

FEDERAL RESERVE BANK
OF NEW YORK

April 8, 1942.

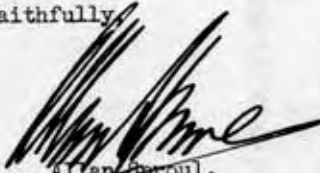
Honorable Henry Morgenthau, jr.,
Secretary of the Treasury,
Treasury Department,
Washington, D. C.

Dear Secretary Morgenthau:

I want to thank you again for the time which you gave me yesterday.

Enclosed is a copy of a letter which I have written, as a result of our conversation, to Mr. W. C. Potter, Chairman of the General Committee of the New York Money Market.

Yours faithfully,



Allan Sproul,
President.

Enc.

FEDERAL RESERVE BANK OF NEW YORK

April 8, 1942.

Mr. R. C. Potter, Chairman,
General Committee of the
New York Money Market,
c/o Guaranty Trust Company,
New York, N. Y.

Dear Mr. Potter:

With further reference to your letter of April 3, 1942, and my acknowledgment of the same date, I now write to advise you that I yesterday presented to the Secretary of the Treasury certain views on government financing, as set forth by the principal member banks in New York City in the memorandum which you sent to me under cover of your letter. I also left with the Secretary a copy of the memorandum and of the list of the principal member banks and of the officers of those banks who approved the memorandum.

The Secretary of the Treasury appreciated the spirit of this communication from the New York City banks, as well as its content. He said that he approved, of course, the intention of the banks so to conduct their operations as to make all of the funds at their disposal most effective in furthering the Treasury's financing program. He made it clear that he wants further to enlist the cooperation of the New York City banks in that program, both directly and in the sale of government securities to investors other than banks. Finally, he said that he would be glad to talk with a committee of the group if it has suggestions to offer regarding the government financing program and the part of the banks in that program, or, if circumstances should permit, he might meet with the whole group at the Federal Reserve Bank of New York for the same purpose.

I think this is a complete response to the views expressed by our banking group.

Yours faithfully,

ALLAN SPRUILL

Allan Spruill,
President.

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ALIANE

APR 8 1942

Dear Eleanor:

Thank you for sending me the letter from Hugh Williams and the article on "Coordinated Administration" that she enclosed.

The plan advocated in the article for the use of non-transferable checks and coupons has some merit although, as the author states, the principal usefulness would be as an instrument of crime detection rather than as an instrument of monetary policy. Such a drastic change in our monetary system would impose a severe burden upon banks, business, and the consuming public, and we believe that there are other and more effective ways of controlling sabotage and subversive activities without making such drastic and inconvenient changes in the monetary system.

The author claims that his plan would assist in the solution of our major monetary and financial problems, but there is no evidence that it would. The plan would not reduce excessive consumer expenditures, and would not assist in preventing inflation. Furthermore, the plan would not provide more consumer savings or loans, nor increase the availability of existing funds to the Government.

I am returning the letter and article to you.

Affectionately,

Franklin D. Roosevelt

Dr. Eleanor Roosevelt,
The White House,
Washington, D. C.

Enclosures

By Messrs. *W. C. Clegg*

3:45

Opinion of Thompson

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THE WHITE HOUSE
WASHINGTON

March 31, 1942

Dear Henry:

What do you think of this plan?

Affectionately,

A handwritten signature in dark ink, appearing to be 'L.H.' or similar initials, written in a cursive style.

LUDIA FOLTIVANOV

Hand-Blocked Apparel and Fabrics
41 East Eighth Street, New York
Telephone: Gramercy 5-4735

March 22, 1942

Mrs. Franklin D. Roosevelt
The White House,
Washington, D. C.

Madame:

I wish to thank you for all the hope and encouragement you gave me in the past, when I had my handblocked printing establishment. I was obliged to give up my handblocked printing business because I could no longer obtain the dyes and chemicals I needed. I have turned my studio into a laboratory for the manufacture of first aid medical pads. I am happy to say that I am able, at this time, to do something more useful than beautifying women and walls.

I wish to tell you how much I admire and appreciate the work you have done in Civilian Defense. I feel that your program was so right and so farseeing, and that it will produce much good fruit from the seeds which you planted. Surely the ancient astrologers were very wise when they attributed to the sign Libra balance, the scales.

It is because I feel so sure that you will understand the value of the ideas contained in this article on the New Economy that I am sending it to you. "Neither do men put new wine in old bottles". The new wine is being poured, and the old bottles of economics are breaking and perishing. The enclosed article is not the outcome of theoretical thinking. The author, Mr. H. H. Giovard Grell, spent eight years putting these theories into practice in France, Switzerland, England, Norway, Denmark and Spain. He organized associations in all of those countries. At the start, they made different rules and regulations for each place, and changed them to meet their experience. In Denmark the thing took a dynamic hold. From May to November of one year they obtained 125,000 new accounts and hundreds of branch offices. Then politics took hold and wrecked everything by law. It took five years to get through the political maze and get going again in the Randers Diskonto Bank in July, 1939. This was one of the largest banks in Denmark, with a circulation of 12 billion kroner per year. In Norway, Sweden, Switzerland and other countries, this "check" circulation has proved itself by being still alive after eight years. In Norway, the Chamber of Commerce made a desperate appeal to the people, through the newspapers, to join the Norwegian ("Giro") Check Association, on the very day the invasion took place. It was too late. The Germans forbade new accounts.

The best proof of the value of this work is that it was started humbly and virtually single-handed, with no propaganda or advertising. Millionaires and paupers, bankers and peasants, merchants and cooperatives, labor unions, communists and conservatives, Latins and Nordics, all have joined in it. According to late reports from Norway, the Germans are doing their best to suppress the Giro Associations and force the German economy on the country; but they have not succeeded.

- 2 -

Mr. H. H. Giovad Grell is of Danish origin. He has been an American citizen for twenty-five years. Two years ago he escaped from Denmark and returned to this country, where he founded the Gyro Balancing Corporation of which he is the general manager. Professor Emeritus of M. I. T., William Hovgaard is president of the corporation, and Professor Emeritus Irving Fisher is chairman. The directors are Col. C. Pascal Franchot, R. Wallis Pumpelly, and E. Perry Holder, president of the Vulcan Iron Works. Mr. Grell is also well known to Col. Peter Bowditch. I have gone into these details about him to give you a picture of one who has had both practical working knowledge of economics and actual experience in putting his theories into practice.

Being a white Russian born, I have seen the collapse of an empire, revolution, war, inflation, etcetera. Through my experiences as a Russian refugee I learned that a string of real pearls has less value than a piece of dry bread. I feel that if Mr. Grell's theories were carried out it would mean the winning of the War, the prevention of the spread of Communism in this and other countries, and the prevention of crime. I feel that the new world order and the new economy are one and the same thing, and that it may be one of your functions to investigate his idea. Its originator will be glad to present all the data of the work done in the Scandinavian countries. It can be set into motion by private, non-profit, PATRIOTIC GROUPS. Mr. Grell does not wish to claim any credit for it. His address is 39 University Place, New York, N.Y.

The result I leave in the hand of God.

Very sincerely,

(Signed) Magda Polivanov

P.S. May I ask you to extend my very best regards to Miss Malvina Thompson?

Copy/MS
L/Wed

COORDINATED CIRCULATION: VICTORY CHECKS AND WAR COUPONS

Building new plants and creating machines and implements for the war does not solve the immediate and urgent question of making use of millions of idle hands, thousands of idle machines and immense quantities of raw material that remain liabilities but could be turned into assets without waiting for months and years.

To take direct advantage of these immense stores of manpower, machinery and materials, we must make use of practical and tried means to literally coordinate them. Methods to this end are known from actual experience.

The few pages attached herewith are not untried ideas and theories: they have, in a general way, been practised during over eight years in Scandinavia, Switzerland and other countries. The one difference in the present proposal is that it is made up to fit our war condition.

The Government need not necessarily adopt these proposals, they require no financing and can be set into motion by a private non-profit patriotic group.

The most needed additional information is the cost figures for handling the checks and types of individual coupon books. (Laws already exist against using postage stamps for currency.)

The average American will quickly see the advantages of coordinated circulation, and by voluntarily adapting these procedures to their daily business the people will soon cause the Government to collaborate.

We could rapidly prepare the ground-work for an efficiently operating control of all movements of foreign agents and disloyal citizens in our midst.

*Original returned to
Miss Hance*

By using 100% checks for the duration of the war, transactions could be traced. The government could obtain valuable information. Checks are already now said to be used instead of currency to the extent of about 95%.

A specially appointed Department of Justice Investigator during the last war states that to locate spies and saboteurs it was a question of "tracing the dollars", and that checks are the most valuable clues.

All checks should be "crossed" -- non-transferable. All checks could be printed with space for information about the character of each transaction. (Fingerprint space would be available for given transactions and for foreigners).

Certified checks could be used when desired. Checks could also be made readily acceptable by having banks mark them: "Good for maximum \$---." etc. Checks like American Express Checks would be adaptable in certain cases, to this kind of circulation.

Each depositor should have his particular number of account; always the same number, no matter where or in which bank he maintains an account (identification like soldiers' identification tags).

Bank notes could be withdrawn for the duration of the war.

Detachable coupons ranging from five cents upwards can be issued against checks on one's account. Coupons when sold by a bank must be imprinted with the owner's number and can be deposited to the payee's account only. Numerous control arrangements are possible through these coupons.

Coins of less than five cents could remain in circulation.

A record should be made of coin transactions by using a simple printed form, such as Wanamaker's Stores use for all sales. This record should bear the depositor's number as well as that of his customer and the name (or number) of their nearest bank and should accompany coin deposits.

When deposits are made banks would deduct a small record handling charge. Existing banks could easily furnish this additional service during the war.

Records accumulated can be the basis for scientific estimate of the actual circulation; this is not possible now.

"Transfer Records" could also be established and handled through banks, like coin records. These forms should be used whenever any transactions take place (barter, renewals of notes, mortgages, etc.) and which are not evidenced by check or Coin Records. This for tax purposes.

The above should include all transactions. In addition to tracing sabotage, this would provide basis for:

(1) establishing stable values by planned regulation of all accounts to an index number,

(2) collecting taxes at the very time when deposits are made (when one receives something — when it is easiest to pay). Doing away with all other taxes and the terrific cost of collecting them,

(3) organizing debtors' payments to coincide with the circulation over their accounts. (Ceasing the method of arbitrarily extended and arbitrarily liquidated credits).

Numerous other advantages can be obtained through traceable circulation. Its effect would tend to decentralization, real economic freedom, preservation of capitalism and our way of life.

It would probably be the most powerful factor in coordinating resources for our defense efforts and assure victory more than any other means: by tracing traitors' and saboteurs' transactions, by simplifying collection of taxes and payments — and above all by coordination, making taxes and payments possible and easy to meet.

The additional cost of keeping records in the banks should not exceed 1/10 of 1%. The time economized from our present ways would be quite incalculable.

Supplement:

The man in the street will understand with a few simple illustrations:

A worker will receive his pay-check (not currency) on payday, bring the check to a bank, get a check book, pay for his groceries, gasoline, laundry, etc. with checks. If he wants to have some small change he gets books of coupons at his banks — paying the bank with a check. These coupons will be accepted by everybody just like small change is accepted now.

The bank need never worry about cash reserves: nobody will claim currency.

Foreign agents who try to bribe by paying with dollar bills will be ready for the FBI in a jiffy.

Foreign agents who are registered here will have to pay all their expenses in checks, the bank, the post office, the FBI will know every payment made and to whom. False names will not help: to get the money everybody must give his real name and bank-account number for identification.

Speculations with dollars in foreign countries and printing of American dollars abroad will be under control.

Those who are not used to checks or who do not wish to use checks can get coupons for their entire salary.

Instead of selling Defense Bonds and Stamps all accounts could be credited with 4% annually on the minimum amount carried at any one time during the year.

RADIO CORPORATION OF AMERICA
RCA BUILDING
30 ROCKEFELLER PLAZA
NEW YORK



DAVID SARNOFF
PRESIDENT

April 8
1942

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

Dear Mr. Morgenthau:

Thank you for your kind note of April 6th with reference to my talk during the Symphony Program last Saturday night.

I share with my colleagues in NBC a sense of privilege in being able to further the efficient efforts of your department in the sale of War Bonds. It is particularly gratifying to feel that great music can be enlisted in the serving of a great cause.

With grateful appreciation of your thoughtfulness in writing me, I am

Sincerely yours,

A handwritten signature in cursive script, appearing to read 'David Sarnoff'.

TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE April 8, 1942.

TO Secretary Morgenthau
FROM Mr. Shaeffer *B.P.S.*

On November 18, 1941, President Roosevelt addressed a letter to Senator Elbert D. Thomas of Utah, the contents of which read as follows:

"Thank you very much for your suggestion with reference to the use of defense savings securities in payment of back pay and increased wages in the event that this could be accomplished after a settlement of the railroads' wage question.

"I think this is an excellent idea and agree with you that the importance of purchasing Defense Savings Bonds should be called to the attention of the entire nation.

"Your ideas are being submitted to the Treasury Department for further study and attention."

-oOo-

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE APR 8 1942

TO Secretary Morgenthau
FROM Mr. Haas

1. Attached to this memorandum are tables showing (1) the number of agents qualified to issue Defense Savings Bonds, Series E, at the close of business on April 4, classified by type of agent, by Federal Reserve Districts, and (2) the number of such agents on selected dates since May 7, 1941.

2. Agents, other than post offices, qualified to issue Series E savings bonds numbered 20,891 on April 4, an increase of 101 since March 28.

3. On April 4, there were 980 corporations qualified to issue Series E savings bonds on payroll allotment plans in accordance with the instructions contained in your telegram of December 27 to the Federal Reserve Banks. This represented an increase of 49 corporations over last week.

Attachments.

Number of agents qualified to issue Series E
Savings Bonds, May 7, 1941
to date

	1941		1942					
	May	Sept.	Jan.	Jan.	Feb.	March	April	
	7	30	3	31	28	28	4	
Commercial and savings banks...	7,676	11,571	13,688	14,097	14,240	14,331	14,343	
Building and loan associations.	739	1,481	2,064	2,434	2,560	2,632	2,639	
Credit unions.....	8	389	1,368	2,080	2,479	2,695	2,727	
Other corporations ^{1/}	-	-	-	351	686	931	980	
Investment industry.....	-	-	-	37	63	66	66	
All others.....	<u>7</u>	<u>27</u>	<u>28</u>	<u>99</u>	<u>137</u>	<u>135</u>	<u>136</u>	
Total other than post offices.	8,430	13,468	17,148	19,098	20,165	20,790	20,891	
Post offices.....	<u>15,812</u>	<u>16,429</u>	<u>16,883</u>	<u>17,123</u>	<u>17,928</u>	<u>18,208</u>	<u>18,305</u>	
Grand total.....	<u>24,242</u>	<u>29,897</u>	<u>34,031</u>	<u>36,221</u>	<u>38,093</u>	<u>38,998</u>	<u>39,196</u>	

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

April 7, 1942

^{1/} In accordance with telegram of December 27, 1941.

	Banks	Building and loan associations	Credit unions	Other corporations 1/	Investment industry	All others 2/	Total
Corporations and associations:							
Federal Reserve District of:							
Boston.....	837	249	228	69	1	14	1,398
New York.....	1,166	257	425	84	17	69	2,018
Philadelphia.....	851	115	123	212	-	-	1,301
Cleveland.....	1,187	389	350	55	7	2	1,990
Richmond.....	1,028	197	147	42	8	1	1,423
Atlanta.....	1,030	165	194	28	-	-	1,417
Chicago.....	2,366	483	283	312	17	28	3,489
St. Louis.....	1,396	163	80	49	8	1	1,697
Minneapolis.....	1,283	60	86	7	-	3	1,439
Kansas City.....	1,785	195	214	24	2	6	2,226
Dallas.....	863	124	250	64	3	9	1,313
San Francisco.....	<u>551</u>	<u>242</u>	<u>347</u>	<u>34</u>	<u>3</u>	<u>3</u>	<u>1,180</u>
Subtotal.....	14,343	2,639	2,727	980	66	136	20,891
Post offices.....	-	-	-	-	-	-	<u>18,305</u>
Grand total.....	<u>14,343</u>	<u>2,639</u>	<u>2,727</u>	<u>980</u>	<u>66</u>	<u>136</u>	<u>39,196</u>

April 7, 1942

Office of the Secretary of the Treasury,
 Division of Research and Statistics.
 1/ In accordance with telegram of December 27, 1941.
 2/ Except post offices.

