 90 million Chinese dollars of Chinese currency deposits. Personal savings in Chinese currency outside the banks are also large. Large note market and present big discount on Chinese currency would make immediate action by Hong Kong /? Govt./ less easy to enforce. I am therefore not recommending direct action until measures A to E of paragraph 4 /? of telegram under reference have brought the note market more under control. The Bank of China concurs. Bank of China has been appointed sole agent here /? and in Malaya by the Chinese Government for canalising overseas remittance /?"s" omitted/. I assume that you have already been notified by the Chinese Government of the names of the banks appointed to act on behalf of the Central Bank of China in other places.

Copy:wec:9-12-41

PM

GRAY

Hong Kong via NR

Dated September 12, 1941

Rec'd 8 p.m.

Secretary of State,
Washington.

354, September 12, 11 a.m.

CONFIDENTIAL FROM FOX TO SECRETARY OF THE
TREASURY.

Find Army, Navy and Shanghai (repeat Shanghai) State Department officials peddling their United States checks among exchange shops, thus helping to supply black market. Although sympathetic with desire men obtain maximum amount for their funds, it would help us in holding every one in line if instructions could be issued that such checks must be sold at official rates. Matter is not too serious, for I expect with steps being taken now black market in Hong Kong is far more serious problem and the board is taking steps to cope with that far more (*) situation and we are hopeful that a solution will soon be found.

SOUTHARD.

EMB

(*) Apparent omission.

CONFIDENTIALPARAPHRASE

A telegram dated September 12, 1941 from the Consul General at Shanghai reads substantially as follows:

With reference to the matters reported in my 1249, September 11, 4 P.M., the Japanese are now indirectly approaching representatives here of American firms supplying petroleum products, with proposals to bring raw silk of Japanese origin to Shanghai to be turned over by the official Japanese silk monopoly, Nippon Sanahi Kabushiki Kaisha, to the Kachusanahi Kaisha Limited, Shanghai. It is proposed that this silk shall be delivered as China silk to exporters or to other individuals or firms who may be able to sell silk in the United States and an undertaking made, in exchange, to supply petroleum or other products. The Japanese are realizing that if the consumers in the United States become accustomed to dispensing with silk the large consumers market in the United States for Japanese silk may be lost permanently. Therefore, the current proposal constitutes a device for saving face or a method designed to continue and safeguard the trade link with an endeavor to comply with insistence in Japanese official quarters on obtaining American products, which are greatly needed, in return for the shipment of silk. The proposal envisages trade of considerable volume

-2-

volume, figures of 500 bales worth \$1,750,000 having been mentioned tentatively as having been offered to the representative of one American petroleum company here. The suggestion is made, as a practicable method of control, that the requirement be established that all shipments to the United States of raw silk from Shanghai be accompanied by consular invoices; consular invoices could be denied to shippers in Shanghai if it were ascertained that shipments involved irregularities incompatible with American policy.

The suggestion is made that the Department may wish to send instructions to the Consulate General.

TO THE SECRETARY
TECHNICAL ASSISTANT
OFFICE OF THE

21 FEB 10 AM 11 33

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RECEIVED

KD

GRAY

ROME

Dated September 12, 1941

Rec'd. 6:51 a.m., 13th

Secretary of State,
Washington.

1395, September 12, 2 p. m.

The Embassy is occasionally requested by Americans to assist in obtaining the transfer to them of funds derived from inheritances in Italy. The competent Italian officials declare that such transfers would be governed by the principle of reciprocity. It would be helpful as a guide to the Embassy's actions if it could be informed whether it is correct in assuming that under the American "freezing" regulations funds due to Italians in Italy resulting from inheritances in the United States are blocked.

PHILLIPS.

JMK

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Managua, Nicaragua

DATE: September 12, 1941, noon

NO.: 180

With reference to telegram No. 180, dated September 8, 1 p.m., from the Legation:

The Legation has been informed by the President of the Jabali Mines that his company's position is becoming progressively worse. This is due to the freezing of its accounts in the National City Bank of New York and in the New York branch of the Bank of London and South America.

The Legation recommends that the State Department urge that the funds of the Jabali Mines be unfrozen promptly should they feel that such procedure is warranted in regard to this matter.

The Legation would appreciate receiving the advice of any action that is taken by the Treasury Department by cable.

BOAL

KA:PAK

TO THE SECRETARY
TECHNICAL ASSISTANT
OFFICE OF THE

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RECEIVED
DEPARTMENT

TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE September 12, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£57,000
Purchased from commercial concerns	£14,000

The Federal Reserve Bank of New York sold £15,000 in registered sterling to the American Express Company.

Open market sterling was quoted at 4.03-1/2, and there were no reported transactions.

The Canadian dollar discount widened to 10-3/4% by mid-afternoon, but on the subsequent appearance of the Post Office as a buyer, the rate returned to 10-5/8%, unchanged from last night's close. The Post Office was reported to have purchased at least 150,000 Canadian dollars.

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

Argentine peso (free)	.2380
Brazilian milreis (free)	.0505
Colombian peso	.5800
Mexican peso	.2070
Venezuelan bolivar	.2755
Uruguayan peso (free)	.4400
Cuban peso	7/16% discount

In the absence of reports to the contrary, the New York banks believed that the yuan-dollar rate in the Shanghai exchange market remained at approximately 5-11/32¢.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

Spot and forward silver were again fixed in London at 23-1/2d and 23-7/16d respectively. The U.S. equivalents were 42.67¢ and 42.55¢.

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

We made no purchases of silver today.

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The report of September 3, 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 \$4,586,000, a decrease of \$312,000 in the short position since August 27. Net changes were as follows:

<u>Country</u>	<u>Short Position</u> <u>August 27</u>	<u>Short Position</u> <u>September 3</u>	<u>Change in</u> <u>Short Position*</u>
England**	\$ 166,000	\$ 268,000 (Long)	- \$434,000
Europe	2,700,000	2,680,000	- 20,000
Canada	100,000 (Long)	19,000	+ 119,000
Latin America	36,000 (Long)	98,000 (Long)	- 62,000
Japan	116,000	191,000	+ 75,000
Other Asia	2,091,000	2,148,000	+ 57,000
All others	<u>39,000 (Long)</u>	<u>86,000 (Long)</u>	- 47,000
Total	\$4,898,000	\$4,586,000	- \$312,000

*Plus sign (+) indicates increase in short position, or decrease in long position.
 Minus sign(-) indicates decrease in short position, or increase in long position.

**Combined position in registered and open market sterling.

J. M. P.

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BRITISH EMBASSY,
WASHINGTON.

September 12th, 1941.

PERSONAL AND SECRET.

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

R. I. Campbell.

The Honourable

Henry Morgenthau, Jr.,
United States Treasury,
Washington, D.C.

TELEGRAM FROM LONDON DATED SEPTEMBER 10th, 1941.

1 p.m. September 9th Beaufort aircraft claims hit with torpedo on enemy merchant vessel about 6,000 tons in convoy off Stavanger.

2. Night of September 7th/September 8th Wellingtons dropped about 16 tons H.A. and incendiaries Palermo Harbor.

3. Attack on Kassel night of September 8th/9th very successful left whole town enveloped in flames and smoke.

4. Leningrad position serious. Heavy fighting Yelaya and Dniepropetrovsk. Germans believed made progress southern Berislav.

5. German army. Rations for armed forces were reduced June 1st for second time since war began. Week's meat and fats rations for "front line" troops was reduced from $3\frac{1}{2}$ to 3 lbs. and $10\frac{1}{2}$ to $8\frac{1}{2}$ oss. respectively, week's rations for other troops have been reduced to level of heavy workers rations namely $1\frac{3}{4}$ meat and $6\frac{1}{2}$ oss. fat.

6. Our equivalent field service rations scale is a) United Kingdom frozen meat $3\frac{1}{2}$ weekly, margarine $10\frac{1}{2}$ weekly, bacon 21 oss. weekly.

b) Middle East: frozen meat 4 lbs. 6 oss., margarine $10\frac{1}{2}$ oss., weekly bacon 21 oss. weekly.

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MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, September 12, 1941

TENTATIVE LESSONS BULLETIN
No. 157
G-2/2657-235

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and in no sense mature studies.

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction see Letter TAG 350,05 (9-19-40) M-B-M.

GERMAN NOTES ON FIELD
ORDERS AND LEADERSHIP

SOURCE

This is the fourth and last of a series of bulletins based on a report submitted November 18, 1940, by an American official observer in Berlin. These bulletins illustrate some of the principles of German military leadership. This one is based largely on extracts from Kurzer Abriss der Taktik, by Witzleben, and Vom Kriege, by Clausewitz, Nos. 145, 149, and 155, were the earlier ones of the series.

CONTENTS

1. FIELD ORDERS
2. LEADERSHIP

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GERMAN NOTES ON FIELD
ORDERS AND LEADERSHIP

1. FIELD ORDERS

a. Estimate of Situation

"How should a situation be estimated, and how are such calculations built up?

"(1) Our own mission and the order to the troops for its accomplishment are the first determining factors. These take precedence over all other considerations and may be deviated from only if later complications so demand.

"(2) What is our own situation? Where are the troops at our disposal? When can they reach certain points? In what condition are they? Are neighboring marching columns in a position to assist? Where and when can they assist?

"(3) The terrain on which a force is marching or fighting, or terrain which it is to reach, should always be given special consideration, and should be investigated from the following points of view:

- (a) Shape of terrain;
- (b) Surface of terrain;
- (c) Road net.

Whether the enemy or our own troops will first reach a large mountainous area, a river sector, or a forested area may be of decisive importance. The form of the terrain, its surface, and its road net have a bearing on the decision and are always important, both on the march and in combat, for halts and in selecting bivouacs. Proper map reading and a sure instinct for the advantages and disadvantages of the terrain are, therefore, of consequence for command.