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UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Six Business Days of April, March and February 1942
 (April 1-7, March 1-7, February 1-7)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	April	March	February	April over March	March over February	April over March	March over February
	Series E - Post Offices	\$ 19,394	\$ 23,708	\$ 25,490	-\$ 4,314	-\$ 4,782	- 18.2%
Series E - Banks	<u>54,401</u>	<u>65,889</u>	<u>108,273</u>	- <u>11,488</u>	- <u>42,384</u>	- <u>17.4</u>	- <u>39.1</u>
Series E - Total	73,795	89,597	136,763	- 15,802	- 47,166	- 17.6	- 34.5
Series F - Banks	10,235	11,354	21,136	- 1,119	- 9,782	- 9.9	- 46.3
Series G - Banks	<u>45,756</u>	<u>59,086</u>	<u>97,261</u>	- <u>13,330</u>	- <u>38,175</u>	- <u>22.6</u>	- <u>39.3</u>
Total	<u>\$129,786</u>	<u>\$160,037</u>	<u>\$255,160</u>	- <u>\$30,251</u>	- <u>\$95,123</u>	- <u>18.9%</u>	- <u>37.3%</u>

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

April 8, 1942.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - April, 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
April 1942									
1	\$ 2,476	\$ 10,517	\$ 2,380	\$ 9,608	\$ 22,504	\$ 12,993	\$ 2,380	\$ 9,608	\$ 24,980
2	2,999	8,264	2,119	7,570	17,953	11,263	2,119	7,570	20,953
3	3,222	7,572	1,185	6,235	14,992	10,794	1,185	6,235	18,214
4	2,778	9,292	1,387	5,334	16,013	12,070	1,387	5,334	18,790
6	4,961	13,035	2,329	8,027	23,391	17,996	2,329	8,027	28,352
7	2,958	5,722	834	8,983	15,539	8,680	834	8,983	18,497
Total	\$ 19,394	\$ 54,401	\$ 10,235	\$ 45,756	\$110,392	\$ 73,795	\$ 10,235	\$ 45,756	\$129,786

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

April 8, 1942.

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

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

Number of agents in Other Corporations and Investment Industry
qualified to issue Series E Defense Savings Bonds, by
Federal Reserve Districts - January 10 to date 1/

Date	Atlanta	Boston	Chicago	Cleveland	Dallas	Kansas City	Minneapolis	New York	Philadelphia	Richmond	San Francisco	St. Louis	Total
Other Corporations													
Jan. 10	4	-	8	-	-	-	-	-	-	-	-	-	12
31	17	14	90	28	27	1	3	32	101	19	8	11	351
Feb. 14	23	22	151	40	49	9	3	46	135	27	15	32	552
28	23	37	198	44	58	16	4	55	159	30	21	41	686
Mar. 7	25	50	234	46	59	17	4	56	174	31	25	42	763
14	27	54	261	46	62	19	5	61	184	36	28	43	826
21	27	64	282	51	62	22	6	64	192	40	30	45	885
28	27	66	300	52	63	24	7	67	204	41	34	46	931
Apr. 4	28	69	312	55	64	24	7	84	212	42	34	49	980
Investment Industry													
Jan. 24	-	-	5	-	-	2	-	1	-	2	-	-	10
31	-	-	10	3	-	2	-	7	-	6	1	8	37
Feb. 14	-	-	15	6	3	2	-	10	-	7	3	8	54
28	-	1	17	7	3	2	-	14	-	8	3	8	63
Mar. 7	-	1	17	7	3	2	-	16	-	8	3	8	65
14	-	1	17	7	3	2	-	18	-	8	3	8	67
21	-	1	17	7	3	2	-	17	-	8	3	8	66
28	-	1	17	7	3	2	-	17	-	8	3	8	66
Apr. 4	-	1	17	7	3	2	-	17	-	8	3	8	66

1/ Other Corporations authorized as of December 27, 1941, and Investment Industry as of January 17, 1942.

4-8-42

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Wednesday, April 8, 1942.

Press Service
Nq. 31-5

The Secretary of the Treasury Henry Morgenthau, Jr., announced today that the Treasury Department had been asked to work out some means for making the free silver stocks of the Treasury available for use in connection with war production and thereby release substantial amounts of vitally needed copper. The General Counsel of the Treasury, after study of the problem, has concluded that there is legal authority to lend-lease the free silver stocks of the Treasury for this purpose. The Attorney General concurs in this view.

Under the plan which has been approved by the President, the silver would be made available to Government-owned and privately owned plants engaged in war production, particularly aluminum and magnesium plants. Title to the silver would remain in the Treasury. The silver would not become a part of the products of the war production plants, nor would the silver be used up. The silver would be used in the plants (where such articles as bus bars are now made of copper) so as to permit substantially all of the silver to be returned to the Treasury after the termination of the war.

There are at present over 1,360,000,000 ounces of free silver in the Treasury which can be used for this purpose. Its use will release more than 40,000 tons of copper for other war production requirements.

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TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE April 8, 1942

TO Secretary Morgenthau

FROM Mr. Haas 

Yesterday you asked Miss Chauncey to send me the reports on (1) the aircraft production program and (2) the program for anti-aircraft guns, ammunition, sound locators, and height finders to be brought up to date. The offices of the War Production Board responsible for compilation of the figures included in these reports advise that the March production figures will not be available until some time next week. I have arranged to have these offices telephone me as soon as the figures are available and the completed reports will be forwarded to you immediately thereafter.

7 removed to
copy 4/21 and
sent to A Haas
by the Army

April 8, 1942

TO: DR. HARRIS
FROM: THE SECRETARY

I would like Tickton to go to Baltimore this week to look into the shipping situation at Baltimore and New York and do the same kind of a job as he did in Philadelphia.

*Tickton went to Baltimore 4/9/42
" is going to N.Y. 4/10/42-*

April 8, 1942

Dear Mr. Patterson:

I am sending herewith a copy of the confidential memorandum of Mr. Tickton covering his trip to Philadelphia on April 6th.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Hon. Robert P. Patterson,
Under Secretary of War.

P.S. - This report is most encouraging.

By Messenger *Yacht 3:45*

April 8, 1942

Dear Mr. McCabe:

I am sending herewith a copy of the confidential memorandum of Mr. Tickton covering his trip to Philadelphia on April 6th.

Yours sincerely,

(Signed) H. Morgenthau, SR

Mr. T. B. McCabe,
Office of Lend-Lease Administrator,
Washington, D. C.

P.S. This report is most encouraging -

By Messenger / each 3:45

Bottom cargo for Russians sent from mills to Philadelphia,
total March 30 to April 4 and daily April 5 to 7, 1942

Name of company and commodity	Tonnage			
	Total March 30 to April 4	Sunday April 5	Monday April 6	Tuesday April 7
<u>Brass</u>				
American Brass Co.....	1,156		231	
Chase Brass & Copper Co.....	96			39
Revere Copper & Brass Co.....	84		40	
Seovill Manufacturing Co.....	108			
<u>Copper and brass</u>				
Revere Copper & Brass Co.....	127			
<u>Nickel</u>				
International Nickel Co.....				200
<u>Steel</u>				
Allegheny Ludlum Steel Co.....	322		143	50
American Rolling Mills.....	424			
American Steel & Wire Co.....	50			
Arasco International Co.....	89		474	330
Bethlehem Steel Co.....	1,764	254	271	275
Blair Strip Steel Co.....	26			50
Brainerd Steel Co.....	50		50	
Cold Metal Products Co.....				
Colorado Fuel & Iron Co.....	1,852			
Crucible Steel Co.....	91			
Firth Sterling Corp.....	17			
Ford Motor Co.....	2			
Great Lakes Steel Corp.....	1,630	197	140	332
Inland Steel Co.....	1,903		156	95
Jones & Laughlin Steel Corp.....	398		393	332
Kelstman Bros.....	20			
Keystone Steel & Wire Co.....	30			
La Salle Steel Co.....	79		47	
Madison Wire Co.....	34			47
McLouth Steel Co.....	281	51		
Mid States Steel Co.....	25			
Newport Rolling Mills.....	200		52	169
Otis Steel Co.....	639			255
P & M Co.....	51			
Pittsburgh Steel Co.....	3,242		575	577
Republic Steel Corp.....	104			30
John A. Roebling & Sons.....				
Seneca Steel Co.....	176			
Sharon Steel Co.....	271		31	94
Superior Steel Co.....	145		58	68
Thomas Steel Co.....	52			48
Thompson Steel & Wire Co.....	56		166	42
Union Drawn Steel Co.....	274			
U. S. Steel Export Co.....	3,702			
Universal Cyclops Co.....	45			50
Wallingford Steel Co.....	72			
Washington Tinplate Co.....	36			
Weirton Steel Co.....	1,302		569	
Wheeling Steel Corp.....	2,105			
Wyckoff Drawn Steel Co.....	80			
Youngstown Sheet & Tube Co.....	714			
Undesignated.....	11			
<u>Miscellaneous</u>				
National Lock Washer Co.....	2		28	
Vanadium Corp.....	28			
Total.....	24,605	530	3,424	3,083

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

April 8, 1942

Source: Procurement Division, Treasury Department.

STRICTLY CONFIDENTIAL

Bottom cargo for Russians sent from mills to Baltimore,
total March 30 to April 4 and daily April 5 to 7, 1942

Name of company and commodity	Tonnage			
	Total : March 30 : to : April 4	Sunday : April 5	Monday : April 6	Tuesday : April 7
<u>Brass</u>				
American Brass Co.....	96		47	47
Chase Brass & Copper Co.....	58		23	
<u>Copper</u>				
Wolverine Tube Co.....	10			
<u>Steel</u>				
American Rolling Mills.....	352			
Bethlehem Steel Co.....	360			64
Blair Strip Steel Co.....	21			
Cold Metal Products Co.....	53			
Colonial Steel Co.....	18			
Great Lakes Steel Co.....	537	146		257
Johnson Steel & Wire Co.....	24			
Jones & Laughlin Steel Corp.....	1,592			870
Keystone Steel & Wire Co.....	227			
Otis Steel Co.....	111			
Republic Steel Co.....	5,397		1,091	1,166
John A. Roebling & Sons.....			33	
Rustless Iron & Steel Co.....	13			28
Seneca Steel Co.....				29
Sharon Steel Co.....	128		32	
Thomas Steel Co.....	38			
U. S. Steel Export Co.....	611	225		45
Universal Cyclops Co.....	25			
Washburn Wire Co.....	4			
Weirton Steel Co.....	182			33
Youngstown Sheet & Tube Co.....	153			112
Undesignated.....	187			
<u>Miscellaneous</u>				
Hubbard & Co.....	115			
Undesignated.....	67			
Total.....	10,379	371	1,226	2,651

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

April 8, 1942

Source: Procurement Division, Treasury Department.

STRICTLY CONFIDENTIAL

Bottom cargo for Russians sent from mills to New York,
total March 30 to April 4 and daily April 5 to 7, 1942

Name of company and commodity	Tonnage			
	Total March 30 to April 4	Sunday April 5	Monday April 6	Tuesday April 7
<u>Brass</u>				
Phelps Dodge Co.....			113	
<u>Copper</u>				
United Wire & Supply Co.....	33			
<u>Steel</u>				
American Rolling Mills.....	1,225			
Armco International Co.....	541		134	141
Bethlehem Steel Co.....	50			
Carnegie Illinois Steel Co.....	331			
Cold Metal Products Co.....	84	53		
Colorado Fuel & Iron Co.....	1,332			
Crucible Steel Co.....			76	28
Great Lakes Steel Co.....		274	27	266
Halcomb Steel Co.....				
Heppenstahl Co.....	101		234	
Inland Steel Co.....	695		339	46
Jones & Laughlin Steel Corp.....	135			
Madison Wire Co.....	25			
McLouth Steel Co.....	54			74
Otis Steel Co.....	652		37	547
Pittsburgh Steel Co.....	1,349			
Republic Steel Co.....	940		89	137
U. S. Steel Export Co.....	1,336	40	73	100
Weirton Steel Co.....	117			
Wheeling Steel Corp.....	78		118	40
Wyckoff Drawn Steel Co.....	399		157	635
Youngstown Sheet & Tube Co.....	1,829	331		
Total.....	11,306	698	1,397	2,014

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

April 8, 1942

Source: Procurement Division, Treasury Department.

TREASURY DEPARTMENT

254

INTER OFFICE COMMUNICATION

DATE April 8, 1942

TO Secretary Morgenthau
FROM Mr. Kamarok
Subject: Shipment of Planes and Fighting Vehicles to U.S.S.R.

Summary

1. In the period March 21 - 31, 71 planes and 184 tanks were shipped to the Red Army.

2. Shipments of planes for the whole month of March remained at the same level as February, 238 planes being shipped in each month.

3. Shipments of tanks in March were double February shipments, 417 as against 210 in February. The actual position improved more than the figures indicate, since all of the increase over February was in medium tanks. Shipments of medium tanks increased from 38 in February to 258 in March.

4. The Russians have now received 669 tanks from us in 1942, or enough to furnish the initial equipment of an armored division (organic strength of 450 tanks, plus a 50 percent reserve of 225 tanks.)

- 2 -

Table AShipments of Planes and Fighting Vehicles
from the United States to the U.S.S.R.

	<u>Shipments during March 21 - 31</u>	<u>Cumulative Total Jan.1,1942 to March 31,1942</u>
<u>Planes</u>		
Curtiss P-40E	<u>28</u>	
Total Pursuit	28	247
Douglas A-20C	<u>43</u>	
Total Bombers	<u>43</u>	<u>289</u>
GRAND TOTAL-Planes	71	536
<u>Tanks</u>		
Light	57	351
Medium	<u>127</u>	<u>318</u>
	184	669
<u>Other Fighting Vehicles</u>		
Jeeps	562	1,549
Gun carriers	25	78

* These figures are based on export declarations received during the period indicated.

- 3 -

Table B

Shipment of Planes and Fighting Vehicles
to U. S. S. R. by months *

	<u>Jan.1942</u>	<u>Feb.1942</u>	<u>Mar.1942</u>	<u>Total 1942 to date</u>
Pursuit Planes	56	123	68	247
Bombers	<u>4</u>	<u>115</u>	<u>170</u>	<u>289</u>
Total Planes	60	238	238	536
Light tanks	20	172	159	351
Medium tanks	<u>22</u>	<u>38</u>	<u>258</u>	<u>318</u>
Total Tanks	42	210	417	669
Jeeps	0	600	949	1,549
Gun carriers	0	0	78	78

* These figures are based on export declarations received in the period indicated.

256-A



BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission
who enclose weekly Statement No. 46, covering
Aircraft Flight Delivery as at April 6, 1942.

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

April 8, 1942.

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 46

1. LIBERATOR II off Contract F-577

(A) Never taken by U.S.A.A.C.

55 delivered to U.K.
5 delivered to M.E. (including 1 crashed in Africa)
4 at Montreal
1 not reported away from plant
65

(B) Taken or returned by U.S.A.A.C.

1 delivered to U.K.
3 at Montreal
16 at Detroit
10 to be returned
44 kept by U.S.A.A.C.
74

2. HUDSON V (LONG RANGE) off Contract A-1749

173 delivered to U.K.
39 delivered to Debort
3 at Montreal en route Debort
3 under repair
218 (a)

3. HUDSON VII (LONG RANGE) off Contract A-68

211 delivered to U.K.
1 at Dartmouth
3 at Montreal
19 for U.S.A.A.C. Familiarisation Program
1 under repair
235 (b)

4. VENTURAS off Contract A-344

(A) Long Range

37 at Montreal
37 at Detroit
8 en route Detroit
2 at West Palm Beach
16 en route West Palm Beach
1 at Wright Field
11 at Long Beach
112

(B) Short Range

3 at Detroit
3 en route Detroit
2 at Long Beach
8

5. CATALINAS

(A) Off Contracts A-2587, F-210, A-37, AUS-52, GAN-78

99 delivered to U.K.
9 delivered to Singapore
24 delivered to Australia
8 at Dartmouth
7 in Bermuda
2 departed San Diego for Australia
1 at San Diego for Australia
1 at New Orleans
151 (c)

(B) VNA 5-A's off BSO Req. 10772

5 at Gander
1 at Goose
6 at Montreal
12

6. JONESTARS off L/L Contract AG-53 (BSO Req. 1049)

(A) C-52

4 departed Miami
3 at West Palm Beach
1 taken by U.S.A.A.C.
10

(B) C-50

2 departed Miami
10 at West Palm Beach
1 at Miami
13

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 46

7. HUDSON III-A

(A) Off Lease-Lease Contract AC-5 (BSC Reg. 62)

- 116 delivered to Debart
- 4 at Montreal
- 2 at Ottawa
- 10 at Montreal, en route Debart
- 1 at Detroit (for Debart)
- 3 at Long Beach
- 8 under repair
- 33 for China
- 20 diverted to U.S. Navy
- 153 taken by U.S.A.A.C.
- 350 (d)

(B) Off Lease-Lease Contract AC-151 (BSC Regs. 2167, 3371, 2817)

- 29 delivered to U.K.
- 27 at Gander
- 18 en route Gander
- 25 at Montreal
- 25 at Detroit
- 3 en route Detroit
- 1 at Fort Benning
- 1 at Philadelphia
- 4 at Long Beach
- 133 (e)

U. S. SECRET - BRITISH MOST SECRET

8. C-53's Off BSC Reg. 1050

- 6 at Miami

9. B-17 E's (Army Release) BSC 10552

- 3 delivered to U.K. (modified)
- 2 at Montreal (modified)
- 1 at Detroit (modified)
- 1 at Wright Field (modified)
- 18 at modification center (Cheyenne)
- 5 at Ogden, Utah
- 30

10. B-24 D's (Army Release) BSC Reg. 10551

- 3 delivered to U.K. (unmodified)
- 1 at Goose (unmodified)
- 2 at Montreal (unmodified)
- 11 at Detroit (unmodified)
- 6 en route Montreal;
- 5 en route LaGuardia Field.
- 1 en route modification center
- 4 at modification center (LaGuardia Field)
- 22

11. B-25 B's (Army Release) BSC Reg. 10558

- 1 at Montreal (modified)
- 2 en route Montreal (modified)
- 18 at modification center (St. Paul)
- 21

12. B-25 C's (Army Release) BSC Reg. 10559

- 14 at modification center (Kansas City)
- 3 en route modification center
- 17

13. B-26 A's (Army Release) BSC Reg. 10556

- 64 at modification center (Omaha)
- 6 en route modification center
- 70 (f)

-) Excluding seven which crashed - two in the United States, five after export.
-) Excluding ten which crashed - one in the United States, three in Canada, and six en route U.K.
-) Excluding two which crashed in Bermuda
-) Excluding six which crashed - five in the United States, and one in Canada.
-) Excluding two which crashed in the United States.
-) Excluding one which crashed en route modification center.

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 46

U. S. SECRET - BRITISH MOST SECRET

AIRCRAFT:	1	2	3	4	5	6	7	8	9	10	11	12	13	TOTAL
UNITED KINGDOM	56	173	211		99		29		3	3				574
ISLE EAST	5													5
AUSTRALIA					24									24
CAPE TOWN					9									9
ALGERIA					1					1				2
ALGERIA					5		27							32
ALGERIA							18							18
ALGERIA					8									9
ALGERIA	7		1	37	6		29		2	2	1			87
ALGERIA		39					116							155
ALGERIA		3					10							13
ALGERIA							2							2
ALGERIA					7									7
ALGERIA						6								6
ALGERIA						1		6						7
ALGERIA					2	13								15
ALGERIA					16									16
ALGERIA														2
ALGERIA					2									1
ALGERIA					1									1
ALGERIA	16			40			25		1	11				93
ALGERIA							1							1
ALGERIA							3							14
ALGERIA					11		1							1
ALGERIA							1							1
ALGERIA									1					2
ALGERIA				1						1				1
ALGERIA					1									1
ALGERIA														10
ALGERIA											2			2
ALGERIA									18	4	18	14	64	118
ALGERIA										1		3	6	10
ALGERIA														5
ALGERIA									5					20
ALGERIA					13		7							1
ALGERIA	1													1
ALGERIA		3	1				8							12
ALGERIA							33							33
ALGERIA							20							20
ALGERIA					19									19
ALGERIA						3	153							200
ALGERIA	44													200
TOTAL	139	218	235	120	163	23	483	6	30	22	21	17	70	1547

1. Liberator II off Contract F-677
2. Hudson V off Contract A-1749
3. Hudson III off Contract A-68
4. Venturas off Contract A-344
5. Catalinas off Contracts A-2587, F-210, A-37, AUS-58, GAN-78, and BSC Req. 10772
6. Lodestars off L/L Contract AC-53 (BSC Req. 1049)
7. Hudson III-A off L/L Contracts AC-5 and AC-151 (BSC Reqs. 62, 2467, 2817, 3371)
8. C-53 off BSC Req. 1050
9. B-17E (Army Release) BSC Req. 10552
10. B-24D (Army Release) BSC Req. 10551
11. B-25B (Army Release) BSC Req. 10558
12. B-25C (Army Release) BSC Req. 10559
13. B-26A (Army Release) BSC Req. 10556

AIRFRAME DIVISION
PLANNING & PRODUCTION DEPARTMENT

BRITISH AIR COMMISSION

TREASURY DEPARTMENT

257

INTER OFFICE COMMUNICATION

DATE April 8, 1942

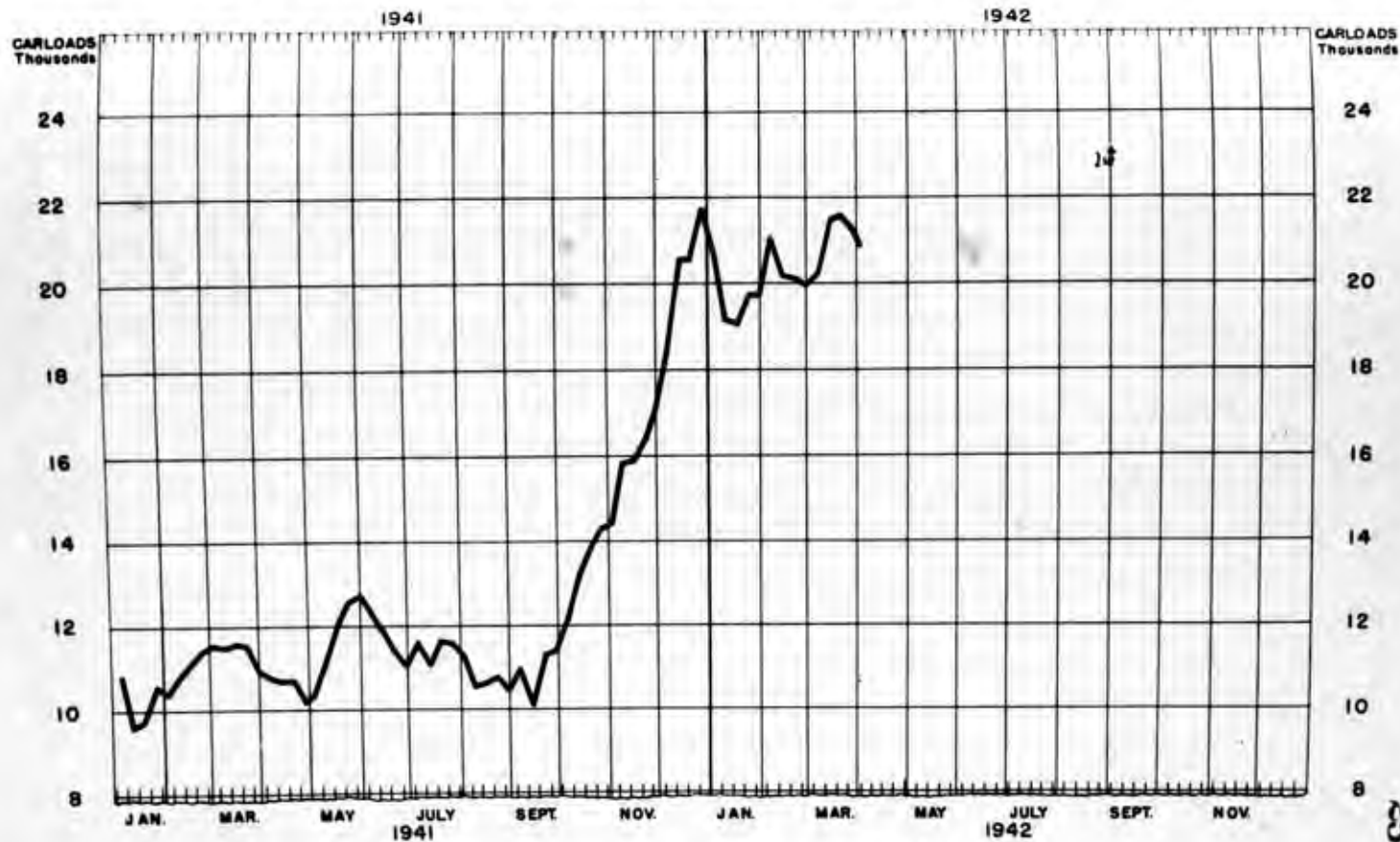
TO Secretary Morgenthau
FROM Mr. Haas
Subject: Export freight situation

Lighterage freight in storage and on hand for unloading in New York harbor at the end of last week stood at 20,875 cars, representing a further decline of 339 cars from the previous week. (See Chart 1.) Additional storage space available at the end of the week amounted to 8,284 cars, as compared with 8,314 cars at the end of the previous week.

The reason for the decline in export freight accumulated at New York is seen in an excess of exports over receipts, although both declined from the high figures of the previous week. Exports from New York showed an estimated reduction of 1,226 cars to a total of 6,060. (See Chart 2, upper section.) Receipts of export freight at New York were reduced by 1,231 cars to a total of 5,755. (Lower section of Chart 2.)

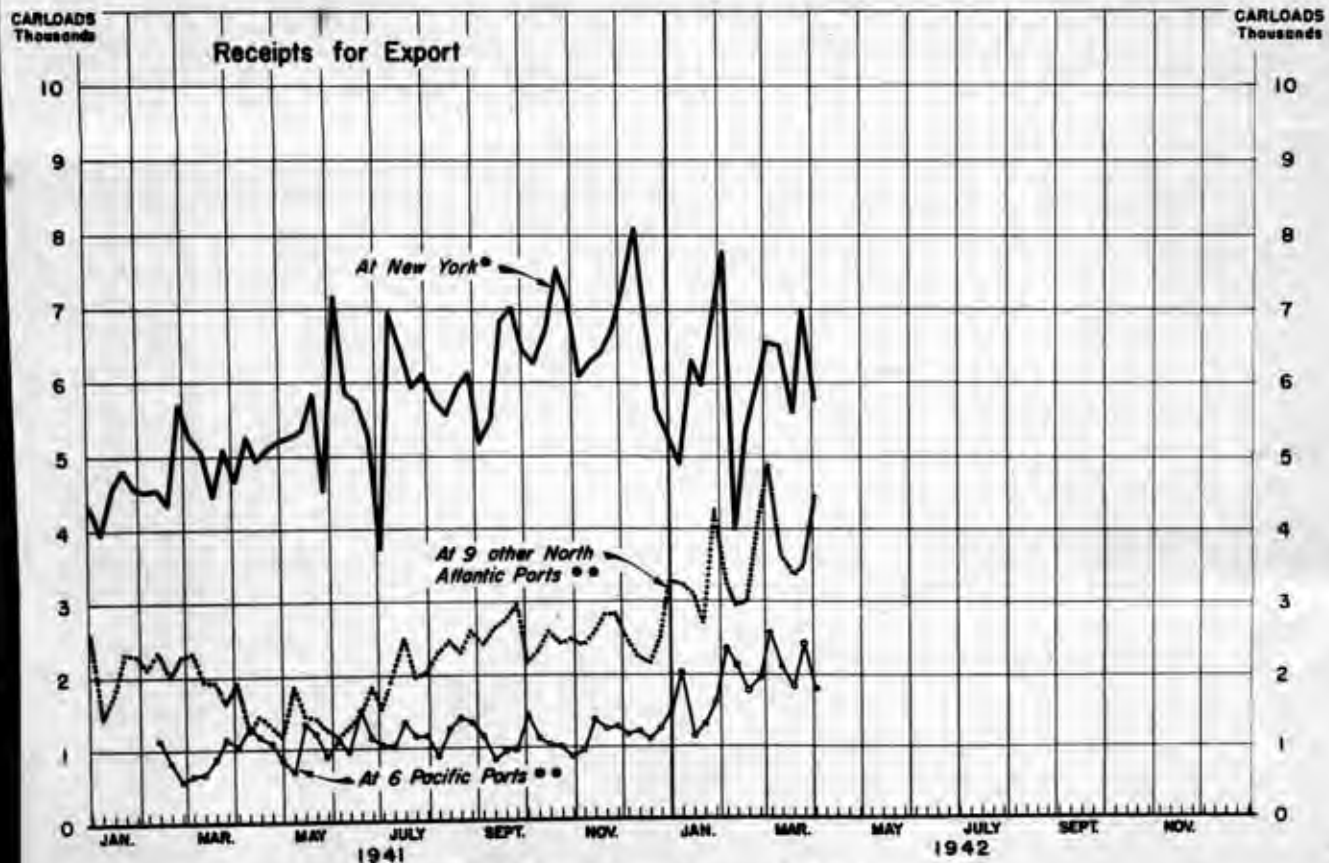
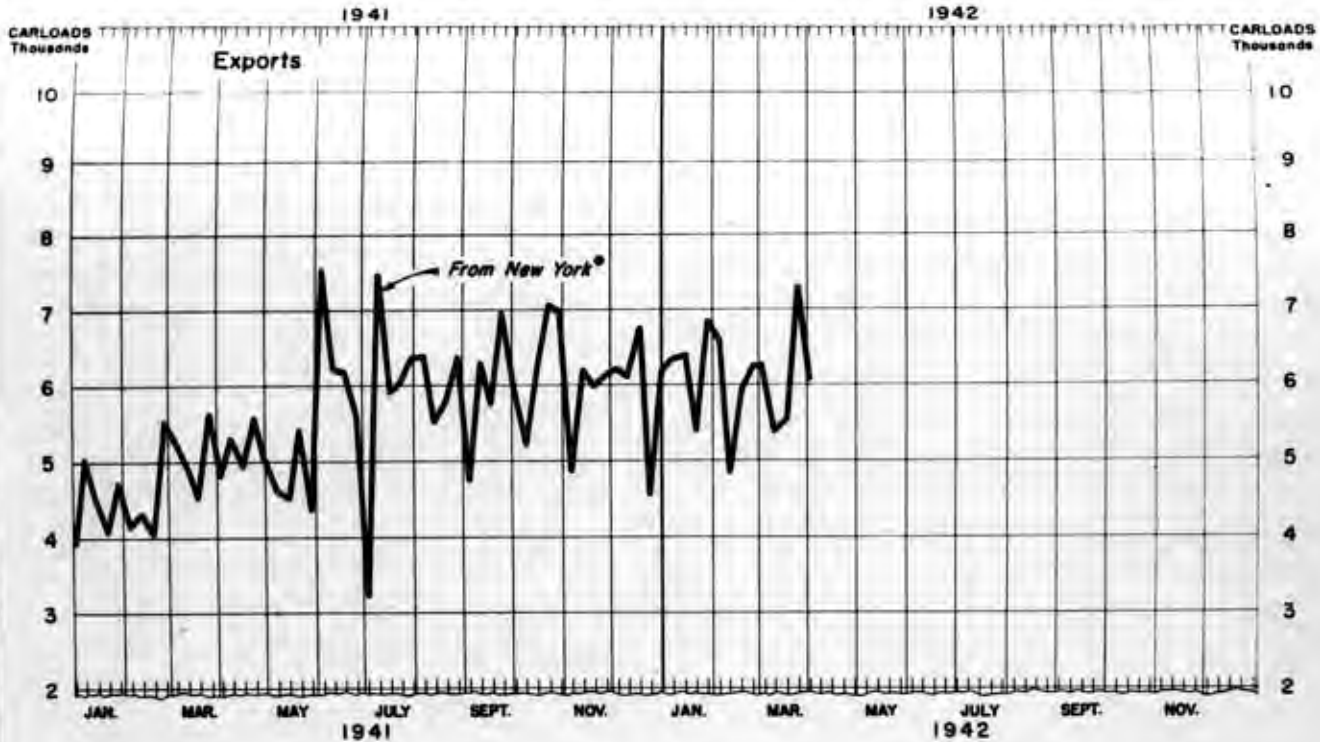
Receipts of freight for export at 9 other North Atlantic ports increased by 941 cars last week to the relatively high total of 4,440 cars. (Chart 2, lower section.) Receipts at 6 Pacific ports, on the other hand, declined to 1,797 cars from 2,421 cars in the previous week.

LIGHTERAGE FREIGHT IN STORAGE AND ON HAND FOR UNLOADING IN NEW YORK HARBOR*



* Largely export freight, but about 10% represents freight for local and coastal shipment. Figures exclude grain.

EXPORT FREIGHT MOVEMENT



* As estimated from data of general managers' association of New York.
 ** Association of American Railroads.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 8, 1942

TO Mr. White
FROM Mr. Hoflich
Subject: Alleged "Political" Benefits of the British 100%
Excess Profits Tax.