"(4) Finally, let us try to place ourselves in the position of the enemy, freed from our own world of thought, and consider what we should do if we were the enemy commander. This is extremely important, because one easily inclines to assume initial disadvantages on the enemy's side. That is wrong - unpleasant surprises may be the result. We should therefore always assume the enemy command to be as clever as we believe ourselves to be until grave mistakes of the enemy are evident. All messages should be read with an unprejudiced mind, and we should calculate and consider which points or which lines the enemy may have reached at a certain time, where he may turn off, where he will be stronger, and where weaker."

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b. The Order

"The foregoing considerations determine the decision which, once made, should be carried out without wavering. Half-hearted decisions bear the seed of failure from the start; anyone who has to overcome hesitation when making a decision will, in the end, decide nothing.

"The decision is given to the troops in the form of an order. Obscure and long orders cause uncertainty in the minds of the troops who are to carry them out. To make sure that an order is clear, every commander should check each command before sending it out, by placing himself in the position of its receiver.

"The oral order, particularly in the lower commands, takes precedence over the written order; its transmission is shorter and questions can be answered immediately. For the same reasons of efficiency, it is better to be guided by terrain rather than by map. Since orders written by reference to a map must always be translated into terms of terrain, there is a needless delay in execution.

"It is evident, then, that the lower commander, and if possible the higher commander also, must personally inspect the terrain involved before issuing his order. This means that every commander always be- longs far in front.

"Too many orders to troops not directly subordinated - for example the infantry regimental commander's orders to infantry companies - often betray nervousness and can injure the indispensable independence of the lower commanders. Instructions on how an order should be carried out should not be contained in any order. Never use the expression: 'Either ... or' That invariably brings about a 'neither ... nor'

"Whenever possible, warning orders should be used; such orders save the troops, familiarize them with the situation quickly, and tell them in a few words what will follow. The commander also gains time to work out the order which must follow every warning order."

"In serious situations, particularly before and during combat, a unit is commanded by means of fragmentary orders. Such orders contain only what a single unit must know at the time the order reaches it, and combat orders are, therefore, usually incomplete in themselves.

"Although there is no form for writing out operations orders, the following factors should be considered in order that nothing may be forgotten:

- (1) The enemy, and the opinion of the commander as to the enemy's attitude and capabilities;
- (2) The decision, and our own intention;
- (3) The orders which each of the immediately subordinate units will receive as a result of the decision;
- (4) Location and actions of the combat staff, the supply train, the baggage train, and the rear services;
- (5) Location of the commander and existing communications to his station.

"In order to keep actual operations orders short, details intended only for certain units may be issued in special instructions.* These may concern:

Detailed instructions regarding reconnaissance;
Communication systems;
Munition, fuel and supply distribution;
Medical and veterinary services."

2. LEADERSHIP

"When we examine the four component parts out of which the atmosphere of war is composed - danger, physical strain, uncertainty, and chance - we easily understand what great courage and intelligence is required to meet these elements with certainty and to achieve success. Military writers and historians have, under various circumstances, called this strength by the names of energy, firmness, perseverance, courage, and strength of character. One might group all these heroic attributes under the term 'strength of will,' but that would be over-simplification. To understand clearly the characteristics of the leader, we must examine at least a little more accurately the functioning of the powers of the mind."

"First of all, the immediate effect of the enemy action on the leader is purely a personal one, not connected with his activity as a leader. The higher the position of the leader, the more the significance of personal reaction decreases; as far as the field commander is concerned

*These special instructions are comparable to our annexes. Observer's note.

personal reaction does not exist.

"Secondly, the leader, by offering extended resistance, is obliged to witness a loss in resources for which he is responsible. In this anxiety over his responsibilities, the leader's strength of will is first tested and challenged, but we maintain that this is, by far, not the heaviest burden that he has to bear, since it is a matter which affects only his relations with himself.

"As long as troops have good morale and fight willingly and easily, there is seldom an occasion for the commander to show great strength of will in carrying out his mission. When, however the situation becomes difficult - and that is inevitable wherever extraordinary performance is demanded - then the troops no longer function like a well-oiled machine but begin to develop internal friction which can only be neutralized by great strength of will on the part of the leader. This friction does not imply direct disobedience or contradiction, although this may occur frequently enough in the case of single individuals, but it is rather the total effect of the expiration of all physical and moral powers. It is against the natural effects of the heart-rending spectacle of a bloody sacrifice that the leader has to fight, those effects which are in himself, and in all others who, directly or indirectly, pass over to him their impressions, their sensations, their fears, and their struggles.

"When strength in individuals dies, and when it can no longer be stirred up by the force of their own powers of will, the inertia of the whole group presses more and more heavily on the will of the commander. It is only by the fire in his breast and by the light in his mind that the fire of resolution and the light of hope in all others shall be rekindled. This can happen only in so far as he is able to gain ascendancy over himself and in so far as he imposes his will on the group and remains the master of it. If this fails, if his own courage is no longer strong enough to give life to the courage of the others, then the inertia of the group drags him into the lower region of animal nature, in which there is no shame in shrinking from danger.

"These are the fatal eventualities which the courage and strength of mind of the battle leader must master if he would distinguish himself. These tendencies increase in proportion to the size of the unit he commands, and consequently the powers of the leader must increase with the higher position, if he is to be able to take the measure of these difficulties.

"The energy shown in battle leadership is a measure of the strength of the motivation. The motivation must, however, be intelligent conviction or emotion, and the latter particularly must not be lacking if great strength is to be expected.

CONFIDENTIAL

"Of all the tremendous emotions which fill the human breast in the hot desires of battle, we must admit none is so mighty or constant as the desire of the mind for glory and honor."

"In mentioning the danger, the physical strain, the difficulty of getting information, and the friction, we have named those items which in war combine as an element to produce an atmosphere which hinders all activity. With respect to effect, therefore, they can be joined under the collective term of general friction. Is there no soothing oil for this friction? The only remedy - and this is not at the arbitrary disposal of the commander or the field army - is accustoming the army to war.

"Just as the human eye enlarges its pupil in a dark room, drawing in the little light available, slowly and vaguely discerning the objects therein, and finally well orienting itself, so it is with the trained soldier in war; the newcomer is only confronted by the darkness of night, and must accustom himself to the novel condition before being able to act with confidence and efficiency.

"Habit and custom strengthen the body under great strain, the soul in great dangers, and judgment in the face of first impressions."

"No general can supply his army with war experience, and peacetime drills are a weak substitute when compared with the actual experience of war. It is extremely important therefore, that peacetime drills be so arranged that some of the causes for friction occur, and that the judgment, the wisdom, the prudence, and the decision of the individual leaders be tested. Only the experience of war can show how important this is. It is of the utmost importance that occurrences which puzzle and perplex the soldier upon first meeting be experienced by him before actual war. If they have happened to him but once before, he will be somewhat familiar with them when he meets them in actual war. This applies even to physical strains; they must be practiced so that the brain, even more than the body, becomes accustomed to them. In war, a new soldier is very much inclined to view excessive strain as the result of serious mistakes, errors, and nervousness of the command as a whole. This view, which will make him doubly depressed, will not

*Clausewitz does not tell how leaders are to be developed - he merely gives the specifications which leaders must meet. He assumes that unless a man has the inherent qualities of leadership, no amount of training will turn him into a leader. Observer's note.

happen if peacetime drills prepare him for it.

"Another less embracing, but very important means of gaining war experience in times of peace, is to call on officers of other armies, experienced in war. Rarely does peace reign all over Europe, and war never ceases in the other continents. A country which has had peace for a long time should, therefore, always make an effort at getting some officers from these theaters of war, but, of course, only those who have served well. It should also send some of its own officers to these theaters of war so that they may learn actual war. No matter how small the percentage of such officers may appear, as compared with the mass of the army, their influence will be felt. Their experiences, their spirit, the training of their characters will have an effect on their subordinates and comrades. Furthermore, even when they cannot be placed at the head of a mission, they will be considered as coming from among men of authoritative judgment."

RESTRICTED

G-2/2657-220; No. 491 M.I.D., W.D. 11:00 A.M., September 12, 1941

SITUATION REPORTI. Eastern Theater.

Ground: The German attack continues in the Arctic region towards Murmansk.

German forces operating against Leningrad have reduced the area held by the Russians along the Finnish Gulf to the west of the city. Oranienbaum and Peterhof appear to be in Russian hands.

There is no reliable information as to operations in the region south of Lake Ilmen and around Smolensk.

German forces advancing southeastward from Gomel have captured Konotop and continued their advances beyond this city.

Unconfirmed reports from Europe indicate that the Italian Corps has crossed the Dnepr River and established a number of bridgeheads. This crossing would seem to have been effected on the river front between Cherkasi and Kremenchug.

II. Western Theater.

Air: There was no German activity reported over Great Britain for the third successive night.

R.A.F. carried out their first attack of the war on the Baltic port of Rostock and raided objectives in Germany, including Kiel. Le Havre, Boulogne, and docks at Hugesund, Norway, were also objectives.

III. Middle Eastern Theater.

Air: Tobruk was subjected to an Axis attack, as was the Suez Canal area.

Ground: Nothing noteworthy.

RESTRICTED

9/16/41

Mr. Morgenthau today asked me to have **246**
photostats made of these papers, and then
put the originals in an envelope and mail
them back to Mr. Morris.

Mrs. McHugh

48 WALL STREET
NEW YORK

September 13, 1941

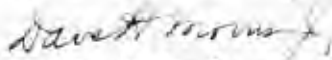
Dear Mr. Secretary:

In accordance with your request I enclose copy of my letter to the President in April 1937, together with copy of the acknowledgment thereto. Attached to the copy of my letter is a summary but I am ashamed to say I do not remember whether or not it was actually sent. However, for the matter at hand, I do not believe this is material but naturally I want you to have all the facts insofar as I know them.

As possibly having some bearing on the matter under discussion I enclose copies of some more recent correspondence. At your convenience may I ask that the copy of my letter of June 5, 1940, and the papers pertaining thereto be returned as time did not allow making copies. If you wish a copy and will return the enclosed to me, I will be glad to have a copy made for you. As to all the other papers you may keep or destroy them as you wish.