Information received from Mr. Casaday some months ago on the British 100% Excess Profits Tax indicated that nearly everyone voicing an opinion conceded that a rate close to 100% was "politically" necessary, that is, necessary to convince workers that there was no war profiteering, and to enlist their full cooperation in the war effort.

However, it is revealed in a recent communication from Casaday that remarks have been appearing in the press and elsewhere, from time to time, suggesting that the 100% Excess Profits Tax has not in fact secured the full cooperation of important groups of workers because these workers believe (1) that employers are somehow making excess profits in spite of the tax, or (2) that employers are not putting forth an all-out effort.

The Deputy Prime Minister, Mr. Atlee, was recently asked by a member of the House of Commons if he was aware that production is suffering because workers feel that "privately-owned concerns will not go all out unless they are sure of profits". The member also asked for assurance that the Government intends "to take over any business proved to have behaved in this manner". Mr. Atlee replied that the Government would not hesitate to make full use of its powers, "including, if necessary, the taking over of the business, if they were satisfied that production was unsatisfactory for reasons within the control of the management".

(Letter from Casaday, London, March 26, 1942)

TELEGRAM SENT

RS

GR.Y

April 8, 1942

Midnight

MEMB.LSSY

LONDON (ENGLAND)

1468

FROM TREASURY.

QUOTE 1. The United States Treasury has been informed that the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of \$4.03-1/2 per pound net in the sterling area. To facilitate this program, the following procedure is suggested.

2. All United States dollar checks drawn on the Treasurer of the United States negotiated by the London branches of the National City Bank of New York, the Guaranty Trust Company of New York, the Chase National Bank of the City of New York and the Bank of England, London, respectively are to be delivered to the American Embassy, London, accompanied by list in triplicate with complete

description

-2-, #1468, April 8, 1942; to London.

description of each check as follows: name of drawer; symbol number; check number, amount; payee's name; date of check.

Consular officer will carefully verify checks against list and advise Treasury by telegram through the State Department aggregate amount of checks delivered by each bank. Upon receipt of this advice Treasury will effect payment in corresponding amount to the New York office of the National City Bank of New York, the Guaranty Trust Company of New York and the Chase National Bank of the City of New York respectively and to the Federal Reserve Bank of New York in the case of the Bank of England.

Consular officer should instruct the respective banks to use all possible diligence in identification of payee and determining validity of endorsements. The respective banks should endorse checks as follows: INNER QUOTE Pay to the order of the Treasurer of the United States for credit of our account with (name of bank). Signed (name of bank), London, England. END INNERQUOTE. Treasury will look to the respective banks only for usual guarantee under laws applicable in England.

Consular officer should forward checks accompanied by one copy of

-3-, #1468, April 8, 1942; to London.

by one copy of list to Treasurer of United States, Washington, as promptly as possible by safest means available. Second copy of list should follow by separate carrier at earliest possible date. Third copy should be retained by consular officer.

3. In the case of excess United States paper currency, instruct the banks mentioned above to prepare list in quadruplicate showing amount of each denomination of each kind of currency separately, and for Federal Reserve notes and for Federal Reserve Bank notes the list must show separately the amount of each denomination of the issue of each bank, cut currency in half vertically and stamp or write name of bank on each half in ink. Then deliver both halves and list in quadruplicate to American Embassy, London.

4. Consular officer will verify amount of currency delivered to him against list prepared by bank and then he will telegraph Treasurer of United States through State Department the amount of currency delivered to him. When Treasury receives this advice payment in corresponding amounts will be made as outlined in paragraph number 2. Upon receipt and examination Treasury reserves right to claim reimbursement.

-4-, #1468, April 8, 1942; to London.

claim reimbursement for any currency which is not genuine. Each set of halves should be forwarded by separate carrier accompanied by a copy of the list. The third copy of list should be forwarded by still another carrier. American consular officer will retain fourth copy of list.

5. Consular officer should make no arrangements for insurance as shipments of both checks and currency will be covered by Government Losses in Shipment Act.

6. The Bank of England, London, is hereby designated a depository of public monies of the United States in order to carry out the procedure outlined in this telegram.

7. Please advise the respective banks and other United States Government officials of appropriate parts hereof.

8. In order to keep the number of telegrams dispatched to a minimum it is suggested, if convenient, that the respective banks deliver to the Embassy their accumulation of checks and currency on the same day each week and that the Treasury be advised in a single telegram of the individual amounts of checks and currency received from each

bank.

-5-, #1468, April 8, 1942; to London.

bank.

9. To minimize number of checks drawn on Treasurer of United States suggest that you advise disbursing officers that they should telegraph through their respective departments their local currency requirements. Arrangements will then be made to advance dollar credits to their bank of deposit. END QUOTE.

The Department approves the foregoing. Any expense incurred in carrying out the instructions contained in this telegram should be included in regular accounts as separate item for billing Treasury in accordance with Sec. V - 45, Foreign Service Regulations.

WELLES,
ACTING
(FL)

FD:FL:ME

Treasury Department
Division of Monetary Research 266

Date.....4/14/42.....19

To: Miss Chauncey

From: H. D. White

The Secretary might be interested in this development, but I presume the subject is the responsibility of the State Department and Lend-Lease rather than the Treasury.

I have called Lend-Lease's attention to the cable.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London, England

DATE: April 8, 1942, 7 p.m.

NO.: 1697

Casaday and Penrose have had informal conversations with Keynes concerning the attitude of the Iranian Government with regard to the British transactions in Iran and it is clear that the British are greatly concerned over the matter. The Iranians are apparently refusing to accept sterling balances and are demanding either that gold or more goods be delivered to Iran or that the local currency shall be appreciated in terms of the pound sterling. Iran is refusing to give local currency in exchange for sterling at present rates, failing this, and accordingly local British transactions are encountering serious obstacles.

Shipping difficulties are preventing the British from sending additional goods. The British are also opposed both to any depreciation of sterling in terms of the local currency and to sending gold. Such a depreciation would set a different ratio of exchange between sterling and the dollar in Iran from that prevailing in other countries. Another result would be, so far as other Middle Eastern countries are concerned, the establishment of a precedent that would be undesirable.

The British also believe that a firm stand must be taken on the present issues since in any case concessions would be followed by further Persian demands. The British suspect that, following experiences in the last war, one motive behind the present demands is a desire for highly placed persons in the government group to create opportunities of post-war enrichment for the benefit of these persons. With reference to American Lend-Lease aid for Persia which was recently announced the British would appreciate Anglo-American cooperation in dealing with the situation. Lord Halifax, according to our understanding, is being informed on this question by cable.

MATTHEWS

C
O
P
Y

268

LM

Calcutta

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

Dated April 8, 1942

Rec'd 7:12 p.m.

Secretary of State,

Washington.

RUSH

243, April 8, 5 p.m.

Your 68, February 28, 2 p.m.

National City Bank is closing its Calcutta branch on April 11. The Consulate General is transferring its account to the Chartered Bank of India, Australia and China. Please request Treasury Department to notify New York branch of Chartered Bank of existing procedure and confirm whether its continuance is acceptable to Chartered Bank.

The Consulate General is informed that Calcutta branch of Bank of China will honor Treasury checks presented for payment without any special arrangements being made for cooperation of this office in transmitting checks to Washington.

SCHNARE

JRL

eh:copy
4-9-42

TELEGRAM SENT

PH

GRAY

April 8, 1942

Midnight

AMERICAN CONSUL

BELFAST (NORTHERN IRELAND)

11

From Treasury.

QUOTE. 1. The United States Treasury has been informed that the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of \$4.03-1/2 per pound net in the sterling area. To facilitate this program, the following procedure is suggested.

2. All United States dollar checks drawn on the Treasurer of the United States negotiated by the Northern Bank Limited, Belfast, are to be delivered to the American Consul, Belfast, accompanied by list in triplicate with complete description of each check as follows: Name of drawer; symbol number; check number; amount; payee's name; date of check.

Consular

-2-#11, April 8, Midnight to Belfast, (Northern Ireland)

Consular officer will carefully verify checks against list and advise Treasury by wire through State Department aggregate amount of checks delivered by bank. Upon receipt of this advice, Treasury will effect payment in corresponding amount to the New York correspondent of the Northern Bank Limited. Please include in your first telegram name of New York correspondent to whom payments are to be made.

Consular officer should instruct Northern Bank Limited to use all possible diligence in identification of payee and determining validity of endorsements. Northern Bank Limited should endorse checks as follows: INNER QUOTE. Pay to the order of the Treasurer of the United States for credit of our account with (name of bank). Signed Northern Bank Limited, Belfast. END INNER QUOTE. Treasury will look to Northern Bank Limited only for usual guarantee under laws applicable in Northern Ireland.

Consular officer should forward checks accompanied by one copy of list to Treasurer of United States, Washington as promptly as possible by safest means available. Second copy of list should follow by separate carrier at earliest possible date. Third copy should be retained by consular officer.

3. In

-3-#11, April 8, Midnight to Belfast (Northern Ireland)

3. In the case of excess United States paper currency, instruct Northern Bank Limited to prepare list in quadruplicate showing the amount of each denomination of each kind of currency separately, and for Federal Reserve notes and for Federal Reserve Bank notes, the list must show separately the amount of each denomination of the issue of each bank, cut currency in half vertically and stamp or write name of bank on each half in ink. Then deliver both halves and list in quadruplicate to American Consul, Belfast.

4. Consular officer will verify amount of currency delivered to him against list prepared by bank and then he will wire Treasurer of United States through State Department the amount of currency delivered to him. When Treasury receives this advice, payment in corresponding amount will be made to the New York correspondent of the Northern Bank Limited. Upon receipt and examination Treasury reserves right to claim reimbursement for any currency which is not genuine. Each set of halves should be forwarded by separate carrier accompanied by a copy of the list. The third copy of list should be forwarded
by still

-4-#11, April 8, Midnight to Belfast (Northern Ireland)

by still another carrier. American consular officer will retain fourth copy of list.

5. Consular officer should make no arrangements for insurance as shipments of both checks and currency will be covered by Government Losses in Shipment Act.

6. The designation of the Northern Bank Limited, Belfast, as a depository of public monies of the United States is hereby extended to carry out the procedure outlined in this telegram.

7. Please advise Northern Bank Limited, Belfast and other United States Government officials of appropriate parts hereof.

8. To minimize number of checks drawn on Treasurer of United States, suggest that you advise disbursing officers that they should enable through their respective departments their local currency requirements. Arrangements will then be made to advance dollar credits to the Northern Bank Limited, Belfast.
END QUOTE

The Department approves the foregoing. Any expense incurred in carrying out the instructions contained in this telegram should be included in regular accounts as separate item for billing Treasury in accordance with Sec. V - 45, Foreign Service Regulations.

FD:FL:BMcB

WELLES
ACTING
(FL)

C
O
P
Y

ELP

PLAIN

Beirut

Dated April 8, 1942.

Rec'd 2:37 a.m., 9th.

Secretary of State,
Washington.

124, Eighth.

Official Free French notice dated April first, fixes rates of gold based on world market quotations for one kilogram of fine gold at 2385 point 02 Syrian paper pounds. Following rates are accordingly derived therefrom: sterling gold pound 17 point 464 Syrian pounds; Turkish gold pound 15 point 778 Syrian pounds; gold Napoleon 13 point 8485 Syrian pounds.

ENGERT

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274

DEPARTMENT OF STATE
WASHINGTON

April 8, 1942

In reply refer to
FF 102.102/569

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith copies of a telegram from the Embassy at Montevideo, dated April 7, 3 p.m., "For Pehle Treasury from Towson."

Enclosure:

Telegram from
Montevideo,
April 7, 1942.

Copy:bj:4-8-42

AMT

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

Montevideo

Dated April 7, 1942

Rec'd 3:11 p.m.

Secretary of State,

Washington.

TRIPLE PRIORITY

April 7, 3 p.m.

Please expedite reply to my 251, April 6 noon.

Charge Treasury.

DAWSON

RR

For Pehle Treasury from Towson

Copy:bj:4-8-42

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 8, 1942

TO Secretary Morgenthau
 FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£37,000
Purchased from commercial concerns	£21,000

Open market sterling was again quoted at 4.03-3/4. There were no reported transactions.

The Canadian dollar discount widened further to close at 13-1/4%, as compared with 13% two days ago. No unusual activity was reported.

The Venezuelan bolivar, which has been quoted at .2815 during the past few weeks, advanced to a final quotation of .2830 today.

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

Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Cuban peso	3/32% premium

In order to increase the Stabilization Fund's gold balance, we purchased \$2,700,000 in gold from the General Fund through the New York Assay Office.

No new gold engagements were reported.

In London, spot and forward silver remained at 23-1/2d, equivalent to 42.67¢.

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 35-1/8¢.

We made no purchases of silver today.

- 2 -

The report of April 1 received from the Federal Reserve Bank of New York, giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$2,554,000, a decrease of \$117,000 in the short position since March 25. Net changes were as follows:

<u>Country</u>	<u>Short Position</u> <u>March 25</u>	<u>Short Position</u> <u>April 1</u>	<u>Change in</u> <u>Short Position *</u>
England	\$ 780,000 (Long)	\$ 618,000 (Long)	+ \$ 162,000
Europe	2,467,000	2,411,000	- 56,000
Canada	1,405,000 (Long)	1,652,000 (Long)	- 247,000
Latin America	103,000 (Long)	70,000 (Long)	+ 33,000
Japan	160,000	160,000	--
Other Asia	2,303,000	2,296,000	- 7,000
All others	<u>29,000</u>	<u>27,000</u>	- 2,000
Total	\$2,671,000	\$2,554,000	- \$ 117,000

Plus sign (+) indicates increase in short position, or decrease in long position.
 Minus sign (-) indicates decrease in short position, or increase in long position.

CONFIDENTIAL



Copy No. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 116

Information received up to 7 A.M., 8th April, 1942.

1. NAVAL

4th. Two H.M. cruisers were attacked by about 50 fighter bombers and sunk after leaving COLOMBO. 1,122 survivors, including both Captains, were rescued.

2nd. A British steamship 5,700 tons was torpedoed 300 miles south-west of BOMBAY.

6th. Heavy units of Japanese Fleet, including aircraft carrier, operated off the Coast of INDIA. VIZAGAPATAM and COCANADA were bombed and merchant shipping attacked. Survivors from two steamships (about 6,000 tons) stated that their ships were sunk by 3 Cruisers when 120 miles south west of VIZAGAPATAM.

2. MILITARY

LIBYA. 6th. At dawn, three enemy columns advanced towards our positions. The main thrust came from ELUET EL AOGARA, south-west via BIR TEGRAD to SIDI BREGHISC, whilst a second column moved south-east from ROTUNDA AFRAQ to SIDI BREGHISC. The combined strength of these two columns was eighty tanks and one hundred M/T. A third column of twenty tanks and thirty M/T moved south-east from BIR EL HAMARIN towards EL TELIM. In the evening, one of our columns was ordered forward to engage one hundred M/T in areas north and west of BIR TEGRAD, whilst patrols were sent to investigate the SIDI BREGHISC area.

BURMA. PROME FRONT: During night 5th/6th our forces commenced withdrawal from ALLANMYO and THAYETMYO. Withdrawal was unhindered, and by daylight sixth part of the rearguard had passed through GLINEANCHANG, the remainder withdrawing via both banks of IRRAWADDY with the IRRAWADDY Flotilla supporting. All petrol, ammunition and supplies were removed from ALLANMYO and both ALLANMYO and THAYETMYO burnt before withdrawal. Last reports of enemy stated that on 4th one column was on west bank of the IRRAWADDY ten miles north of KAMA, another column in the area DAYINDABO with elements moving to the north-east.

RUSSIA. The Russians are delivering heavy attacks in the KHARKOV and DONETS Sectors against strong enemy resistance.

3. AIR OPERATIONS

WESTERN FRONT. 6th/7th. About 87 tons of high explosive and incendiaries were dropped but clouds prevented effective observation. Ten R.C.A.F. three R.A.A.F. and seven New Zealand aircraft took part. One R.A.A.F. aircraft is among the missing.

- 2 -

7th. A Hudson claims two hits on a 3,000 ton vessel off BORKUM.

7th/8th. A Beaufighter destroyed a Dornier 217 off CROMER.

LIBYA. 6th. Our fighters escorting Bostons in an attack on DERNA landing ground destroyed two enemy fighters, probably destroyed three and damaged four, losing one fighter.

EGYPT. 6th/7th. About twenty enemy aircraft attacked ALEXANDRIA, causing some damage to civilian property.