It was a great pleasure seeing you yesterday and I very much appreciate the privilege.

Very sincerely yours,



Dave H. Morris, Jr.

The Honorable
Henry Morgenthau, Jr.
Hopewell Junction
Dutchess County
New York

COPY

THE WHITE HOUSE
WASHINGTON

248

June 3, 1941

Dear Dave,

Thanks ever so much for your note of
congratulations. I appreciate your loyal
interest in writing to me.

As ever, yours

Franklin D. Roosevelt (signed)

Dave H. Morris, Jr., Esq.
48 Wall Street
New York City

COPY

May 29, 1941

The Honorable
Franklin D. Roosevelt
The White House
Washington, D. C.

Dear Mr. President,

Congratulations on your Thursday night speech. May I ask you to take vigorous measures to back up in every way the freedom of this hemisphere.

Very sincerely yours,

Dave H. Morris, Jr.
(signed)

250

In case the enclosed letter should meet with more than a routine fate and a summary is desired, the attached may be of help.

COPY

THE WHITE HOUSE
WASHINGTON

251

May 4, 1937

My dear Mr. Morris:

The President, before leaving,
asked me to acknowledge the receipt of
your letter of April twenty-sixth.

Very sincerely yours,

James Roosevelt (signed)

Administrative Assistant
to the President

Dave H. Morris, Jr., Esq.,
19 East 70th Street
New York, N. Y.

ALMONK
NEW YORK

Temporary Address:
19 East 70th Street
New York City

252

April 26, 1937

Dear Mr. President:

As the son of one of your Ambassadors and very loyal devotee, I am reluctant to write this letter--not only do I hesitate to embarrass my father (who does not know I am writing) but also as one brought up in the Southern Democratic traditions I would prefer not to write anything but praise to a leader who has given the party such a great victory after so many lean years. As an undergraduate at Harvard I had the privilege of seeing you at the Fly Club on occasions when graduates returned for visits and I became one of your admirers. On later occasions, whenever I had the privilege of seeing you, my heart was warmed and cheered by the charm of your personality and the brilliancy of your powers of leadership.

On the other hand for the past little while I have been disturbed by what to me seem to be attitudes and measures of yours which may have most unfortunate long range implications. With the high regard for you which I have, I cannot any longer suppress these feelings. To do so would make me merely a flattering and supine courtier and I am sure you would not ask that I be such a one.

To make democracy work, the processes of government by democratic methods must be continually used. Otherwise they atrophy, and even though the forms are continued, the substance is gone. For instance, how can the substance of democratic government continue when the political whip is in constant use, and any one voicing an independent opinion is, at least politically, "shot at sunrise"? While any party system of government can actually be carried on only with a certain amount of party loyalty and some amount of party discipline, yet on the other hand, once party discipline is used liberally rather than very sparingly, free speech and free

voting (in all but a technical sense) actually tend to be eliminated. In their place there is substituted obedience to The Leader, starting at the top and going all the way down and throughout the entire frame of our government. Such conditions hardly seem propitious for the development of a virile democracy,--in fact it would appear, except in the case of a few genuinely broad gauged individuals, to foster a regime of petty tyrants throughout the length and breadth of our land.

Is it not important to keep in mind that our population is still far from assimilated? Many of them do not even use English in their ordinary conversation. Their conceptions of government in many cases are still steeped in ideas of old world autocracies. If they see our leaders continually short-cutting democratic practices, even though it is done in the name of emergency or of expediency, how can we expect them to do otherwise than follow such an example?

With respect to emergencies;--it is generally admitted that when such genuinely exist, power must be concentrated in one man or in a small group of men. But emergencies do not continue indefinitely although pressing problems of one kind or another are, inherently, always with us. In the last campaign you clearly showed that our party during its three and a half years in office has rescued the country from the emergency in which it was when you took your presidential oath on March 4, 1933. Is it not vital that this now be recognized and that the country return to the use of regular processes of democratic government?

With respect to expediency;--when reforms are obviously urgent and short-cut methods are available, we are all subject to the constant temptation of feeling that the end justifies the means. But here again, is not the inevitable result the weakening of the practice of active democracy?

If practical democracy is to continue, the traditionally proved processes of democracy must be employed vigorously from top to bottom. Of late, it seems to me, they have been rather sadly neglected. To define such imponderables is difficult; nevertheless,

without trying to be too precise, should not all definitions of liberal democracy include at least the following?

- (1) Constant and regular use by the President of a real advisory board, such as, for instance, a revitalized cabinet or a selected and recognized group of party leaders. Human experience seems to point to the fact that, when a leader does not regularly consult with a duly designated and properly constituted group of associates but, on the contrary, only consults informally with those of his own choosing (who all too soon are apt to become either just "yes men" or discarded "brain trusters"), the final results are nearly always disastrous;--even if this latter system should work, it certainly is not democratic.
- (2) Real protection of all minorities, not just those liked.
- (3) Genuine recognition of the principle of "majority rule" even when the vote is temporarily adverse. In such cases the truly democratic method of education, not "turning on the heat", should be used in seeking to change the opinions of those involved.
- (4) Insistence upon all groups being made to realize that with privileges go commensurate responsibilities and that, when an agreement is made, both sides, rather than just one, must be subject to discipline in cases of breach.
- (5) Equal application of the rules of proper conduct to both sides in a controversy, not merely to the friendly side at a particular moment. For example, if some organizations must account for the use of their funds, all organizations should do so.
- (6) Determined elimination of the evils, complications and inefficiencies of bigness and absentee management which apply not only to private organizations but also to public ones and to government.
- (7) Realization of the fact that in government, as in private affairs, attempts to reconstruct over night often produce worse evils than those set out to be cured.

Careful planning, on the other hand, should be energetically pursued, and ^{made} experiments/ and plans carried out as rapidly as possible. It is worth recalling Lincoln's statement:

"My countrymen, one and all, think calmly and well upon this whole subject. Nothing valuable can be lost by taking time. If there be an object to hurry any of you in hot haste to a step you would never take deliberately, that object will be frustrated by taking time; but no good object can be frustrated by it."

I hope you will not resent my temerity in urging you to think upon these ideas in their broadest sense and to consider their fundamental long term implications rather than to pick them apart by sentences or phrases. If you approve the merit in them I am sure that with your gift for leadership you can blaze an immortal trail in the annals of statesmanship by teaching our people, through actual example, the way of making progress by democratic methods.

In any event, I send you all good wishes for success in leading this nation in such a manner that the life of its people may be fuller and richer for a long time and not for what, in terms of history, might turn out to be only a "flash in the pan."

Very sincerely yours,

Dave H. Morris, Jr.

Honorable Franklin D. Roosevelt
White House
Washington, D. C.

S U M M A R Y

256

April 26, 1937

To: The President

From: Dave K. Morris, Jr. (son of Ambassador to Belgium)

Because of (a) personal affection and high admiration for you; and
(b) position of Father (who does not know I am writing),
I would like to say only the nice things. However, that would be the act of a
supine courtier, which it is felt you would not want.

If real democracy is to continue, the processes of government by democratic
methods must be continually used; otherwise they atrophy in substance even though
the form continues. Admitting the need for some party loyalty, the political whip
should be used as little as possible instead of almost constantly, as appears to
have been done for several years. Present practice of forced loyalty to the leader
destroys democracy in the rank and file and sets up petty tyrants throughout the
land no matter how enlightened and sincere the senior executive (about which there
is no question).

While in the last campaign, you showed that the emergency was over although, of
course, many reforms are still needed. Now act on this and clearly differentiate
emergencies from the regular, though pressing, problems which inherently are always
with us. Do not continue to yield to the temptation that the means justify the end.
If you do, we may have a physically pleasant land, but true democracy will have dis-
appeared.

To keep democratic processes of government vital, at least the following proce-
dures must be used:

- (1) Constant use by the chief executive of a regular and recognized advisory board
instead of just informal consultations with friends, who tend to become either "yes
men" or discarded "brain trusters". Even if this method should work, which seems un-
likely, it is not democratic.
- (2) Real protection of all minorities, not merely favored ones.
- (3) Recognition of majority rule even when adverse. Change of opposition opinions
by democratic methods of education--not "heat".
- (4) Insistence upon all groups realizing that with privileges go responsibilities,
and that bargains must be kept by both sides.
- (5) Equal application of proper conduct to all groups. e.g. if some organizations
must submit financial statements, all organizations should do so.
- (6) Elimination of the evils of higness and absentee management in government as in
private business.
- (7) Avoidance of over night reconstruction which often produces worse ills than those
sought to be cured.

Urge you to use your gift for leadership to blaze a trail of real democratic state-
manship by showing, through actual example, how to make progress by the use of demo-
cratic not autocratic methods.

Best personal wishes for your success in leading our people to a fuller and richer
life for a long time rather than for just a few short, though pleasant, years.

*When convenient
kindly re turn
but this is no hurry*

REC'D JUN 29 1940

THE WHITE HOUSE
WASHINGTON

257

June 27, 1940

Dear Mr. Morris:

The President has directed me to thank you for your letter of June fifth together with enclosure.

I am sure you know how much he appreciates your courtesy in writing.

Very sincerely,

James Rowe Jr.
James Rowe, Jr.
Administrative Assistant
to the President

Mr. Dave H. Morris, Jr.
Bank of New York
48 Wall Street
New York, New York

(Not for office use)

COPY FOR CORRESPONDENCE FILES ONLY

258

(To be initialed by Signing Officer)

June 5, 1940

Honorable Franklin D. Roosevelt
President of the United States
The White House
Washington, D. C.

Dear Mr. President,

In view of the wide long range point of view you have and have had on world affairs and their effect on us, and in view of the lack of public support with which you have generally been met on this subject, I enclose copy of a letter I have sent each of my Senators and Representatives.