MALTA. During 6th, 6th/7th and 7th, about 325 enemy aircraft attacked, causing damage in GRAND HARBOR, seaplane base at KALAFRANA and the aerodromes at LIQA and HAL FAR. Three enemy aircraft were destroyed and four damaged by anti-aircraft and fighters.

BURMA. On 5th and 6th, enemy aircraft attacked AKYAB, rendering the aerodrome unserviceable.

AUSTRALASIA. 5th. Seven bombers with fighter escort attacked the aerodromes and M/T at PORT MORESBY. Some petrol was destroyed, one enemy fighter was shot down and another damaged.

4. HOME SECURITY

7th/8th. Bombs were dropped at a number of widely scattered points along the LINCOLN and NORFOLK Coast. Except at GRIMSBY, where a railway was hit and there were a few casualties, damage was very slight and was confined to house property.

April 9, 1942.

Ed Foley

Secretary Morgenthau

I wish that you would take up with Surgeon General Parran the question of how much synthetic quinine is needed for the whole of the United Nations, and whether the amount we're manufacturing in General Aniline and Film is enough. I also wish you would take up with him other medical preparations which we prepare, and where they can be used. And last but not least, the most important of all, what medical preparations are they short of which we might manufacture for the war effort. This is very important. Please do this just as soon as possible and let me know.

F. Foley

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 9, 1942.

TO Harold Graves
FROM Secretary Morgenthau

I notice that in both of your reports you refer to the "Lucy Monroe Song Fest at Jacksonville". I think it is perfectly ridiculous to publicize these Community Sings as Lucy Monroe Song Fests. They should be known as Treasury Song Fests, War Savings Bond Song Fests, but certainly not Lucy Monroe. I wish you'd look into this at once and put a stop to it. Please give me a report on it. I appreciate what Lucy Monroe is doing, but I certainly don't want her to use the Treasury the way she seemingly is. Please put a stop to it at once and give me a report in writing to the effect.

See 9:30 meeting 4/9/42 -

*Saving hand to Wash
this letter*

7/9/42

My dear Mr. President:

You may be interested to see the attached "kit" of publicity material which the War Savings Staff of this Department transmitted to its county committees on April 4, to be used by them in inaugurating the intensified program for the sale of War Savings Bonds and Stamps about which I have talked to you.

As you will note from this material, the intention had been to announce sales quotas for each State, and for each county within each State, on Monday, April 13, these quotas to be for the months of May, June, and July. The aggregate quotas which we had in mind for the Nation for these months were: for May, \$700,000,000; for June, \$825,000,000; and for July, \$1,000,000,000.

In view of the subsequent discussions regarding compulsory savings, we have told our county chairmen that the announcement of State and county quotas has been postponed for the present, and we have instructed them to take no action toward beginning the intensified campaign pending further word from Washington headquarters. Our quotas, however, are substantially ready for publication, and we will be prepared on short notice to go forward with the program as originally planned.

You will recall that I left with you on Wednesday a draft of a letter to be addressed to the 50,000 concerns which have adopted the payroll allotment plan for the purchase of savings bonds, suggesting 10 per cent of gross payroll as a quota for employee purchases. This of course is an integral and important part of the intensified program which we have in mind. For your convenience, I attach a copy of that letter.

Faithfully,

The President,

The White House.

HNG/mff

April , 1942.

Dear Sir:

Since the Defense Savings Program was launched in May 1941, events of far-reaching importance have occurred. To preserve our very existence we have been compelled to wage war upon far-flung battle lines. To maintain these lines, the President has said that during 1942 we must produce over 80,000 planes; 45,000 tanks; 20,000 anti-aircraft guns; 8,000,000 tons of shipping; in addition to mobilizing, training and equipping millions of fighting men. Upwards of 80% of our total productive capacity and an equal share of our national income must be diverted to making war materials.

This has meant a tremendous increase in the magnitude of the financial problem facing the Government. Reliable estimates indicate that during the next fiscal year, that is from July 1, 1942 to June 30, 1943, we shall spend in the neighborhood of 60 billion dollars.

The Revenue Act as it comes from Congress will determine how much of the money needed to finance the war is to be raised by taxation. The balance must be borrowed by the Treasury. In all probability, we shall have to borrow from 30 to 35 billion dollars between now and this time next year.

If the Government is compelled to go for these funds to the commercial banks, the result will be to increase inflationary tendencies which are already serious. This is true because when commercial banks buy Government Bonds they do not pay for them with actual cash taken from their vaults, but by placing on their books newly created deposits to the credit of the Government. When the Government draws upon these deposits to pay for the goods and services it buys, the purchasing power of those to whom these payments are made is increased without any decrease in the purchasing power of those from whom the money is borrowed.

When bonds are purchased with savings out of current income, on the other hand, such savings help to reduce excess consumer income which if spent for a limited supply of consumer goods would tend to force prices up. It is for this reason, among others, that

we are going directly to the people for as much as possible of the money needed for the war.

It would be difficult to say exactly how much we can borrow directly from the people. We cannot, of course, hope to borrow in this way all that will be needed. Nevertheless, some definite objective is desirable if we are to have a standard by which to measure our success.

We have, therefore, set as our goal for the twelve month period beginning July 1st, the sale of United States Savings Bonds, Series E, F and G, having an initial cost value of not less than \$12,000,000,000. This will be equal to slightly more than 10% of our estimated national income during this period.

Sales of Defense Bonds during the period May 1941, through March 1942, amounted to \$4,860,000,000, or an average of approximately \$440,000,000 per month. If we are to reach our goal, an average of a billion dollars a month, we shall have to increase this rate of sale by approximately $2\frac{1}{2}$ times. This should not be difficult to do in view of the rapidly increasing national income and in view also of the fact that the supply of many commodities upon which people would normally spend their income will be restricted by the demands of war production.

The setting of a definite goal or quota does not mean an abandonment or basic change in our fundamental objectives and methods. It does mean an intensification of activity all along the line. It does mean that henceforth our savings campaign must move on a war basis. If we are to achieve the goal outlined for the nation as a whole, it will be necessary to establish subsidiary goals or quotas for states and counties. These quotas will be announced on April 15.

The most effective, single method for promoting the systematic purchase of United States Savings Bonds is through the payroll savings plan. Already nearly 20,000 firms in the United States employing a total of almost 20,000,000 people have made such plans available to their employees. You are among those who are cooperating in this program, and I am writing to you, not only to thank you for your helpful cooperation up to date, but to ask for your increased effort in the future.

Time is short. The ever-increasing demands of our war machine create an urgency that we cannot escape or evade. To raise the billions which we now need to win the war, and to do all in our power to check inflation, we must raise our sights. I am suggesting, therefore, as a goal or quota for those administering the payroll savings plan, that at least 10% of gross payroll be set aside by the employees for the purchase of United States Savings Bonds.

-3-

We are still a long way from that goal. Among the nearly 80,000 firms having a payroll savings plan the average participation at the present time is about 48% of the employees. The average monthly saving is about \$7.50 per capita, representing in the neighborhood of 4/8% of the pay of those participating. In other words, if we consider all the employees of all the participating firms, only a bit more than 2% of the gross payroll is now being invested in Defense Bonds.

Considering the difficulties involved in the initial installation of payroll savings plans this is a good record. But we must go forward now on two fronts: first, we must increase the percentage of employees participating in payroll savings plans from approximately 48% to at least 80% of the total number. Second, we must encourage all participating employees to increase their average monthly allotment from about \$7.50 per capita to an average of nearly \$20 per capita.

To help achieve this new goal I am sending you herewith the story of one successful method for accomplishing this. This is the first of a series of "case histories" which we hope to send to you from time to time. This campaign conducted by the General Electric Company has not succeeded in reaching our new goal, but it seems to me that it is a long line such as are here outlined that we can meet quickly and simply succeed.

You will, of course, realize that a flat 10% allotment of individual wages and salaries by all employees will not accomplish this purpose. It does not take account of individual differences either as to income received or personal and family responsibilities. Some individuals will be able to set aside a good deal more than 10% of their pay; others less. The overall result, however, should equal 10% of the gross payroll. I also realize that the formula according to which the savings quota is distributed among the employees will vary from place to place. To help in making such a distribution, I am enclosing a savings schedule for the systematic purchase of United States Bonds for persons at different income levels. The allotments indicated are based on national averages and will serve merely as a guide in setting up a suggested schedule to fit your own payroll.

In conducting a drive for increased participation at higher rates of saving, the friendly, active cooperation of the workers themselves is of the utmost importance. Organized labor, including the A.F. of L., C.I.O and Railroad Brotherhoods, and the constituent unions almost without exception, have pledged their full all-out support of this program. Working together, labor and management can insure not only the success of this important war effort but can lay the foundations for improved industrial relations which will bear increasingly rich fruit in the years to come.

-4-

Many questions will undoubtedly occur to you concerning this new and intensified program. I should be glad to hear from you and I shall welcome any inquiries or comments you may wish to make.

I want to express my appreciation again for your generous cooperation thus far. I know that in the months ahead you will not fail.

Sincerely yours,

Secretary of the Treasury.



TREASURY DEPARTMENT

WASHINGTON

DEFENSE SAVINGS STAFF

TO ALL COUNTY CHAIRMEN:

By order of the Secretary, as the result of repeated requests from committee chairmen throughout the country, the Treasury Department is establishing quotas for Bond and Stamps purchases for each and every one of the 3,300 counties in the United States. The quota for your county will be forwarded to you within the next few days. The responsibility for reaching this quota is yours.

The May quota becomes effective on Friday, May 1. May, June, and July quota will be announced officially on Monday, April 13. On that day we urge you to obtain a maximum amount of publicity, through both press and radio, to acquaint every citizen of your area with this important change in the War Savings Program.

Toward this end, you will find enclosed with this memorandum, suggested release for newspapers, scripts for radio broadcasts and an outline of suggestions for obtaining publicity. The procedure which we suggest you adopt follows:

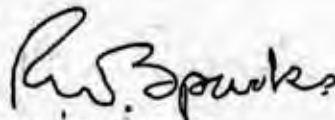
- (1) Notify your County committee immediately of this development.
- (2) Take the enclosed press release to all newspapers in your area. Five copies are enclosed. Tell the editors that the quota figure will be supplied him either by you or by the Treasury directly from Washington in time for release on Monday, April 13. Don't wait until you receive your quota figure to contact the newspapers.



- (3) Take the radio scripts enclosed and contact your radio stations. Arrange for broadcasts — as many as possible on all stations in your area — on Monday, April 13, by the Mayors, County Commissioners, or other important personages. Please change the suggested script enclosed to suit your own purposes.
- (4) Read carefully the list of publicity suggestions. Adapt them insofar as possible to your local situation.
- (5) Return to this office the enclosed blank indicating that you have arranged for press releases and radio broadcasts.

Naturally, the establishment of quotas for all areas in the country will act as an impetus to both the Pledge Campaign and the Payroll Savings Plan. It is your duty to see that this added weight and meaning is brought to bear to the fullest extent.

We shall greatly appreciate your help in carrying out this vital part of the War effort. Thank you.



Robert W. Sparks,
Field Director,
War Savings Staff.

SPOT ANNOUNCEMENT

You know, we've got a big job to do right here in _____ County. Our Government has set a quota for us in its War Savings Program. The amount of War Bonds and Stamps that we must buy is a lot bigger than what we have been buying. Now, we don't want to fall down on this job while every other county in America equals and exceeds its quota. Every citizen of this county must make up his mind to buy War Savings Bonds and Stamps to the limit in order to meet this quota set for us by the United States Government. Ten percent, fifteen percent, yes, and even twenty-five percent of our incomes must be used for the purchase of War Savings Bonds and Stamps. This isn't a two percent war, my friends. This is a total war that will take a good many billions of our dollars. Now let's get in there and show the rest of the United States that _____ County recognizes the needs of its government. Buy War Savings Bonds and Stamps to the limit, all you can possibly afford. Make your pledge now and double it every month hereafter until _____ County goes over the top in this drive.

SUGGESTED FIVE-MINUTE SPEECH FOR MAYOR

I have a message of vital importance for you today. Our Nation is mobilizing its entire resources to win this war. Every American is included in this titanic effort to defeat the Axis forces. Each of us here in _____ County must help our country to win through to victory in every way we possibly can.

We must help not just a little. We must help not just once-in-awhile. We must help to the utmost, all the time. In connection with this thought, word has just been received from the United States Treasury that the financial resources of the Nation must be mobilized — completely mobilized. This is vital to our war effort. Our country needs to borrow your dollars — to pay for equipping an Army, Navy and Marine Corps such as the world has never seen. Our victory depends upon such an armed force.

The Treasury Department has been and is conducting a campaign to sell War Savings Bonds and Stamps. Millions of Americans are investing in them, but millions of other Americans are not buying them, are buying a lot less than they can actually afford, or are not buying them regularly, every week or pay-day.

To finance our war successfully, we must invest more money in Bonds and Stamps — a lot more, more than double what we have been putting into Bonds and Stamps. For this reason our Government feels that the time has come to set Bond-buying quotas — amounts of Bonds and Stamps that must be bought regularly in every county, in every State of the Union.

Every pocketbook must be tapped directly in order to furnish the Treasury with the dollars it must have to pay for the war. Now listen

carefully to this, folks. Quotas have been set for _____ County for the months of May, June and July. The people of _____ County are charged with the responsibility of purchasing \$ _____ worth of War Savings Bonds during the month of May. The quota for June is \$ _____, and for July we must buy \$ _____ worth of War Savings Bonds. Remember, no matter how much it hurts you to double and triple your Bond buying, it will hurt the enemy more. And these Bonds are an investment in your own future as well as your country's.

Now, let me tell you a little more about the reasons for setting these new quotas. During the period from May 1, 1941, through March 31, 1942, a total of approximately four billion eight hundred million dollars worth of Bonds was purchased by the American people. But that was for an eleven-month period, which means that average purchases were only about \$40,000,000 each month. Maybe that sounds like a lot of money. It is a lot of money but our Government is spending almost three billion dollars every month on the war program! For every dollar invested in a Bond more than four dollars had to be spent on the war! And, another thing — we will be spending four billion dollars every month by next winter. Why, we haven't even begun to pay for this war yet, and you can't have victory without well-organized armies, navies, and air forces. So, remember — the quotas set for _____ County are based on the average purchases of War Savings Bonds during the past eleven months. During these eleven months, the people of _____ County purchased \$ _____ worth of Bonds. Our Bond-buying quotas — \$ _____ for May, \$ _____ for June, and \$ _____ for July — mean that we must increase our purchases almost two and one-half

times what they have been in the past. Once again, let me remind you that unlike in the countries of our enemies, we are not made to give our money. We are asked to lend it. And, if we need our money, we can cash in our Bonds, anytime sixty days -- after purchase.

And here is another important thought. Many concerns in this vicinity have installed Payroll Savings Plans for the convenience of their employees. A large number of the workers in factories and shops and offices have signed up to buy War Bonds and Stamps, through their own Payroll Savings Plans. But, all of us now must buy War Bonds and Stamps in amounts equal to ten per cent, or even fifteen or twenty per cent of our incomes, if this is possible. Remember, every one of us is at war and must make sacrifices! We can not win this war with spare change or with a few nickels every week. Remember, if we lose this war, we lose everything. And we can lose -- unless all of us do our utmost.

I know _____ County is keenly aware of its responsibilities in this great crisis. I know that we will exceed the quotas which have been set for us by our Government. So let's do it right. Let's go over the top in such a big way that it will startle the whole nation.

Remember, nobody asks you to deprive your family of the necessities of life in order to invest in War Savings Bonds. But, a good many of us have greatly increased incomes and less things to spend them for. You can make more secure your own future as well as your country's, by investing in War Bonds, which you can cash in when the war is won and prices recede to their normal levels.

- 4 -

For every possible reason, I urge you to pledge at least ten percent of your income for investment in War Bonds, now. Make up your mind to skimp and save so that you will be able to buy more Bonds. Remember, it's our war and it's being fought for our survival. We must at least meet the quotas set for _____ County. I know we will not fail in this crisis.

SUGGESTED FIVE MINUTE SPEECH FOR COUNTY CHAIRMEN

During the months that I have been serving as _____ County's
(Name)
Treasury representative, I have had the pleasure of meeting and making
friends with a great many of you. And, I want to add, I haven't met a
single person in _____ county who isn't willing to work hard and do
everything he can to help our country win this war.