If there is anything further of a concrete nature that I can do to assist in this emergency, please let me know.

Very sincerely yours,



Dave E. Harris, Jr.

Armonk
New York

259

June 5, 1940

Senator Robert F. Wagner
United States Senate
Washington, D. C.

Dear Senator Wagner,

"The best Defense is a good Offense"
"If we don't hang together we'll hang separately"

At the time of the first World War we eventually came to realize the fundamental and important meaning of the above quotations. However, shortly after the military phase was settled we decided to withdraw into our shell and take no responsibility for anything in the world outside of our continental borders. We forgot that gangsters and pirates - either individuals or nations - not only disregard the theory of leaving alone those who "tend their own knitting" but consider them fair prey and "juicy morsels".

At the time of the last World War I had the idealism that certain things were worth fighting for. As a result I was in the infantry at the age of 18. Between the end of the World War and today, many people have apparently decided that nothing is worth fighting for. They seem to forget that our present enjoyment of all the real moral values - such as freedom of speech, of religious worship, or elected representatives, etc., was obtained only as a result of the fighting which our forbears did. If we are going to maintain what we cherish we probably have got to fight again. Personally, while I am now 40, have a wife and 3 children, I still have enough idealism left to fight in the front lines to defend our heritage of Freedom, and my health is such that I'd pass any Army physical examination.

Since these problems are being given much thought these days, I have taken the liberty of writing at some length - and I am taking the further liberty of enclosing an article whose recommendations, as a minimum, I ask that you urge be carried out.

As a final word, let me remind you that most of the warnings during the past few years of so-called "alarmists", including President Roosevelt, - have now turned out to be far too mild.

Yours very truly,

Dave H. Morris, Jr.



THE COMMANDANT OF THE UNITED STATES COAST GUARD

WASHINGTON

13 September 1941.

MEMORANDUM FOR - The Secretary of the Treasury

As a result of the President's speech on the night of 11 September 1941, I held a conference with Coast Guard officers at 10 a.m., 12 September 1941, to determine what steps should be taken in the Coast Guard to carry out the policy set forth by the President.

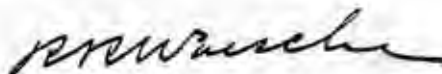
Certain procedure having been decided upon, I prepared a memorandum to the Chief of Naval Operations covering the instructions proposed to transmit to Coast Guard vessels on the Atlantic and Gulf coasts, and then held a conference with Rear Admiral R. E. Ingersoll, U.S.N., Assistant Chief of Naval Operations. Admiral Ingersoll then gave me a copy of the Navy secret plan for Western Hemisphere defense. The instructions prepared by the Coast Guard, with a few minor alterations suggested by Admiral Ingersoll, were then placed in message form for the approval of the Secretary of the Treasury before transmission.

At 4 p.m., 12 September 1941, the Secretary of the Treasury called the Commandant on another matter, and he was advised of the proposed instructions to Coast Guard vessels. As the Secretary was then leaving his office to depart from Washington, he directed the Commandant to meet him at the Naval Air Station, Anacostia, to give him further information. This was done. The Secretary then, at 4:40 p.m., called the President by telephone from the Naval Air Station, and the President authorized the Secretary to have the Commandant issue the proposed instructions, upon approval of the Acting Chief of Naval Operations (Admiral Ingersoll). The Secretary then departed, by plane, for New Hackensack, New York. The Commandant returned to his office and prepared the necessary dispatches, and took them personally to Admiral Ingersoll in the Navy Department, who had waited in his office to O.K. the messages. The messages were O.K'd, enciphered, and transmitted, about 10 p.m.

Copies of the messages are hereto attached.

MEMORANDUM FOR - The Secretary of the Treasury

On Saturday, 13 September 1941, the Commandant left Washington, by plane, at 8 a.m., and proceeded to the Secretary's farm at Fishkill, New York; arriving there at approximately 10:15 a.m. The Secretary O.K'd. the messages which had been sent, and the Commandant returned to Washington.



R. R. WAESCHE
Rear Admiral, U.S. Coast Guard,
Commandant.

U. S. COAST GUARD
OFFICIAL DISPATCH
TRANSMIT

264

DATE 12 SEPTEMBER 1941

FROM COMMANDANT US COAST GUARD
~~US COAST GUARD HEADQUARTERS~~
COAST GUARD HEADQUARTERS

SECRET

TO (FOR ACTION)

HAMILTON — SPENCER

UNLESS DESIGNATED OTHERWISE TRANSMIT THIS DISPATCH AS NITE

TO (FOR INFORMATION)

XX	CODE
XX	CIPHER
XX	ACKNOWLEDGE
	PRIORITY
	ROUTINE
	ACKNOWLEDGE
	PRIORITY
	ROUTINE

MAIL TO

TELEPHONE TO

MESSENGER TO

OUTGOING HEADING

SECRET

SECRET

SECRET

TEXT

FOLLOWING MESSAGE SENT TO ALL CUTTERS ATLANTIC AND GULF COASTS QUOTE PAINT ALL VESSELS
WAR COLOR I REDUCE USE OF RADIO TO MINIMUM I DESTROY ANY GERMAN OR ITALIAN SUBMARINE
OR AIRCRAFT SIGHTED WEST OF LONGITUDE 26 REPEAT 26 WEST I TAKE SUCH ACTION AGAINST
HOSTILE SURFACE CRAFT AS MAY BE DEEMED PRACTICABLE AND CIRCUMSTANCES WARRANT I TRAIL
ALL MERCHANT VESSELS IF SUSPECTED OF ACTING AS SUPPLY VESSELS FOR GERMAN OR ITALIAN
AND REPORT MOVEMENTS AND CIRCUMSTANCES TO HEADQUARTERS
NAVAL VESSELS OR AIRCRAFT/UNQUOTE I IN ADDITION THERETO VESSELS OF WEATHER OBSERVATION
PATROL SHALL CRUISE AT NIGHT WITH DARKENED SHIP I KEEP UNDERWAY CONTINUOUSLY AND
CRUISE AT AS HIGH A SPEED AS PRACTICABLE CONSISTENT WITH PATROL SCHEDULE AND KEEP
WITHIN 100 REPEAT 100 MILES OF DESIGNATED WEATHER STATION I IF AUTHENTIC INFORMATION
IS RECEIVED OF ATTACKS ON MERCHANT SHIPS BY GERMAN OR ITALIAN SUBMARINES OR AIRCRAFT
AND SUCH ATTACKS ARE WITHIN REASONABLE DISTANCE TAKE STEPS TO SEEK OUT AND DESTROY THEM

SECRET

SECRET

SECRET

COMDT'S OFFICE

R R W

INITIALS OF "RELEASING" OFFICER.

OPERATOR'S RECORD: **ONE**

OFFICIAL BUSINESS.

U. S. GOVERNMENT PRINTING OFFICE 2-12417

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
First Ten Business Days of July, August, and September, 1941
(July 1-12, August 1-12, September 1-12)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	September	August	July	September over August	August over July	September over August	August over July
Series E - Post Offices	\$ 16,673	\$ 18,311	\$ 21,617	-\$ 1,638	-\$ 3,306	- 8.9%	- 15.3%
Series E - Banks	<u>28,279</u>	<u>33,425</u>	<u>35,792</u>	- <u>5,146</u>	- <u>2,367</u>	- <u>15.4</u>	- <u>6.6</u>
Series E - Total	44,952	51,735	57,408	- 6,783	- 5,673	- 13.1	- 9.9
Series F - Banks	7,225	10,148	10,293	- 2,923	- 145	- 28.8	- 1.4
Series G - Banks	<u>47,064</u>	<u>64,181</u>	<u>70,617</u>	- <u>17,117</u>	- <u>6,436</u>	- <u>26.7</u>	- <u>9.1</u>
Total	<u>\$ 99,242</u>	<u>\$126,064</u>	<u>\$138,317</u>	- <u>\$26,822</u>	- <u>\$12,253</u>	- <u>21.3%</u>	- <u>8.9%</u>

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

September 13, 1941.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - September 1941
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
September 1941									
2	\$ 3,021	\$ 3,385	\$ 1,182	\$ 5,510	\$ 10,077	\$ 6,406	\$ 1,182	\$ 5,510	\$ 13,098
3	972	1,933	585	5,790	8,308	2,905	585	5,790	9,280
4	1,365	2,540	645	4,846	8,032	3,906	645	4,846	9,397
5	1,852	3,689	1,162	10,486	15,336	5,540	1,162	10,486	17,188
6	1,419	3,144	707	4,666	8,516	4,562	707	4,666	9,935
8	2,858	3,032	521	3,549	7,102	5,890	521	3,549	9,960
9	973	2,013	528	1,532	4,073	2,987	528	1,532	5,046
10	1,479	2,883	975	4,984	8,841	4,362	975	4,984	10,320
11	1,422	2,657	484	3,168	6,309	4,079	484	3,168	7,731
12	1,312	3,004	436	2,536	5,975	4,316	436	2,536	7,287
Total	\$ 16,673	\$ 28,279	\$ 7,225	\$ 47,064	\$ 82,569	\$ 44,952	\$ 7,225	\$ 47,064	\$ 99,242

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

September 13, 1941.

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

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



FIELD ORGANIZATION *News Letter* ²⁶⁷

DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT, WASHINGTON, D. C.



September 13, 1941. NUMBER 17.

Burlington, Vermont

TO THE FIELD STAFF:

We are now into the fifth month of the Defense Savings Program. It is wise to review those methods which have made possible the ownership of the securities by many Americans. More than forty million pieces of merchandise—individual bonds of the three series and stamps of the five denominations—have been purchased. Far more will be purchased as the convenient, systematic and automatic marketing methods we are using become established and are explained in every locality throughout the land.

Brief comments on these methods - which, of course, supplement the national, state and local plans of widespread advertising and education - follow:

Payroll allotment. This plan is very popular and will account for an increasing number of bond owners as well as a growing percentage of volume of total sales. In Canada, where an effort somewhat similar to our own has been in operation for twelve months, we are advised that more than 60% of the sales are being made through this plan. Our committees are gearing themselves for greater activity in establishing these plans and for giving regular service to those plans now in operation. Stamp banks. This month will see a great increase in the number of stamp outlets. Hundreds of thousands of retail stores will join in a great effort to market stamps systematically. Likewise, the opening of schools - where thrift and saving for defense will be taught - will swell the volume of Stamp Sales. Bank depositors draft plans. These plans and "Buy-A-Bond-A-Week Clubs" are being announced in greater numbers as our local finance committees do increasingly effective work.

The direct sales by post offices, banks, savings and loan groups, plus the Treasury's convenient direct mail purchase plan, are all receiving the stimulating effect of the activities of local committees, which also include the establishment of thrift clubs, savings societies, prizes and the like. This month, the opening of the Fall season should be marked by a substantial increase in the number of Defense Savings security owners.

The Vermont State Committee and members of the Canadian organizations visited this week send greetings to our groups.

Sincerely yours,

GALE F. JOHNSTON

Field Director, Defense Savings Staff

FIELD ORGANIZATION NEWS

New Honorary Chairman

Ralph Carr, Governor of Colorado, has accepted the Honorary Chairmanship of the State Defense Savings Committee for Colorado.

Vermont Organizes

The organization meeting of the State Committee for Vermont was held September 9 in Burlington. This brings to 25 the number of State Defense Savings Committees which have held initial organization meetings.

More State Defense Savings News Letters

New Jersey and Minnesota Defense Savings Committees began publication of monthly News Letters during August.

In Texas, one of the first states to issue its own News Letter, the fourth issue of Texas Defense Savings News appeared during the past month.

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IN THIS ISSUE

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- Missouri Program Gains Momentum - page 6
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- South Carolina News - page 7
- Retailers for Defense - page 8
- What Some Well Dressed Windows Are Wearing - page 9
- Airplane Workers to Have Allotment Plan - page 10
- Other Allotment Developments - pages 10 and 11
- Workers Hear About Allotment - page 12
- Willkie Opens Treasury House - page 13
- Radio Programs - page 14
- "Bonds of Freedom" Program in Miami - page 15
- Bond Sales by States - page 16

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Introducing the members of the

DEFENSE SAVINGS COMMITTEE FOR WISCONSIN

HONORARY CHAIRMAN:

Governor Julius P. Heil

STATE ADMINISTRATOR:

Frank J. Kuhl

CHAIRMAN:

Charles E. Broughton, Editor and
Publisher, Sheboygan Press

SUB-COMMITTEE CHAIRMEN:

Education

John Callahan, State Superintendent
of Public Instruction

Labor

Herman O. Seide, President,
State Federation of Labor

Veteran's Organizations

Frank L. Greenya, Member, National
Executive Committee,
The American Legion

Public Utilities

Lawrence F. Seybold, President,
State Utilities Association

Industry and Trade

Ralph S. Kingsley, Chairman, State
Council of Defense

Banks and Finance

Henry J. Steeps, President,
State Bankers Association

Municipalities

James R. Law, President,
League of Wisconsin Municipalities

Agriculture

Milo K. Swanton, Executive Secretary,
State Council of Agriculture

Women's Organizations

Mrs. George Ritter, Board Member,
State Federation of Women's Clubs

Press

Louis Zimmerman, President,
State Press Association

MEMBERS AT LARGE

Max W. Babb, President,
Allis-Chalmers Manufacturing Co.

Fred H. Clausen, President,
Van Brunt Manufacturing Co.

Michael J. Cloary, President,
Northwestern Mutual Life Insurance Co.

Herbert F. Johnson, Jr., President,
S. C. Johnson & Son Co.

Frank J. Sensenbrenner, President,
Kimberly-Clark Co.

Reuben N. Trane, President,
The Trane Co.

W I S C O N S I N
Pulling Into Mid-Stream

FOLLOWING THE FIRST MEETING of the Wisconsin State Committee on August 20, State Administrator Frank J. Kuhl and the members of his committee have forged steadily ahead, laying the foundation for a soundly-conceived and smoothly-executed program of education and publicity for Defense Savings Bonds and Stamps. Here are a few highlights:

RESOLUTIONS OF ENDORSEMENT passed by many state-wide organizations including: the State Federation of Labor, Loyal Order of Moose, Wisconsin State Elks, Wisconsin Automotive Trades Association, and the Wisconsin Department, American Legion, paved the way for bringing the Defense Savings message to the attention of the local posts and chapters and the individual members of groups which include many civic leaders in the state.

ADOPTION OF PAY ROLL ALLOTMENT PLANS has been another development of far-reaching importance to the program in Wisconsin. Here are some of the larger Wisconsin concerns which have installed Defense Savings allotment plans:

Allis-Chalmers
 Armour Leather Company
 Blatz Brewing Company
 Hardware Mutual Insurance Cos.
 S. C. Johnson and Son, Inc.
 Kourney and Trecker Corp.
 Kohler of Kohler
 Manitowoc Shipbuilding Co.
 Milwaukee Electric Ry. & Transport Co.
 Milwaukee Gas Light Company
 Northwestern Mutual Life Insurance Co.
 Nunn-Bush Shoe Company
 Pabst Brewing Company
 Parker Pen Company
 Joseph Schlitz Brewing Co.
 A. O. Smith Corporation
 Wisconsin Electric Power Co.
 Wisconsin Gas & Electric Co.
 Wisconsin Public Service Co.

These companies alone have more than 50,000 employees. In addition, many smaller concerns are making allotment plans available.

THE ENTHUSIASTIC RESPONSE of workers to these plans is indicated by the following reports: From Kearney and Trecker Corporation: Four days after pay roll allotment plan was installed, 2830 out of 3555 employees had signed up to save \$38,000 per month—nearly half a million dollars a year; from Pabst: One week after plan was introduced and before all departmental meetings had been held, 65% of the employees had enrolled.

* * * * *

The Pate Oil Company of Milwaukee has had printed and is distributing 1,000,000 automobile stickers reading, "Buy Defense Savings Bonds and Stamps."

"HIGHEST" DEFENSE SAVINGS STAMP SALE



Palmer Hoyt, chairman of the State Defense Savings Committee for Oregon, is shown selling Defense Stamps to Charles Zurcher to establish the claim of having made one of the "highest" such sales on record. (The sale was made at Hat Point, elevation 7,000 feet, on the rim of Hell's Canyon on Snake River, in Wallowa County, Oreg.)

MULTNOMAH COMMITTEE ORGANIZES



More than 70 members of the Defense Savings Committee for Portland and Multnomah County, Oreg., attended the committee's organization meeting at the Multnomah Hotel. Pictured at the speakers' table, from left to right: Palmer Hoyt, State chairman; Harold A. Worniser, chairman; Mary Graham Walker; and Georgia Hall, secretary, State headquarters office.

A SEATTLE STAMP BOOTH



Stamp booth of Ferris & Harris, investment house, in Seattle, Wash.

"A UNITED AMERICA CAN NEVER BE DISSOLVED"

One of the three Defense Bond billboards in the Federal Savings and Loan Association in Waltham, Mass.



MISSOURI MOMENTUM

TO COORDINATE the Defense Savings activities in each county in the state, State Administrator Dan Nee is appointing the presiding county judges "County Coordinators". Each "County Coordinator" will serve as the Chairman of his County's Defense Savings Committee which will be composed of the Chairman of the city and town Defense Savings Committee within his county.

ALL STATE GOVERNMENT EMPLOYEES are enrolling in a systematic purchase program. Pledge Forms, now being distributed, read in part as follows:

"I hereby state that I intend to systematically purchase Defense Bonds or Stamps each month. Effective with pay period September 30, 1941. I promise to buy \$ _____ of Defense Bonds or Defense Stamps \$ _____ through either the bank or postoffice".

THE PARADE of the Missouri Department of the American Legion included a special Defense Savings Section. State Administrator Dan Nee and Deputy Administrator Earl H. Shackelford attended and addressed this large convention. They reported that 50,000 Defense Bond folders were distributed; posters and cards prominently displayed in all hotel lobbies, meeting halls, and other public places; and appropriate resolutions adopted by both the Legion and the Legion Auxiliary.

AT BREAKFAST MEETINGS in all of the larger cities of the State insurance men will be coached in the presentation of the Defense Savings Payroll Allotment Plan to workers and employers. Administrator Nee has been informed by the Missouri "Life Underwriters Committee for National Defense Savings" that it is the intention of insurance men to personally call upon every business firm in the State and "sell" the allotment plan.

HIGHLIGHTS:

*** The Staley Milling Company of Kansas City is now giving away a Defense Bond Album containing a 25¢ Defense Savings Stamp with every ten pound bag of its feed.

*** In Coffey, the Coffee Manufacturing Company with 246 employees reports 100% participation in its allotment plan.

*** The Gist Cabinet Company of St. Louis has given all employees albums containing \$2. in Defense Stamps as part of a plan to encourage systematic saving.

*** The Farmers Alliance Assurance Company offers its field men prizes in Defense Stamps.

*** In Boonville, a man trying to give up smoking is penalizing himself every time he spends any money for tobacco by putting at least an equal amount in Defense Savings Stamps.

Highlights From Other States:

NORTH CAROLINA

CITY EMPLOYEES in Winston Salem have been informed that they can invest in Defense Bonds through salary allotment. Major Richard J. Reynolds, in a folder entitled "The Facts About Voluntary Systematic Savings" says:

"I believe that you all want to help our Government in its Defense Program...In order to make this possible your Mayor and Board of Aldermen have decided upon a plan of voluntary systematic saving available to all city employees."

A series of meetings have been held at the City Hall and at police and fire stations to bring full information about the Defense Savings Program to all municipal workers.