Speaking of the war, many of you have told me during the past few
months that you were working in industries connected with the war effort,
and that your wages have gone up accordingly. In other words, a certain
measure of prosperity has been visited on this county as a result of the
nation's war program. At the same time, due to the tremendous size of our
war effort, there are less and less goods for which all of us can spend
money. For this reason and patriotism, many of you have been buying War
Savings Bonds. You all know that not only are you helping your country to
win the war when you invest in Bonds, but your money also is bringing you a
substantial rate of interest. And, after the war is over, when industry
again is making all the things you want and need, you'll have the money on
hand to buy them. And this brings me to the reason that I'm here today. (tonight)

Many of you already have read in your newspapers about our Government's
new quota for purchases of War Bonds in this county. This quota is based
on our investment in Bonds and Stamps during the eleven month period from
May 1, 1941, through March of this year. During these eleven months, the
people of _____ County purchased a total of \$ _____ worth of War
Savings Bonds. Our new quota is aimed at more than doubling the amount which
has been sold each month. We must do it. War costs money and we must win!

We can't build 60,000 planes this year and 125,000 next year without plenty of regular dollars. We can't build 15,000 tanks this year and 75,000 next year without billions and billions of regular dollars....Your dollars and my dollars loaned to our Government through regular, to-the-limit buying of Bonds and Stamps.

Remember, it's our war and our Government. We must help our Government pay for our war. Remember, too, our Government has set this quota for us... the amount of Bonds and Stamps which we must purchase regularly to help finance our war through lending our money. I think all of us should be thankful that our Government is interested enough in our future, individual welfares to permit us to finance our war on such generous terms. Where else in the world, today, will you find a country which deals with its citizens so thoughtfully and considerately? As you know, when you buy Bonds you do not give your money but lend it to the Treasury at substantial rate of interest. Unlike in the countries of our enemies, our savings accounts are not confiscated nor is our check or pay envelope tapped before we get it. For all of these reasons and because we are Americans, it is up to every one of us to sit down right now and figure out the maximum amount of War Bonds we can buy, regularly, and when you sit down to do your figuring, think of this. The national income this year, it is estimated, will reach over the enormous figure of one hundred and thirteen billion dollars. It was only ninety-two billions last year. That's an increase of twenty-one billions over and above 1941. Many of you are sharing in this increased prosperity. To those of you who are, I say it is particularly up to you to set aside at least ten per cent of your wages with which to buy War Bonds and Stamps. To those

whose incomes have not grown so fast, or whose incomes have not grown at all, I say that you, too, must spend less than you ever have before. You must invest all you possibly can in War Savings Bonds. Aim at or over the ten percent figure. Of course, you're doing the country a favor when you buy War Bonds. But, you're doing yourself an even greater favor, setting aside money which will come in mighty handy when the war is won.

And now, listen closely to this. The quotas for the next three months for this county are \$ _____ for May, \$ _____ for June, and \$ _____ for July. These figures compare with our average purchase of \$ _____ worth of War Savings Bonds during the past eleven months. There's our job and let's do it the way General MacArthur fights.....to the limit!

Those of you who work for companies which have Payroll Savings Plans must double and redouble your pay-day investments in War Bonds. Do it now, before next pay-day. Those of you who don't work on a salary basis and can't use the payroll Savings Plan....every one of you is honor-bound to pledge yourself to buy War Bonds and Stamps to the very limit of your ability every week.

In closing, let me say that, as your county's War Savings Chairman, I shall leave no stone unturned to see to it that we meet our quota. I know that all of us would much rather buy War Bonds than have our taxes raised or new taxes levied to meet the needs that our lending can satisfy. Right now, our country needs the financial assistance of every wage earner, every worker, whether he be farmer, lawyer, or laborer. This is not time to hold back. To win this war every one of us must chip in with all we've got! I urge you to sit down right now and figure out how much you can

afford to invest in War Savings Bonds every pay-day.....then double that figure. Give up pleasures and extravagancies but don't give up the luxury of freedom. I have full confidence in the people of _____ County and I know that when the figures are tallied up for the next three months, we'll have supplied our Government with the money it needs from us!

2

SPOT ANNOUNCEMENT

_____ County's quota for the War Savings Program for the month of _____ is \$ _____. This is a quota for you and me to buy War Savings Bonds and Stamps to the limit of our ability. It isn't only a quota in money. It is also a quota in tanks and guns, planes and ships, torpedoes and bombs. When the Treasury Department sets a quota for any county in America, it tells us in effect that every month we must buy a dozen planes, or a hundred tanks, or, if we're large enough, a destroyer, a cruiser, or even a battleship. Let's buy even more planes and tanks and guns than the government asks us to buy. Let's all plodge to buy as many War Savings Bonds and Stamps as we can afford — ten, fifteen, or twenty percent of our salaries or wages set aside each payday to invest in War Bonds and Stamps. Only by doubling and tripling our purchases of these Bonds and Stamps will we be able to meet our quota. Come on, _____ County, let's show America and the whole world that America means business.

TREASURY DEPARTMENT • DEFENSE SAVINGS STAFF

Radio Announcement

SUGGESTED FIVE-MINUTE INTERVIEW ANNOUNCING COUNTY QUOTA FOR WAR BONDS
(County War Savings Administrator and mayor or other prominent local men.)

ANNOUNCER: Station _____ now brings you our _____
(call letters) (county)

War Savings Administrator and our Mayor, Mr. _____
(name)

They have news from Washington of special interest to
_____. Here is our War Savings Administrator,
(county)
Mr. _____

ADMINISTRATOR: Thank you. The news I have is this: Today our Government
in Washington is asking us citizens of _____
(county)

to increase our investments in War Bonds by more than 100%!

MAYOR: More than 100%! Say, that's a mighty stiff quota, Mr.

(name)

ADMINISTRATOR: You bet it is, _____. Because this is a
(name)
mighty stiff war!

MAYOR: I guess you're right about that. And I know _____
(county)

2.

will do anything we are asked to do to help win this war. But, are we the only people being asked to meet a quota of War Bonds?

ADMINISTRATOR:

Not a bit. Every county in the United States is receiving from Washington today a request to fill a certain quota of investments in War Bonds, every month. The quota for _____ (county) is \$ _____. Which means an increase of \$ _____ over and above the monthly amount we have been investing.

MAYOR:

Well, it's going to be tough going, but we can and will do it. It means we are really buckling down to win this war!

ADMINISTRATOR:

Yes, we've all been impatient at the time it's taken us to get going full speed. But this is the call for full speed on the home-front! Our men on the battle-front have a lot of fighting ahead of them. And if they do the fighting, the very least we can do is to buy the Bonds which help supply them with the planes and tanks and torpedoes they need.

MAYOR:

Everyone agrees to that. But suppose, for example, I am earning \$40 a week. How much should I invest in War Bonds or Stamps every week?

ADMINISTRATOR:

The average quota for everybody is 10%. So if you earn \$40 a week, you should invest \$4 a week in War Bonds. But you should invest more if you can afford it!

MAYOR:

But suppose I have a wife and 4 children and a lot of debts and bills to pay? Does the Government still think I should invest 10% of my income in War Bonds?

3.

ADMINISTRATOR:

_____, it's entirely up to you!
 (name)

This War Bond Drive is entirely voluntary. Everybody who has an income is asked to invest to his full limit. And it's nobody's business but his own how much he can afford. But the quota for _____ is \$ _____. And the
 (county)
 quota for the average citizen is at least ten percent of his income. Ten percent every week until victory.

MAYOR:

Well, _____ I want to thank you for giving
 (name)

this news to us straight and not pulling any punches. Of course, this means we are all going to have to do without a good many comforts and conveniences. And that is going to hurt! All right then, let it hurt! Our sailors are going down at sea from enemy torpedoes. Our soldiers are being attacked by the enemy. And when our sailors and soldiers come home, we don't want them to find that we have been enjoying pleasures as usual! Each of us must do his full share to deserve the victory they bring us!

So I call upon every man and woman with an income here in _____ . Invest to your full limit in War Bonds or Stamps! Invest regularly every week or every pay-day for the duration of the war! Let's not only make our quota. Let's beat it!

Treasury Department • Defense Savings Staff

SECRET NEWS MATERIAL SECRET

FROM:

County Chairman
War Savings Staff
Treasury Department

FOR RELEASE MONDAY, APRIL 13, 1942.

"The residents of _____ County must buy \$ _____ worth of Bonds and Stamps in May; \$ _____ during June, and \$ _____ every month from July on if America is going to win this war.

"These are not mere estimates, not guesses, not 'wouldn't-it-be-nice-to-do' figures, but the absolute minimum required for Victory.

"The nation's quota is \$1,000,000,000 a month. We've got to do our part."

This announcement was made today by _____, Chairman of the War Savings Committee of _____ County, immediately after being notified by Secretary of the Treasury Morgenthau that the establishment of quotas for the nation, "placed an added responsibility on every American citizen."

"We have been telling Treasury officials: 'Let us know how much you want us to do, and the citizens of our districts will do it. Set a figure, and we will beat it,' Mr. _____ said.

"We now know what is expected of us as patriotic citizens in the war effort. I expect the citizens of _____ County to meet this challenge to their loyalty to the men on our fighting fronts. Not only will we equal our quota, we will go over the top every month, throughout the duration."

County quotas throughout the United States will be based on the average sales since inauguration of the Bond Campaign May 1, 1942, Chairman _____ explained.

"The total sales throughout the country have averaged \$440,000,000 per month. For the present, this will be regarded as 44 per cent of quota. The national goal is \$1,000,000,000 per month." Mr. _____ said -- "we must also regard our past record as only 44 percent adequate. Our quota will gradually be stepped up during May and June. From July on, we will be called upon to meet a quota double the amount of our previous sales. We can do it. We will."

Treasury Department • Defense Savings Staff



NEWS MATERIAL



Sample Mayor's Statement

"The citizens of _____ will do their share toward fulfillment of _____ County's War Bonds quota," Mayor _____ promised in a statement issued today. "Chairman _____ of the County War Bonds and Stamps Staff has advised me that every county in the United States will be given a fixed quota for Bond and Stamp sales each month. Whatever that quota may be, I am sure we can attain it, and that we will not fail to fulfill our obligations to democracy throughout the war.

"The people of _____ have given men to the fighting forces of the nation, without stint; we have given workers to the war program, without stint. To make effective those contributions of men and of brains, we must now give our wholehearted support to the War Bonds campaign.

"I predict that the city of _____ will exceed the quota of War Bond and Stamp purchases this month, next month, and every month throughout the duration. And I predict that in so doing we will join our neighbors in this county in friendly rivalry, each hoping to outstrip the other in Bond purchases. By united effort, we must put our city and our county 'over the top' for victory."

Treasury Department • Defense Savings Staff



NEWS MATERIAL



PUBLICITY SUGGESTIONS FOR ANNOUNCEMENT OF QUOTA CAMPAIGN

Contact All Editors — As soon as you get this material contact all editors and publishers in your county and tell them of the Quota Campaign. Explain to them that as soon as the quota is announced for your county (as soon as it is ready it will be sent to you and also carried to the newspapers by the wire associations) that you will have important information and details on your quota to give to them.

Press Conference — Perhaps you will want to invite the editors and their reporters to your office on April 13 in order to outline the entire campaign to them. You could invite your mayor to sit in on this conference and also the leading members of your War Savings Committee. The mayor could then give the reporters some such statement as the sample mayor's statement enclosed here; your Business Committee man could tell how the county's business firms are going to do their part in the quota drive; your Labor Chairman could tell how Labor is going to back the drive; your Women's Chairman could tell what the women are going to do, etc, etc.

Photographic Possibilities — Newspaper photographers should also be invited to the press conference. They can take pictures of you

making the announcement; of you shaking hands with the mayor; or of your whole County Committee. A good picture idea would be for you to have the quota itself printed in large numbers on a big sign which you and the mayor could hold up between you. Another good picture would be to have an over-sized thermometer drawn, with the quota lettered in at the top, and with you and the mayor standing on each side of the thermometer.

Following out this same theme, an over-sized thermometer could be placed on your courthouse square, or at the leading business intersection in the city. For further newspaper cooperation suggest to your local publishers that they insert the quota figure in whatever standard material they are now carrying. For instance, if they are running the Minute Man design every day they could put the quota just above the Minute Man or just below it. They could work the quota into editorial ears on the front page, over the editorial masthead, or elsewhere in the newspaper as a feature that would appear in every issue.

The quota for your county is not included in this material. The Treasury Department is now making up quotas for every county in the country and these quotas will be gotten to you as soon as possible, and at least before April 13, which is the date Secretary Morgenthau will announce the quota drive nationally from Washington.

These suggestions are offered to provide you with basic publicity ideas on the Quota Campaign. You will undoubtedly be able to expand on them and think of many more good ways in which to secure widest possible newspaper cooperation in your county.

Will you please fill out and return the blank enclosed herewith so that we may know whether the Quota Campaign publicity has gotten underway in your county.

Thank you.

SUGGESTIONS FOR RADIO'S QUOTA CAMPAIGN

1. Arrange to have local copy, for MINUTE MAN broadcasts, based upon new quota set-up. Use MINUTE MEN at all public gatherings.
2. New station-break copy.
3. Announcements for local stations emphasizing that this campaign and pledge campaign tie in naturally.
4. New sponsor copy stressing quotas of local communities. (for sale to local firms, by radio stations.)
5. Speeches for public officials, local, State and national. Senators and Representatives should be called on for series of network talks.
6. Regular weekly announcements, by counties, on how local quota is progressing.
7. Speeches for corporation officials on progress of Payroll Savings Plans. These might be used in their own network programs, aided by a spirit of competition.
8. Recorded interviews to be sent to all stations. Stress meaning of whole campaign, necessity for sacrifice and cutting down, desirability of owning bonds, etc., etc.
9. New pledge copy highlighting necessity of setting aside 10 percent of income.

PLEASE (Fill out this blank and return it to Mr. Sparks.)

1. I have sent press releases on the quota plan to all newspapers in my county and am following up with all other possible newspaper promotion.

(Please Check)

2. I have arranged for radio broadcasts on the quota plan over all stations in my county.

(Please Check)

3. I have arranged for the following additional activities:

Signed:

Local Chairman.

(County)

(City)

(State)

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TREASURY DEPARTMENT
WAR SAVINGS STAFF
WASHINGTON, D. C.

OFFICIAL BUSINESS



Mr. Robert W. Sparks, Field Director,
War Savings Staff,
709 Twelfth Street, N. W.,
Washington, D. C.

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

April 9, 1942
11:00 a.m.

DEFENSE SAVINGS BONDS

Present: Mr. Blough
Mr. Sullivan
Mr. Stewart
Mr. Foley
Mr. Odegard
Mr. Haas
Mr. Kuhn
Mr. Graves
Mr. Gaston
Mrs. Klotz
Mr. Bell

H.M.JR: I had a talk with the President this morning, and one thing he cautioned me above everything else was the fact that he was going to make - the thing that the President cautioned me above everything else was that he was going to make a speech, and under no circumstances should it get out; because last time it got out two weeks in advance to Germany so that the Germans jammed his speech, and the Japanese bombarded the West Coast in the middle of his speech, so, Roy, tell Paul to be extra, extra careful not to, because I would feel terrible if it got out. If anybody has mentioned it to anybody, for God's sake caution them not to say that he is going to make a speech. Now, on this business with the President, he evidently had read my memorandum very carefully, and in going in there to talk to him after having talked with everybody, I put up the plea for the volunteer plan, for the savings. Evidently what I had said before had made an impression on the President, because he said - he kept saying that these people want forced savings; and if you get forced savings, you lose the volunteer plan. We just can't have

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both. He said, "I appreciate that, and so do they." I said, "They don't, Mr. President, they want forced savings and this." He said, "No, you don't understand." When I saw that it was in his mind that he seemed to be for it - wanted the volunteer and the campaign and the publicity and the appealing to the people and giving the people a chance to go to work and all that, he seemed to like it. What he said he would do is, as of today, in his speech of April 27, he would announce this campaign himself, saying that we didn't want to go to forced savings and we had to get so much money, and he would most likely start it off announcing it as of May 6, which I think is "I am an American" Day. He said, "These other people, they don't understand it." We have got to get so much money, and we can get it this way, and he appreciates he can't get it both ways. Now, I tried to press the point that this group with Smith, they are not interested in the volunteer. He said, "You don't understand what they want."

(Mr. Paul entered the conference.)

H.M.JR: Gee whiz, Paul, I have just been all through this thing. They said you wouldn't come, and I have got to start all over again.

MR. PAUL: No, don't start all over again.

H.M.JR: I told them not to bother you. I can't do these things so often. The girl said you were up on the Hill, and I said not to bother you.

MR. PAUL: Well, I thought I had better come down.

H.M.JR: Anyway, you will have to get it from the others.

MR. PAUL: All right.