"100% FOR DEFENSE SAVINGS" proudly report these five concerns: Kerr Bleaching & Finishing Works, Inc., (369 employees), Lexington Chair Company (150), Lexington Shirt Corporation (150), Siceloft Manufacturing Company (175) and United Furniture Corporation (262).

ALL BANKS in Lumberton are advertising: "Join the Army of Bond a Month Buyers—any Lumberton Bank will accept your subscription and charge your account monthly."

SOUTH CAROLINA

EVERY TEXTILE MANUFACTURING PLANT in Greenwood has adopted a Payroll Allotment Plan and has set up a Defense Savings organization to carry on an active and intensive educational campaign.

EVERY BOY SCOUT in Lancaster County has received from the local Committee there a Defense Bond Album containing the first stamp. Reports indicate that the scouts are enthusiastically adding stamps towards their first Bond.

HOW BASEBALL DEFENSE BOND DAY was celebrated in Charleston: The ball park was attractively decorated: boy scouts distributed Bond Leaflets: the Charleston police band furnished music: and five \$25.00 Bonds contributed by the Retail Merchant's Association, the Elk's Lodge, and the Baseball Club, were awarded to the winning pitcher, to two players making the longest hits, and to two spectators, the Bonds being presented by Admiral Allen, Commanding Officer of the Charleston Navy Yard and Col. Pierce, Commanding Officer of Fort Moultrie.

"TIP IN STAMPS!" The Travelers Protective Association, with headquarters in this State, has asked its members to use Defense Stamps as tips.

DEFENSE STAMPS WERE PRIZES at the Anderson County Fair.

RETAILERS FOR DEFENSE

As you read this NEWS LETTER, Retailers For Defense Week is in full swing. By Monday, September 15, at least 500,000 retailers in every city, and, we believe, in every town and village, in the nation had Defense Stamps on hand for their customers and were boosting their sale through newspaper ads, window displays, especially decorated Stamp booths, and in many other ways.

A Presidential Proclamation designating the week as "Retailers For Defense Week";

Special radio programs;

Parades - for example, a big one in Canton, Ohio;

Many large dinner meetings - for example, those in Pittsburgh, Pa., Detroit, Mich., Des Moines, Iowa, Portland, Oreg., Los Angeles, Calif., Hartford, Conn., and Washington, D. C.;

And many other activities dramatized the beginning of a united and continuing effort on the part of retail merchants of all kinds to make their customers aware of the importance of thrift and saving in this time of national crisis.

Some of the many slogans put in circulation during the week:

"Defense Stamps are as near to you as your corner grocer."

"Change for Defense"

"Let Uncle Sam Keep the change."

"When you buy anything, any time, at any store--buy Defense Savings Stamps, too!"

* * * *

AD MEN COMPETE TO SEE WHO CAN GIVE DEFENSE BONDS BIGGEST BOOST

From Duluth comes an original idea for promoting Defense Bonds. Through the cooperation of the Duluth News Tribune and the Duluth Herald, advertising writers are competing for a handsome prize: A trip to Washington and a Defense Bond, presented to them at the White House.

Here is the plan of the contest.

Various Duluth firms will publish ads on Defense Bonds. Readers will vote by ballot to determine which ads are deemed most effective. (Readers will also compete for Defense Stamps by writing letters telling why they believe a particular ad to be effective.)

The writers of the winning ad will receive the trip to Washington and the Defense Bond prize.

BOND POSTERS GOING OUT AND UP

Boy Scouts in Muncie, Ind., receive final instructions on poster distribution from James Clawson, chairman (center), and Lester C. Hush, executive secretary, of the Delaware County Defense Savings Committee.



WHAT SOME WELL-DRESSED WINDOWS ARE WEARING THIS SEASON



Schuster's, a leading Milwaukee department store company, features defense savings windows in its three stores. Display pictured here is in its Third Street store.



Prime-winning display in context sponsored by the Advertising and Sales Association of Spokane, Wash.

ALLOTMENT DEVELOPMENTS
(Continued)

In Hawaii, pay roll allotment plans have been installed by the von Hamm-Young Co. Ltd, and the Hilo Tribune-Herald (which reports 100% participation). . . . John Owens, representative of AF of L unions in Hawaii, has expressed keen interest in the plan and is appearing before meetings of various unions, urging them to petition their employers to institute such a program.

Hat workers in South Norwalk, Conn. are enrolling in the Hat Corporation of America's allotment plan.

The Third National Bank of Nashville, Tennessee has installed an allotment plan and, to encourage systematic saving, has announced that it will contribute Bonds or Stamps equivalent to 25% of the Defense Savings investment of any employee.

Botany Worsted Mills - with 6300 employees - pioneered the Defense Savings salary allotment plan in New Jersey. Both front and back covers of the April issue of their employee magazine featured Defense Savings. Col. Charles F. H. Johnson, President, was prominent in the Liberty Loan drives.

"In every state in the Union, employees of Lever Brothers Company are subscribing to the Defense Savings Bond Program through our pay roll allotment plan," reported I. J. McInerney, company paymaster.

Swift & Company employees are currently investing in Defense Bonds at the rate of more than one-half million dollars a year through that concern's allotment plan. . . . Defense Bonds are used as awards in the company's employee suggestion plan.

First concern in Memphis to report "100% for Defense Savings" is Flough, Inc. All of its 587 employees are participating in an allotment plan and have subscribed for more than \$27,000 worth of Defense Bonds.

Extension to the offices of general agents throughout the country of the Defense Savings Salary Allotment plan now in operation in the home office in Hartford has recently been announced by Aetna Life Insurance Company.

The first non-banking concern in Nevada to install a Defense Savings allotment plan is the Consolidated Copper Mines Corp. of Kimberly, Nevada.

DISTILLERS 100% All permanent employees of the James S. Pappas plant of Schenley Distilleries, Inc. in Lexington, Ky. have enrolled in the firm's Defense Savings pay roll allotment plan. . . . 50% of the employees of the corporation's limestone plant, and 63% of the personnel of the Bernheim plant in Louisville, have also taken advantage of the plan. The firm's house organ, "Remarks of Merit," carries many pictures of employees signing up to buy Bonds.



Employees of the Waterville Iron Works, Waterville, Maine, shown above as they stopped work long enough to hear about the Defense Savings allotment plan, were one of the first groups in that State to enroll as regular defense savers.

ONE DEFENSE WORKER TO ANOTHER



George Tsopp, employee of Allis-Chalmers, key defense plant, learns of another way to help.

STRAIGHT FROM THE SHOULDER



Hans Turrian of the Pabst Brewery must have been saying, "Now get this, fellows," when this picture was snapped. Small meetings like this held throughout the Pabst plant have given all workers their full information about the Defense Savings program and pay-roll allotment.

ALLOTMENT CLICKS



George Loth and Theodore Trecker of the Loth & Trecker Corporation, Milwaukee, after returned allotment authorization. Smiles indicate satisfaction with the workers have accepted the plan.

WENDELL WILLKIE OPENS NEW YORK'S "TREASURY HOUSE"

Addressing a crowd of more than 2,000 people, assembled in Rockefeller Plaza September 3 to see and hear the ceremonies which marked the opening of New York City's Treasury House, Wendell L. Willkie made an address which was broadcast over a nation-wide radio hook-up.

"We have talked much of late in America about the necessity of united action and of sacrifice," he said. "All Americans, whether they are isolationists, internationalists or interventionists have pledged themselves to the building of a great defense system in America. This is the first sacrifice, this is the first offering that we have been asked to make. And what an insignificant sacrifice it is, to buy the best security in the world in order to have the United States crush totalitarianism in the world.

"Many Americans today are engaged in the process of excuse thinking. They say: 'Yes, I'm against totalitarianism, I'm in favor of the United States building a great defense system. Why don't I do anything about it? Because I don't like the administration.' Well, I have expressed my opinion about the Administration many times and in diverse positions.

"But do you think it does a Frenchman any good today, as he lives in enslavement and in poverty and in degradation, to recall that back at the time that France needed help he did not then like the Administration in France and held back in making France at that time strong? Other people say they do not want to help in this particular program because they do not like the fiscal expenditures of our government aside from defense. I don't like them either, but is that going to save America if I hold back in building a defense because I don't like something else that's done?

"Let me say to you quite deliberately that in buying any of these Defense Bonds or any of these Defense Stamps you are buying the best security that can be bought because, if the obligations of the United States of America ever become obligations of little value, then nothing else in this country will have any value.

"Fellow Americans, whatever may be your political viewpoint, — Democrats, Republicans, Socialists, isolationists, interventionists, internationalists, — I call upon all of you to rally to the cause of America at this time and provide the funds necessary to save this democracy for ourselves and our children.

"I would rather own a bond of the United States as part of an indebtedness of \$150,000,000,000 with Hitler out of the world than a bond of the United States which is part of a \$150,000,000,000 debt with Hitler still in the world."

* * * * *

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DEFENSE SAVINGS ON THE AIR
Radio Program For Coming Week

Tuesday, Sept. 16 FOR AMERICA WE SING 7:30-8:00 P.M. (EST)
NBC Blue Network

Symphony Orchestra conducted by Dr. Frank Black with the NBC Choir.
GUEST STARS: Jean Dickenson and Jan Pierce.

* * * * *

Wednesday, Sept. 17 MILLIONS FOR DEFENSE 8:00-9:00 P.M. (EST)
CBS Network

With Barry Wood, Al Goodman and his Band and Ray Block's Choir.
GUEST STARS: Kate Smith, Mistress of Ceremonies, with
Edgar Bergen, Charlie McCarthy and Greer Garson

* * * * *

Saturday, Sept. 20 AMERICA PREFERRED 8:30-9:00 P.M. (EST)
Mutual Network

Symphony Orchestra conducted by Alfred Wallenstein. Deems Taylor
Commentator.
GUEST STAR: Ezio Pinza

* * * * *

Minneapolis and St. Paul Defense Savings Committees will compete
September 29, on the radio "Quiz of Two Cities" program.

* * * * *

The "Man on the Street" radio program in Amarillo, Texas, is now
giving Defense Stamps as prizes instead of dimes and quarters.

* * * * *

"I BELIEVE IN AMERICA"

"I would buy United States Savings Bonds and Stamps
because I want to invest my money prudently, protect
my future securely and support my country patriotic-
ally--in short, demonstrate practically that I BELIEVE
IN AMERICA."

This was the answer to the question posed by the Advertising and
Sales Association of Spokane, Washington, which won first prize - a \$50.
Defense Bond - in the organization's essay contest. More than 500 entries
were reviewed by the judges, Raymond P. Kelley, president of the Chamber
of Commerce, Mrs. Georgis Scott, member of the school board, and Joseph
Bailey, president of the First National Bank.



Florida leaders who addressed this gathering, from left to right: State Administrator John Fahs, State Chairman Linton Allen, and Deputy State Administrator Karl Lehmann.



"Bonds of Freedom" pageant and musical program was presented August 25 in Bayfront Park, Miami, before an audience of 5,000 people.

TWO MORE START TOWARD BOND OWNERSHIP



— Many Defense Savings Stamps were sold during the evening at four stamp booths, one of which is shown at the left.

CHERRY FESTIVAL FLOAT
FEATURES DEFENSE STAMPS



Local stores in Traverse City, Mich., sponsored this float in the recent Cherry Festival parade in that city.

SERIES E BOND SALES BY STATES

Figures, by states, on the sale of Series E Bonds, - popularly known as the "people's bond," - for May, June and July were announced by the Treasury Department September 8. This is the first breakdown by states made public since inauguration of the Defense Savings Program last May. Records are kept by states for the Series E Bonds only, and not for Series F and G Bonds.

The breakdown by States for Series E Bonds for May, June and July, 1941, on the basis of issue price:

<u>State</u>	<u>Total</u>	<u>State</u>	<u>Total</u>
Alabama	\$2,411,000	Nevada	\$305,000
Arizona	1,218,000	New Hampshire	1,044,000
Arkansas	1,571,000	New Jersey	15,789,000
California	21,476,000	New Mexico	402,000
Colorado	2,640,000	New York	76,077,000
Connecticut	6,471,000	North Carolina	2,861,000
Delaware	731,000	North Dakota	775,000
District of Columbia	3,995,000	Ohio	17,629,000
Florida	4,164,000	Oklahoma	3,552,000
Georgia	3,056,000	Oregon	4,708,000
Idaho	734,000	Pennsylvania	23,199,000
Illinois	26,481,000	Rhode Island	2,293,000
Indiana	6,194,000	South Carolina	1,586,000
Iowa	4,564,000	South Dakota	771,000
Kansas	3,116,000	Tennessee	3,203,000
Kentucky	2,974,000	Texas	17,817,000
Louisiana	3,230,000	Utah	859,000
Maine	1,891,000	Vermont	856,000
Maryland	4,492,000	Virginia	3,970,000
Massachusetts	15,646,000	Washington	6,013,000
Michigan	13,341,000	West Virginia	2,049,000
Minnesota	5,998,000	Wisconsin	7,414,000
Mississippi	1,818,000	Wyoming	559,000
Missouri	12,370,000	Alaska	12,000
Montana	1,346,000	Hawaii	380,000
Nebraska	2,240,000	Puerto Rico	48,000

Total Sales by Months

May	\$100,581,000
June	\$102,517,000
July	\$145,274,000

DEFENSE SAVINGS STAFF

ADVANCE SCHEDULE OF RADIO PROGRAMS

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SATURDAY - SEPTEMBER 13, 1941.

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

Program: Truth or Consequences

Station: WRC and NBC Red Network

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

Program: National Barn Dance

Station: WRC and NBC Red Network

Time: 8:30 - 9:00 P.M.

Program: "America Preferred"
with Deems Taylor as
Narrator, Lotte Lehmann,
guest soloist, and Alfred
Wallenstein's Orchestra
conducted by Mr. Wallenstein.

Station: WOL and MBS Network

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.

TREASURY DEPARTMENT
United States Coast Guard
Washington

284

S I G N E D

13 September, 1941.

From: Syagent, Shanghai, China.
To: Mr. Foley.

The meetings of generally licensed bankers here indicate a genuine attempt to carry out the recently announced stabilization board arrangements. The last three days there were no reported open market transactions. Pending a fair trial of new arrangements and an opportunity to iron out the sore spots which will soon be presented to the board, I strongly recommend against proposed modifications of general licenses 58, 59, and 61 requiring financing all imports exports through Central Bank, which modifications would in my opinion have a seriously disturbing effect on the Shanghai market. As to the Chinese banks, I am not prepared to recommend any immediate change in the list as no concrete evidence that any current damage has been done by the inclusion of those not on the British list. I will continue to study this situation. Smith of the Consulate General is working with me. I request that I be authorized to sail from here direct to Manila by such ship leaving the end of the month to give maximum time before the October 3rd

(signed) AARONS

TO THE
TECHNICAL
OFFICE OF
NAVY
SEP 12 1941
NAVY DEPT
WASHINGTON
COPY: 61:9-13-41

C
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P
Y

DEPARTMENT OF STATE
WASHINGTON

285

In reply refer to
EA

September 13, 1941.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses one copy of telegram No. 629, dated September 6, 1941, to the American Consul, Shanghai, China, in regard to the request of the United States Government that all friendly foreign banks in China give their full cooperation to the Stabilization Board of China.

Enclosure:

To Consul, Shanghai,
No. 629, September 6,
1941.

C
O
P
Y

TELEGRAM SENT

GRAY

September 6, 1941

5 p.m.

AMERICAN CONSUL

SHANGHAI (CHINA)

629

United States Government, in conjunction with British Government, is requesting all friendly foreign banks in China (including those covered by General License No. 59 under freezing orders) to give their full cooperation to the Stabilization Board of China. All banks named in General License No. 59 have been notified except Underwriters Bank for the Far East, Inc., and Moscow Narodny Bank, Ltd. Please advise these two banks of foregoing and endeavor to obtain assurance of their cooperation. Report results by cable.

The following is a press release issued today by the Treasury Department:

The Secretary of the Treasury today announced that the United States Government had requested banks in the Far East to give their full cooperation to the newly created Stabilization Board of China. The British Government is taking similar action. Included among the banks whose cooperation was asked were those named in General License No. 59 issued under the freezing orders.

This measure, the Secretary stated, was in harmony with previous measures taken by the American and British Treasuries in the field of

monetary cooperation with China. Both the United States and Great Britain have previously entered into stabilization agreements with China whereby dollar and sterling exchange have been made available to the Stabilization Board of China. Such Board was established recently by China and consists of three Chinese, an American appointed by China on the recommendation of the Secretary of the Treasury, and a British national appointed on the recommendation of the British Treasury.

HULL
(HF)

EA:HF:PAK PA/H

Copy:hbr:9-15-41.

BS

GRAY

Shanghai via N. R.

Dated September 13, 1941

Rec'd. 10 P.M.

Secretary of State,
Washington.

1268, September 13, noon.

Referring to Department's 629, September 6, 5 p.m. United States Government's request was duly reported to Underwriters Bank for the Far East and Moscow Narodny Bank, Limited both of which have now replied in writing pledging full cooperation with stabilization board.

Sent to the Department. Reported to Hong Kong.

LOCKHART

PEG

KD

GRAY

Hong Kong via N. R.

Dated September 13, 1941

Rec'd. 7:56 a. m.

Secretary of State,
Washington.

360, September 13, noon.

STRICTLY CONFIDENTIAL.

FROM FOX TO THE SECRETARY OF THE TREASURY.

"Re your 206 of August 26 question 3. Fuhua Trading Corporation informs Chen this year 1500 piculs silk (about 200,000 pounds) can be exported to the United States. Next year exports to the United States should be 5,000 piculs after allowing for piculs 1000 to Russia and 2000 to Britain. Tsou, vice-chairman of the Foreign Trade Commission reports the above estimates very conservative. He believes with a little readjustment piculs 3,500 can be exported to the United States this year and over 10,000 next. Detailed report following by air mail. Report on your 206 question 4 in preparation."

SOUTHARD.

PEG

PARAPHRASE OF TELEGRAM RECEIVED

290

FROM: AMERICAN EMBASSY, SANTIAGO
TO: Secretary of State, Washington
DATED: September 13, 1941, 3 p.m.
NO.: 445

CONFIDENTIAL -- NOT FOR PUBLICATION

Congress has been called into special session beginning September 22 by President Aguirre in order to consider a long list of projects including the "new copper taxes" based plan for 1942. I was assured yesterday by Rossetti, however, that the objection to the copper export tax is thoroughly appreciated by him and that the tax which the Government is trying to work out would be, as mentioned in the Department's telegram no. 2930, August 30, along the lines of an excess profits tax. However, the new tax would probably be known as the copper tax as it would frankly be designed to skim off for the Government the increased revenues of the copper companies resulting from any price increases.

It is to be noted, with regard to the President's convocation of the special session, that the Chilean Senate still has under consideration a plan to call, to begin September 20, Congress into special session; Congress would not necessarily be limited to business proposed by the President in adopting this plan, but any and all matters could be considered by it.

BOWERS

COPIX

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TELEGRAM SENT

GRAY

DATED SEPTEMBER 13, 1941

8 p.m.

AMERICAN CONSUL,
BEIRUT, LEBANON.

167

For consideration in connection with your 348, September 5, 9 a.m. and in order to enable Department to answer inquiries which are being received from commercial and other sources concerning exchange in Syria please report what official currency is in circulation and rate of exchange. Please report also what banking facilities are available for exchange transactions and manner in which your official drafts are being negotiated.

HULL
(MBD)

120.34 Cost of Living/1098

FA:FF:AAC

RECEIVED
BUREAU DE L'É

1941 OCT 1 10 20

LBT

GRAY

292

Berlin

Dated September 13, 1941

Rec'd. 2:20 p.m., 15th

Secretary of State,

Washington.