H.M.JR: The President is going to send for Doughton tomorrow and have a talk with him on the tax bill. I gathered from what he said that he did not intend to ask for any increased taxes. He appreciated perfectly after

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I pointed it out to him that by lowering the exemptions and other things that he would very likely lose the other things in the bill. I mean, all I can say is, coming away from him as of this morning, he let me go out of the room with the feeling that he was in sympathy with everything that we wanted here. I couldn't find - I didn't bring up the labor question, because - and it was a bad morning for him anyway. Stimson was there just ahead of me, and there were certain things which I can't talk about which have happened, so I mean, the fact that he was willing to listen to arguments at this time, I thought he was under very excellent self control. I don't know what will happen over the week end with regard to his speech; but certainly after Doughton has seen him, we will find out from Doughton what is the position he takes, and as I say again, I want to repeat myself, I gathered that he was staying put. Therefore, what I want to do is, again we have got to caution everybody on the secrecy of this so there will be no leaks - what I told the press this morning, they know a lot about Henderson, I simply said to the press this morning that in answer to Henderson's remark - I said that the President said he wanted so much in the budget, and I have had no instructions from him to change it, and that I represented him on the Hill with the tax bill as my responsibility, and, therefore, I couldn't make guesses. Other people who didn't have responsibility evidently could make guesses, but I couldn't and couldn't make statements, but as of today there were no instructions from the President that we should change anything as far as the bill is concerned.

They wanted to know, were we studying inflation, and so forth, and I refused to comment on it. This is Dow Jones. "Morgenthau says Treasury tax recommendations will stand until White House orders change, refuses to comment on anti-inflation measures, says England still has ample dollar balances. Secretary of the Treasury Morgenthau said today that the seven billion dollar revenue bill still stands and would not be changed unless ordered by President Roosevelt. The Secretary made the comment when he was asked about a report that the administration

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has increased - is considering an increase in the overall tax program, that the subject had been discussed by him with Price Administrator Henderson, who also reported he had talked it over with Federal Reserve Chairman Eccles. Asked if the Treasury is sticking to the program outlined in the House Ways and Means Committee two months ago, the Secretary replied, the amount to be raised was set in the President's message; and until publicly announced by the White House that the amount had been changed, he was not going to make any comment on a possible change in the program. He added, 'We have received no instructions that the amount is to be changed.'" O.K?

MR. PAUL: Fine, that is swell. I want to tell you that Mr. Boehne this morning inserted on the record a reference to the New York Times article this morning, and then made a rather annoyed remark that this is what happens every year. We have another tax bill before we get through with one.

H.M.JR: "Morgenthau also refused to answer questions whether the President had asked the Treasury to study anti-inflationary measures. He called particular attention to the address he made in Boston last September which he said he reread yesterday for the first time in several months." Now, I would like to talk with the Defense Bond people, and that is Graves, Odegard, and Kuhn; and if the Under Secretary has ten minutes, I would like to have him listen to it, please.

MR. PAUL: Mr. Morgenthau, may I ask one question? Mr. Doughton sent for me today, and he has arranged a conference at one o'clock today with him and George, and he is disturbed about profit limitation. I assume I may say that the Treasury is back of - is opposed to the whole idea, and will do anything reasonable about it in cooperation with him.

H.M.JR: That is right.

April 9, 1942
11:10 a.m.

DEFENSE SAVINGS BONDS

Present: Mr. Graves
Mr. Kuhn
Mr. Odegard
Mr. Gaston
Mr. Bell
Mrs. Klotz

H.M.JR: Now, I am going to try not to hurt anybody's feelings. That isn't the intention. But if I do, I can't help it. The chances now look as though we were going to go ahead with a real campaign. The President seemed to like it. He said yes today, and he said we would have to get in all the agencies, MacLeish and Byron Price and OCD. Now, I am going to call a spade a spade. The defense program, from my standpoint to date, is not a success. I cannot go in to any such campaign with the kind of assistants that Harold has got under him. I question a lot of people that you (Graves) have had with you, and you and Odegard and Kuhn - they are always the best. I never can make a dent. This is my responsibility, and I have backed you fellows up after sleepless nights to go through with this volunteer plan against a divided house here, and all the rest of the people in Washington talking to the President, urging him against it; and as I said this morning, not a friend anywhere amongst anybody that has talked to the President for this plan. Now I have got to get for you first-class assistants, which I don't consider that you have got, and I argue with you and with these two fellows, and I can't get anywhere. Now, they are always the best. Everything is perfect. Well, the answer is, each day since the first of March our

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sales have been getting less. They are running twenty percent less in April than they were in March, and I don't know where the bottom is. Now, the people that I have in my mind - I would like - some place in the United States there is a man who has demonstrated the way this man on the Philadelphia Bulletin did, who made a success for the boys, that he has made a success with the pay-roll deduction plan. I don't know where he is. I don't know whether it is a General Electric man, I don't know whether it is a man with the International Harvester, but some place there must be a man who has made an outstanding success, and I want to get him to come down here to go to work for me. I want it directed from here. I want to sit in on it myself. I don't know of anybody that you have got who has demonstrated that he can within a reasonable time put this thing in. I am going to ask Mr. Green and Mr. Murray to give me the very best organizers that they have in the unions to sit in with me so that they can put their finger on the man in each state who is their best man to help them. Now, I never thought - I mean, as long as this thing was going along in a kind of easy-going manner I have refrained from saying these things, but certainly a man who ran - who looked after twenty-five million dollars worth of foreclosed property in the City of New York for the Bowery Savings Bank would never be picked by any concern or any union to be a national director of a sales force, and that is Mr. Sparks. I mean, why pick a man who - all he has ever done in his life is to look after twenty-five million dollars worth of busted real estate. To say that that man can be a sales director to me was always cockeyed. Now, the President has suggested somebody who has demonstrated that he can do it, and that is Keith Morgan, who is the man that has been in charge of the Mile of Dimes. He said if we go in and take on people, he would like to consider him. He didn't order us to do it, but Keith Morgan has made an outstanding success of the campaign of the Mile of Dimes. I mean, it is a brilliant success, the President's birthday ball thing. But those are the first two things.

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And Harold and Mr. Odegard and Mr. Kuhn, please get together, because I am going to get each one of these - whatever the heads are, and have them in here and look these people in the eye. I have got to get first - I mean, I have decided - I crossed the bridge during the night, that I will go ahead and put my money on this plan for the sake of my country, and I want to make good. If the President doesn't do it, the organization is going to be scrapped anyway, and I can't work with the kind of people, Harold, that you have got under you. Now, I know that you can do this thing, and you (Odegard) can help, and I know that Kuhn can help, but the final thing is this fellow (Graves), and I am still putting my money on you, but you have got to get yourself something other than third and fourth raters, Harold. You are a first rater, you are all right, but you have got to get yourself something other than third and fourth raters as your assistants, and you haven't got them. Now, I know you are going to tell me I am wrong and all that. Well, from now on I will take the responsibility, but please first get me one or two men who have demonstrated - in the whole United States there must be somebody that you can say, "Mr. Morgenthau, that man knows how to put on a pay-roll deduction drive and can do it." Now, if you want to come back at me, you can take your coat off and hit me just as hard as I have hit.

MR. GRAVES: Well, I would like to come back. I recognize the need for someone to take hold of the pay-roll allotment thing and concentrate on that. I think that the need has been for something much beyond that, a need which in my judgment will be supplied by this formula expressed in the letter, which I think you read last night, of setting a yardstick for each company.

H.M. JR: And which letter I left with the President, and the circular, so I haven't got it. So I would like another letter and another circular. He kept both of them. (Notes and filed 410)

MR. GRAVES: I found this morning that that General Electric pamphlet that I gave you is the only one in Washington. There will be others in this afternoon at three.

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H.M.JR: He has it, and he said he would read it. I haven't got it.

MR. GRAVES: As I say, that to me is much more important than any change in our own personnel. It is providing these companies with a yardstick by which they can gauge performances, and a plan which is pretty well outlined in that General Electric pamphlet under which each company can go ahead to bring up participation to the ten percent of gross pay rolls which we have in mind. Now, as to the man - I might say this also, that if we are going to succeed in this job, it isn't going to be because of any big shots that we may get in our Washington organization.

H.M.JR: They don't have to be big shots. They have to be people, though, who know the technique, and who have had the experience.

MR. GRAVES: We will succeed or fail according to the kind of work that we get done in our various state and local organizations.

H.M.JR: Harold, that is where you and I differ, because I agreed with you that it has to be done in the state, and you pounded that into me, but the brains and the ideas and the tone of the thing, the initiative, has to be set here.

MR. GRAVES: Well that, as I say--

H.M.JR: I mean, you have got to--

MR. GRAVES: ... you are quite right.

H.M.JR: Now, the best demonstration - I mean, it is the Philadelphia Bulletin, isn't it?

MR. GRAVES: Yes.

H.M.JR: He gets his idea, and I said to you, "Get the fellow." Well, he turns out to be one of the best

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circulation managers in the United States. We get him, and he comes down here, and he puts it over with seven or eight hundred newspapers. Why? In the first place, he made a success of it, and in the second place, he is recognized among other circulation managers in the United States as one of the outstanding fellows; and when he says something, they listen to him. Now, you didn't get a fellow like Duffus who was sent down here as an office boy for Howard Dietz - as an office boy - to be here to answer the telephone and make a fellow like Duffus, who God knows what he did before, in charge of our whole amusement thing when you could get people from Barnum and Bailey's circus or a man from Madison Square Garden, or whatever they have in Chicago, who has a national association reputation as a man for putting on shows, who could come down here and do the thing. Instead of that, we use an office boy. In our women's division we have got a fine, nice, young, peppy, irresponsible girl who goes in there and is head of the women's division, who is supposed to - I mean, we are using fourth-rate people.

MR. GRAVES: Well, I differ violently with that characterization. I think that is unfair, not only to me, but to the people that you are characterizing.

H.M.JR: All right. How can you compare Howard Dietz and Duffus?

MR. GRAVES: I would say that Duffus is infinitely superior to Howard Dietz.

H.M.JR: Well, if you don't mind my being personal, how can you compare Helen Dallas with Mrs. Kuhn who was doing this thing before? You get immature people. You cannot, Harold - listen, Harold, your dollar figures show it. I don't care, I told you at the beginning, you may get mad at me.

MR. GRAVES: No, I am not mad.

H.M.JR: But I can't help it, and Kuhn may get mad, and Odegard, but you fellows fought me to a standstill

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and the dollar sales - if I am in business - the dollar sales are against you. Now, I was willing to go along on this thing as long as you fellows are getting an increase. You reach a peg, and then your thing just sloughs off. Now, anything that any organization is dependent upon the profit motive - you and I couldn't stay in business and get somebody else, and I have said it right along. Now by God, I have gone down the line, and I want an organization that is going to back me up, and I haven't got it.

MR. GRAVES: I think you have it. I think you have a better organization than you think you have, and I repeat that what we need on this pay-roll allotment thing, Mr. Morgenthau, is not a man to sit here in Washington. We need a system, which we haven't had. We need a yardstick, which we haven't had. We are on the verge, whenever you approve, of supplying it.

H.M.JR: Well, it isn't me. Good God, you have seen me for one week that I have sat on this thing. It is the President of the United States.

MR. GRAVES: I understand that way, but when we are given the green light, let us say--

H.M.JR: But, Harold, I have gotten beyond the argument. I am asking you, I am ordering you, if you wish, I want you to produce me a list of a half dozen fellows who have made a success in pay-roll allotment, and I will pick one out.

MR. GRAVES: I was going to say--

H.M.JR: I will pick one out of that list.

MR. GRAVES: ... we have in mind bringing to Washington the best man that we have had in the country on pay-roll allotments. His name is Seese. He is in charge of our pay-roll allotment work in Chicago. Mr. Seese is the Metropolitan Life Insurance Company man in Chicago. I have talked with him about this. He is

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willing to give up his job, whether his company will approve it or not, and come here if, as and when we want him. I would like very much to have Mr. Seese come here and let you talk with him and get from him your impression of what he would be able to do for us.

H.M.JR: That is one. I would like to see somebody from some manufacturer. I would like to see some business men.

MR. GRAVES: Well, we have this man from General Electric--

H.M.JR: You tried one Metropolitan Life fellow that was a complete flop.

MR. GRAVES: That is right.

H.M.JR: And we wasted six months on him.

MR. GRAVES: We have this General Electric man. Mr. Odegard knows him very well. He has been collaborating with us. It was he who did this General Electric thing which you have glanced at.

MR. KUHN: Would Stodgill be of any use to us?

MR. GRAVES: No.

H.M.JR: Who is Stodgill?

MR. GRAVES: He is the Philadelphia Bulletin man.

MR. GASTON: Think of the possibilities of a labor man. There may be some wise man in the CIO or--

H.M.JR: I am going to get them, Herbert. The CIO and AF of L, after all, they know how to put on campaigns to get members. Now, I am going to find out who are their best people, and I am going to have them sit here alongside of somebody, but I want somebody out of some factory.

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MR. GRAVES: Probably - the best person I know would be either Mr. Neal or his superior, whose name I don't know.

MR. ODEGARD: Pears.

H.M.JR: Who is he?

MR. ODEGARD: I think he is tied up with the Vice President in charge of public relations of General Electric.

H.M.JR: Peare?

MR. ODEGARD: Pare, P-a-r-e.

H.M.JR: Harold, there is something wrong when everybody who is close to the President of the United States who is outside of the Treasury, and half the people in the Treasury don't believe in this thing. There is something wrong.

MR. GRAVES: But I don't think you can attribute that to the personalities in our organization.

H.M.JR: Harold, look, you have had your way, the three of you, on how this thing should be run. Now, if you don't mind, from now on I have got to give it the time myself, and I have got to have different people to work with down the line. I can't work with these people. I can't work with a person that writes a letter, five hundred million dollars, one thing - he isn't bothered with five hundred million or fifteen million or whatever it is. I mean, I can't work with those people. I mean, I can't work with people - I mean, when I can get the best in the United States, why should I work with a man like Duffus? When I can get any woman in the United States to come down here to head up a women's division, why should I work with a very nice young girl like Helen Dallas? I mean, who had an insignificant position on the New York times and never has done anything like this before. Take Sparks, who may be very good at running busted hotels

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in New York and looking after things, but never handled a National sales organization in his life, any more than I would take a man who runs a hardware store in Poughkeepsie, if I wanted to go in that business, if I could get a man who was a sales manager for the National Cash Register. If I want the sales manager for National Cash Register, he will come down here. I tried my best to get you to get one of the sales managers of the automobile companies. I couldn't make a dent.

MR. GRAVES: That isn't right either, Mr. Morgenthau. We are--

H.M.JR: Well, I never yet heard the answer to Grant. I don't know - nothing has ever happened about Grant.

MR. GRAVES: Oh yes, it has.

H.M.JR: What happened about Grant?

MR. GRAVES: We have supplied, or did supply, those people with a list of the vacancies that we wanted to fill. They have--

H.M.JR: I didn't want that. I wanted to try to interest a man like Grant to come into this organization.

MR. GRAVES: You never said that to me. What you told me was that you wanted me to recruit for our vacancy--

H.M.JR: I said there are people, sales managers in charge of automobiles, who are available.

MR. GRAVES: Yes, and we are on the plan of hiring some of those people.

H.M.JR: Well, Harold, I have gone down the line now. I am sufficiently sold on the volunteer plan, and what we have done so far that against everybody's advice outside of the Treasury, I am still recommending it to the President and having him back us up to give us a trial. Now, in order to do that I expect to give this thing enough time myself and to do it in my way, which may prove to wreck the thing, and I will take full responsibility for wrecking it. But you are going to have to give me the kind of people to work with that I want. Now, if it is a wreck, O.K., I will take the full responsibility, but you have had it up until now and from now on I will take the responsibility, and if I wreck it, O.K., then I will wreck it, but this is going to be a different kind of thing from now on; and I want you to start and I don't want a Metropolitan Life fellow, I want a fellow out of a successful manufacturing - a man who has put this thing over in the business, and I will match you personally by asking Mr. Green and Mr. Murray to give me something from their offices.

Now, Peter, you are a university professor and you have got your home paid for, and so forth and so on--

MR. ODEGARD: I wish it was.

H.M.JR: I don't care, you can say, "Mr. Morgenthau, you are all wrong." I don't care how hard you hit.

MR. ODEGARD: Well, I am inclined to think - to agree with Harold, that while I think personnel is important, and I think that obviously in any organization we could improve the quality of personnel, I think that would be true in almost any organization in Washington, that is to say, otherwise, it is to be assumed that one has achieved a nirvana, that he has gotten a perfection, which he hasn't; but I do think the important thing here now is an intensification of this program along the lines which would give the definite objective and plan of procedure which thus far I think we haven't had, and I think this is true. I don't know whether Harold would agree with this, but I have been talking to him about it,

that where we have had a plan and where we have had something approaching a goal, as in the case of the General Electric promotion, we have almost invariably succeeded. Isn't that right, Harold?