3458, September 13, 1 p.m.

According to an article by State Secretary Reinhardt in the DEUTSCHE VOLKSWIRTSCHAFT total tax on revenue for the current fiscal year will be at least 31,000,000,000 marks, administrative income of the Reich approximately 5,000,000,000 marks, war contributions of the communes 1.4 billion marks and adding the matricular contribution of the protectorate and costs of occupation paid by the occupied countries total income will exceed 40,000,000,000 marks.

Non-military expenditures according to Reinhardt will be approximately 20,000,000,000 marks an unspecified part of which are due to war measures. Including support of soldiers' dependents under military expenditures 20,000,000,000 marks of military expenditures will be covered by income. On the basis of Reinhardt's figures and assuming that the Reich will continue to borrow at the same rate as during the first three months her indebtedness will increase by 56,000,000,000 marks during the current fiscal year making total military expenditures 66,000,000,000 marks.

NPL

MORRIS

eh:copy
9-18-41

TREASURY DEPARTMENT

293

INTER-OFFICE COMMUNICATION

DATE September 13, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	-0-
Purchased from commercial concerns	\$33,000

Open market sterling remained at 4.03-1/2 and there were no reported transactions.

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

Canadian dollar	10-5/8% discount
Argentine peso (free)	.2380
Brazilian milreis (free)	.0505
Colombian peso	.5300
Mexican peso	.2070
Venezuelan bolivar	.2755
Uruguayan peso (free)	.4400
Cuban peso	7/16% discount

In the absence of reports to the contrary, the New York banks believed that the yuan-dollar rate in the Shanghai exchange market remained at approximately 5-11/32¢.

We sold \$5,000,000 in gold to the Central Bank of Argentina to be added to its earmarked account.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$20,067,000 in gold from Canada to the Federal for account of His Britannic Majesty's Government. This gold will be sold to the New York Assay Office.

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BRITISH EMBASSY,
WASHINGTON.

PERSONAL & SECRET

September 13, 1941.

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

R. I. Campbell

The Honourable

Henry Morgenthau, Jr.,
United States Treasury,
Washington, D.C.

COPY OF TELEGRAM FROM LONDON DATED SEPTEMBER 11,
1943

- His Majesty's submarine sank Italian tanker Maya 3,967 tons on 5th near the Lardanelles.
2. His Majesty's ships Kimberley and Cecoy slightly damaged by near misses night 8th/9th leaving Tobruk.
 3. 10th and night of 10th/11th homeward bound convoy of 58 ships heavily (word omitted) by U-boats north east of Cape Farewell; at present 2 ships known torpedoed but no further details. Escorts should now have been reinforced.
 4. Imports into United Kingdom by ships in convoy week ending September 6 totalled 708, 151 tons compared with 319,275 tons in previous week and average 858,293 tons during the past 10 weeks.
 5. 10th. 3 aircraft off southern Norway scored hits with torpedo on largest ship estimated 5,000 tons of convoy of 4.
 6. Night of 8th/9th. 8 Wellingtons again attacked docks shipping at Palermo. Many hits round dockyard, believed 3 large merchant ships damaged, and possible hit on small merchant ship.
 7. 9th/10th. Wellingtons bombed power station and landing stages Messina starting many fires.
 8. Night of 10th/11th majority of 76 bombers including heavy bombers attacked royal arsenal and railway at Turin. One aircraft bombed Genoa, four missing.
 9. Same night 21 enemy aircraft approached Malta but only seven dropped bombs. Night fighters destroyed one bomber only slight damage was caused.

10./

10. G.A.F. Egypt.

Tobruk attacked several times night 7th/8th and 8th/9th and during days following. No ships damaged but some mechanical transport stores destroyed. Mersa Matruh also bombed no damage. Ismailia attacked by 15 aircraft night of 9th/10th; our night fighters destroyed one JU 88.

11. German attack near Murmansk made slight progress. Southwards from Gogol Germans have cut Kursk-Kiev railway. Dniepropetrovsk heavy fighting.

RESTRICTED

G-2/2657-220; No. 492 M.I.D., W.D. 11:00 A.M., September 13, 1941 297

SITUATION REPORT

I. Eastern Theater.

Ground: The German forces of General Dietl have continued to make progress in the direction of Murmansk.

Fighting around Leningrad continues. The encircled Russian troops to the north of Luga have launched a series of counter-attacks. The results of these counterattacks are not known.

There is no information from the Smolensk front.

The German drive southeastward from Gomel towards Kharkov has made further progress. Chernigov, 80 miles northeast of Kiev, is in German hands.

The German bridgehead of Dnepropetrovsk has been further enlarged.

The Axis attack from their bridgehead at Berislav, on the lower Dnepr, is steadily progressing. The objective of this attack is the securing of the isthmus of Perekop, the land bridge to the Crimea.

Air: Germany claims to be continuing heavy attacks on Leningrad and Odessa. Railway facilities in Russia were the main objectives of attacks.

II. Western Theater.

Air: British planes last night operated over Frankfurt and other industrial targets in Germany, as well as Cherbourg and the Port of St. Nazaire.

A renewal of German drives against British airdromes in the Midlands was the main event of the day.

III. Middle Eastern Theater.

Ground: No important developments.

Air: The Suez Canal area was raided during the night of the 11th. British planes attacked Sicily and Benghazi during the night countering Axis attacks on Tobruk and Marsa Matruh, Egypt.

RESTRICTED

Paraphrase of Code Cablegram
Received at the War Department
at 11:48 a.m., September 13, 1941

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London, filed: 3:35 p.m., September 13, 1941

1. British Air Activity over the Continent.

a. Night of September 11-12. The quantity of bombs dropped was as follows: Kiel, 47 tons of HE, 96 - 50 pound incendiaries, 64 - 25 pound incendiaries, and 5000 - 4 pound incendiaries; Rostock, 47 tons of HE, 80 - 50 pound incendiaries, 64 - 25 pound incendiaries and 1000 - 4 pound incendiaries; Warnemunde, 27 tons of HE and 400 incendiaries; and Le Havre, 12 tons of HE.

b. Day of September 12. A total of 485 fighters were employed as follows: 241 in the protection of shipping, 162 on interception patrols, 24 on offensive missions and 58 on special operations. Enemy shipping off the Dutch coast was attacked by 11 Elenheims. In this raid it was claimed that hits were made on a motor vessel of 3000 tons and another of 2000 tons.

c. Night of September 12-13. A total of 161 bombers were dispatched as follows: 130 to Frankfort, 21 to Cherbourg, 5 on sea mining off the Frisian Islands and 5 on sea mining over the approaches to the Kiel Canal. In these operations bad weather was encountered and bombs were dropped by calculating the position of the aircraft over the target.

2. German Air Activity over Britain.

a. Day of September 11. 15 reconnaissance aircraft and 10 long range bombers were employed.

b. Night of September 11-12. 5 fighters and 20 long range

bombers were used.

c. Day of September 12. Operations consisted of defensive fighter patrols and some reconnaissance of shipping, also a few isolated raids over Britain.

d. Night of September 12-13. Night fighters were active over East Anglia. Operations against shipping occurred off Middlesbrough Head, the Farne Islands, in the Bristol Channel and the Thames Estuary.

3. Aircraft Losses Reported.

a. British losses. On September 12, 1 Hurricane and pilot were lost. 2 bombers were unreported from the raid on Frankfurt the night of September 12-13.

b. Axis losses. 1 Me-109 was shot down and 2 Me-109's damaged on September 12. During the night of September 12-13, 2 He-111's were shot down and 1 He-111 probably destroyed by the action of British night fighters.

4. British Air Activity, Other Theaters.

a. Middle Eastern Theater. 6 Wellingtons bombed Benghazi the night of September 10-11. The same night 6 Wellingtons attacked the airdrome at Martuba.

b. Mediterranean Theater. An Axis convoy off the Kerkennah Isles was attacked by 7 Swordfish aircraft the night of September 11-12, hits being claimed on one motor vessel of 8000 tons and another of 6000 tons. The same night 9 Wellingtons dropped 16 tons of HE on Palermo. On the day of September 12, 8 Blenheims 3 of which were shot down by anti-aircraft fire, attacked an

Axis convoy off the Kerkennah Isles. The results of this raid were said to be hits on 2 large motor vessels.

5. Axis Air Activity, Other Theaters.

a. Middle Eastern Theater. Axis aircraft made continuous raids on Tobruk the night of September 10-11. Mersa Matruh was bombed on September 11. Suez was attacked by 13 aircraft the night of September 11-12. One of these was brought down.

LEE

I. B. # 14, 9:40A, 9/15/41

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SEPTEMBER 14, 1941.

FROM: FOX (SHANGHAI)

TO: DIVISION OF INVESTIGATIONS AND PATROL

WELL DEFINED HUMOR LOCAL MARKET EFFECT NEW BLACK MARKET WILL BE
 SET UP MORNING FIFTEENTH NO NEED FOR BOARD OR DEPARTMENT TO
 BE IMMEDIATELY DISTRESSED OVER THIS EVENTUALITY AS UNDERSTAND
 NEW BLACK MARKET WILL BE FOR SOME PURPOSE TO SET OFF SPECULATORS
 OVERBOUGHT POSITIONX OVERBOUGHT ONE MILLION FOUR HUNDRED THOUSAND
 OVERSOLD FOUR HUNDRED THOUSAND SET OFF ONE MILLIONX RATE WILL BE
 FOUR AND ONEHALFX THIS JUST MARKET TALK AT PRESENT AND WILL ADVISE
 YOU LATERX SATURDAY SOME BLACK MARKET TRANSACTIONS WITH FRENCH
 BANQUE DE INDO CHINE PROVIDING COVER FOR BANNED IMPORTSX RATE
 FOUR POINT EIGHT ONE TWO FIVEX FOR ALDER THIS MESSAGE SENT

TO THE RECEIVING
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 OF THE FBI

BY 12 SEP 12 1941

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