MR. GRAVES: Yes.

MR. ODEGARD: It is where we haven't had a goal, and where we haven't had a plan - I don't think it has depended altogether on personalities. I think they are important, but I think the important thing is a plan and a goal, which, thus far, we haven't had. Now, I agree with you, Mr. Secretary. I don't want to - I do think that there must be people who can help us, who are better perhaps than many people we have, at least some of the people, and I think that means that the staff we do have are necessarily failures or mediocrities. I think there are thousands of better teachers in the United States than I am. I am sure of that. But I would hate to say that Stanley King would regard me as a wash-out or a failure because that was true.

H.M.JR: Let's be very personal, see. Take yourself, for instance. If I wasn't satisfied that you knew our propaganda as well as anybody else did, and Kuml was holding forth the other night and asked if I had ever met you, and I said I considered you one of the outstanding people in the field. He showed his ignorance by not knowing about you.

Now, what the President does is this. He has got somebody and he doesn't make good, and instead of removing a fellow he supplements him. He forms a commission and so on. Well, that is his way of working. I can't work that way.

MR. ODEGARD: I think that is right.

H.M.JR: And I am not going to work that way, and my whole reputation and all these fellows that - now, after more or less a sleepless night, I have come to the conclusion, after being whipped back and forth, back and forth, that this is for the country and to hell with what happens to me. Now, with Wallace and Henderson, and Eccles

and Harold Smith and Don Nelson and all their satellites against me, I still say I believe in this plan. That means that I have got confidence in this fellow (Graves). Now, up to this time, though, he has done it his way. Now, all I am saying is, I want to make certain changes and I take full responsibility, and I want bright, able, sparking people. I am satisfied with Kuhn. But when you get off this level, I can't work with those people. I am not accustomed to working with those kind of people. I don't want to see them. I don't want to see them.

MR. ODEGARD: I think that this job has been a--

H.M.JR: I don't want to see them. As far as I can tell, at the first I had gravest doubts whether Callahan could do it. I think Callahan is doing a perfectly grand job on the radio, so far as I am concerned, O.K. I don't know much about what Mahan is doing, so I have no opinion, but what I see that he does is on the plus side so we will leave him alone, but as far as the rest of them are concerned, to me they are just a bunch of cripples.

MR. GRAVES: I would like to make one observation. You just said that up to now I have done this thing my way. Well, as a matter of fact, we have followed a certain policy which I think has been your policy or our policy, no quotas, no yardsticks, no standards by which people can gauge performance, no suggestions to individuals as to how much their share of the great obligation is. Now, that has been our way.

H.M.JR: My way, I laid it down.

MR. GRAVES: Exactly.

H.M.JR: I take full responsibility for that.

MR. GRAVES: Now, I feel that the time has come when we have got to change our way.

H.M.JR: Call it my way.

MR. GRAVES: We have got to set up yardsticks, and standards, and quotas, and goals, and I think that is the great need in this program.

H.M.JR: Granted, Harold, but right or wrong, as I change with the President's approval, with the President going on the air and announcing it, with a new method, you haven't got the organization, in my opinion, for whatever it is worth. Now, human nature is human nature. All I can say is, this is my opinion. Now, when it wasn't a matter of life and death, I was willing to go along with the kind of personnel we had on the basis of - that I prescribed. Now, if the President will make this announcement and set us going, I say I have got to have a different kind of sales force. It goes from the difference of selling Steinway pianos, you almost have a monopoly, and you go in and buy a Steinway piano because your grandmother and grandfather did, but when you get into the radio business, and you have got ten radios, I suppose you are in the most fast-selling high-pressure crowd there is in America; and when it goes from selling a Steinway piano to selling a radio, by God you have got to change. Now, they can have these nice fellows with the monocles and the gray beards, and the cut-away suits standing there as office furniture in Steinways, because if a man wants a Steinway it is because his grandmother had a Steinway, but when you get into the radio business you are in fast moving company. Now, we are going into the radio business where we have got ten competitors and everybody against us, and you need a different kind of people. Now, we went in the bond business and we wore cut-away suits and so forth and we were high-class fellows. Now, by God, we have got to get down to mixing and we are moving in the fastest company there is in this town or this country, and you need a different kind of people.

MR. KUHN: That doesn't mean just names, Mr. Secretary, does it? You remember earlier in this game--

H.M.JR: Ferdie, look at all of us in this room. Did any of us have any names before we came to the Treasury?

We got our names - I mean, I am talking as far as Government is concerned. I am leaving out university life. But as far as Government is concerned, we were unknown. We had our chance and I think we made good, so we have become important through the work. I have never brought - I have brought names down and every time I have done it, it has been a failure.

MR. KUHN: Because early in this game when we were organizing state committees--

H.M.JR: Every time I brought a name down I did wrong, so I am not looking for names.

MR. KUHN: That is, the President wouldn't be looking for names in this kind of thing?

H.M.JR: No, he only said to me, "Henry, Keith Morgan has done a wonderful job. He has just lost his mother and so forth and so on, and if you take on people -" that is what he said - "If you take on people, will you give consideration to Keith Morgan?" Now, it wasn't an order.

MR. KUHN: I think it has been an asset to this whole organization around the country that if a person is willing to serve on a committee just to be ornamental, we haven't had him, no matter how big his name is.

H.M.JR: As I say, every time I have taken a name I have made a failure of it. I have had names.

MR. KUHN: I think the three of us are pretty well agreed on that.

H.M.JR: But listen, I can't even give you the name of the fellow from the Philadelphia Bulletin.

MR. GRAVES: Stodgill.

H.M.JR: But amongst his own craftsmen he is known. He is known as an outstanding fellow, and if it takes

a public relations man from General Electric, I am sure amongst other public relations men, if he is the man I want, they will say, "Well, by God the Treasury took the best of our crowd and if he tells us to do something, we look up to him." Now, I don't want the chairman of the board of General Electric. I don't want the chairman of RCA, whatever his name is, but if I want a sales manager I don't want Mr. Knudsen or Mr. Sloan, but I want the fellow who is sales manager for General Motors or for Packard. I want the man who against Ford made an ugly duckling car like Chevrolet out-sell Ford. Now, that man exists if I wanted that kind of man, and his name happens to be Grant. But there are the people who in the profession are recognized by the kind of people as a level we had to deal with, as being outstanding, and those are the kind of fellows. Now, to start with, I want somebody out of a factory who has demonstrated that he can put this thing across, and I will ask Green and C.I.O. myself to give me the best membership men that they have got. That is what we want from those railroad people, don't we, the fellows who know how to go out and organize? They can't organize now because the Government won't let them go in, so those fellows are marking time. The man who organizes for the C.I.O. and goes into the Ford plant, who is he, Frankenstein?

MR. GASTON: Yes.

H.M.JR: O.K., put Frankenstein to work and shock everybody.

MR. BELL: I am afraid you will.

H.M.JR: Well, he knows how to get memberships.

MR. GASTON: He is a big guy.

H.M.JR: Frankenstein would get me ten percent in the Ford factory, from the C.I.O., wouldn't he?

MR. GASTON: There is something to be said for having

your top man a labor man. You have got to sell this to the working people.

H.M.JR: Well, you can have a committee, Herbert.

MR. ODEGARD: I do think Mr. Secretary, that the emphasis is quite right, that you lay. It is on organization, and it is on the need for implementing that organization rather than on propaganda as such. The limitations of propaganda are rarely seen by the people who work in the field of propaganda. Now, the job of organization that Mr. Graves has had, and that the Defense Savings Staff has had in this job is perfectly gigantic. It is as great and greater than the OCD has had. They had an earlier start. We have had to reach into every community in the United States and to find people, to get people who will do this on a volunteer basis, and that is the best kind of person in my judgment. It has not been an easy thing to do. For ten months or nearly ten months we were operating in times of peace. We began this campaign at a time when I like to recall Congress extended the draft by one vote and only one vote, as I remember it, when the country was divided. It has only been since Pearl Harbor that we have been in any position at all to move on a war basis and the job of organization, the job of tightening the organization and making it function more efficiently, is the job from here on. I think that is quite true. I just think that we ought not to be unfair to what has been done. It has been a perfectly gigantic job under very difficult circumstances. Now, that may sound like an alibi, but I don't think it is altogether alibi. Your emphasis, now, if I may just add this one word, upon getting someone who knows the - how to put a plan through in terms of organizations seems to be entirely sound. I have often said that an ounce of organization is worth a ton of propaganda any day in the week, and on this kind of a job it is especially true, but I just feel that you work with the kind of people that you can get under a given set of circumstances.

H.M.JR: Well, unless I got excited and forceful, I couldn't make a dent with you fellows. So I have had to

do what I have done. I have finished my remarks. There is nothing personal. I started my remarks by saying there was nothing personal. I very, very rarely, as Gaston and Bell will know and Graves, say I want my own way. How often have I said that, Mrs. Klotz, since I have been in the Treasury?

MRS. KLOTZ: Very rarely.

H.M.JR: I don't know that I have ever said it.

MRS. KLOTZ: Well, I think the only time you do say it--

MR. BELL: I don't think you have, but you get it.

H.M.JR: Have I ever said to you, Dan, I want my own way?

MR. BELL: I don't believe so.

MR. GASTON: You sometimes say, "Well, now, you take my word for it, this is the right way to do it."

H.M.JR: But not very often.

MR. GASTON: And we usually find that it is.

H.M.JR: No, I don't want to be - I make lots of mistakes, but this is one of the times where I have made a fight for what we have been doing on this thing and I think I have won. Now, by God, I want to make good, and I am going to make good with the help of you people and some new people who will fit into our organization.

MR. BELL: I am sure we all appreciate the fight that you had to put up to keep this thing.

H.M.JR: Well, it isn't won until he has made the speech.

MR. BELL: We have had the whole gang against us.

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H.M.JR: I didn't say a thing to him about the one percent or anything. I just made a clean fight on this or nothing.

MR. KUHN: You might combine a sterling appeal of this kind with a forced savings.

MR. GASTON: I am sure you were right. I think you can be easy about that.

H.M.JR: Well, I made--

MR. GASTON: The more I thought of it, the more I am sure that you are right.

H.M.JR: I impressed the president with this fact, that somebody ought to get these people together. If Harold would prepare a letter for me to these people pointing out to them that when you put in a forced savings plan and everything that it means, that no company will do two. Now, the sooner you do that letter for me - I will address it to all of these people pointing it out. You have been in Internal Revenue and know the difficulties of the thing. So give me a letter pointing out to them *see etc.* that the two things can't go side by side. General Motors put in three hundred fifty thousand dollars worth of office machinery to handle this thing. Standard Oil of Indiana put in two hundred clerks to run the thing. I mean, show what these companies have done and point out that they simply won't do both side by side. They will drop out. Explain the difficulties for Internal Revenue. As soon as you can give me that, I will write a letter to each of these people pointing this out.

MR. BELL: Each of whom?

H.M.JR: I will write to Wallace and every one of these people.

MR. BELL: Oh, I see.

H.M.JR: A letter.

MR. BELL: You mean this group that has been opposing you?

H.M.JR: Yes, and say that these are the difficulties, and as far as I am concerned it is one or the other, and it can't be a compromise. Whatever they figure on forced savings, they should deduct from that amount the amount that we are getting now through the voluntary pay-roll deduction plan, because you won't get both, and put it right on the line so that instead of - Paul keeps saying I am on the spot, but put them on the spot, so they know with their eyes open that when they talk forced savings they are killing the voluntary deduction plan and explain to them what it is.

MR. GASTON: It goes a little deeper than that, and that is that you cannot fight a war without voluntary effort, and this is one of the principal ways for rallying voluntary effort. There is something along that line I want to talk to you about, about how the OCD and some of those other agencies can be useful. That is, we want what has not been done, we want a thrift campaign to get people to refrain from expenditure, to make it a matter of pride not to spend money, and this is what OCD could be doing now, entirely separate from the Savings Bond Campaign, thrift, don't spend.

H.M.JR: Herbert, Jim Landis tells me he is now organizing an auxiliary corps of people. I don't know what they call their present corps. I said, "All right, Jim, what are you going to do with them after you have got them organized?"

"That is my trouble. I don't know."

MR. GASTON: I will tell him one big thing they can do. The one thing indispensable to beat inflation is a tremendous big widespread thrift campaign; budgets, how to make your clothes over, how to buy the right kind of food, what not to spend, what to use in place of spending.

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H.M.JR: All right, that is all good, but we need all of these people to help, and it has to be synchronized, and Landis has got a first-class brain and he can be very helpful, but he is floundering. He says, "I am going to organize a new auxiliary group in every town."

"What are you going to do with them?"

"Well, I have got nothing to do with them," and getting on the volunteer thing, as I told Nelson, I said, "Look, Nelson, who has got the best spirit, the Army or Navy?"

"The Navy."

Why has the Navy got it? Because they volunteer for the Navy. And they have, I don't care, you get any Army officer and get him alone in the corner where nobody can hear him and he will say, "Give me a volunteer man any time over a selective service man." They won't say it where anybody can hear it. "Any difference between the two?" "Oh, no. Selective service is just the same." "Well, how about promotion?" "Well, the marks are just the same. I suppose I would give a little credit to the fellow who volunteered." Of course they would. And as I say, I have come to this thing and now I hope the President will stick by me. He has got this picture and he likes it. I told him there will be excesses, we can't help it, but we will suppress them wherever they come up. Fortunately, as usual, he talked to somebody in Hyde Park about how Defense Bonds were going. They were going well. The authority he talked to was an eighty-one year old man.

MR. KUHN: Does he understand the situation of what had been done to put our plan in effect in the corporations?

H.M.JR: He didn't want to listen to me too much because he kept saying every time I criticized them, "Henry, you are wrong, all they want is forced savings, but they don't care whether they get it by act of Congress or through the volunteer plan. You don't understand."

Therefore, if I write this letter on the pay-roll deduction plan, what we have done, what the companies have done, what the unions have done, and then say, "Now the other thing - now, if we put in this other plan, this is what it means and the two things cannot be side by side," I will start by sending it to the President. I don't care how long you make it, but let's nail this thing, that these two things can't be side by side. Let's nail it, and I would do that first. Do that and then please - what is today? Thursday. Have somebody here Monday, a couple of fellows for me to talk to on the pay-roll deduction, will you?

MR. GRAVES: You mean with respect to--

H.M.JR: Not from the unions, from the companies, and let me talk to them Monday.

MR. GRAVES: You wouldn't like to look at this Seese from Chicago?

H.M.JR: Yes, I will look at Seese.

MR. BELL: How about the International Harvester man, do you know him?

MR. GRAVES: Yes. There are a couple of questions I would like to ask. I assume, of course, that we are to do nothing about sending out that letter or any material?

H.M.JR: No, that letter wouldn't go out until--

MR. GRAVES: The twenty-seventh or after.

H.M.JR: Not until after the President's speech. I told the President, "I am coming back next week." He said, "You ought to begin to get ready." I said, "I will come back next week and talk to you, and then you can tell me whether you have made up your mind so that we can get prepared to shoot."

MR. GRAVES: We will not shoot anything until after that speech.

H.M.JR: Callahan said something about having notified three thousand people.

MR. GRAVES: We have killed that by telegram. Now, there is one other inquiry. As I understand we are to go before the Bureau of the Budget on Wednesday for our 1943 appropriations.

H.M.JR: On Wednesday?

MR. GRAVES: On Wednesday, the fifteenth. I don't know whether that is going to be a very good time to go. What do you think, Dan?

MR. BELL: You will have to tell them about this program.

MR. GRAVES: That is exactly my point.

H.M.JR: Why not ask for a postponement of a week?

MR. BELL: It would have to be longer than that.

MR. GRAVES: It wouldn't be enough.

MR. BELL: It would have to be after the twenty-seventh.

H.M.JR: Oh, no. You will ask for one week's postponement. The President will settle it this coming week. Now, the sooner I get this letter the better. I will give it to Judge Rosenman who is going to write this speech.

MR. GASTON: Will it look as if we think we are licked if we don't go before the Budget? Maybe it would be better to let the Budget postpone it.

MR. BELL: I wonder if you could go ahead, Harold,

just as though you knew nothing about this.

MR. GRAVES: I could. I would be afraid that they might take a position.

H.M.JR: Well, you can just say, "I know nothing about that. My instructions are to go ahead on it." Well, my advice is that you can write a letter for my signature and say, "In view of the discussion which is going on, I am asking for a postponement of this thing for one week until the thing is settled." Ask for it for Monday, will you? I will write him a letter. You will have to do what Henderson has done. Henderson has asked to get forty thousand people, I think he has asked for, for these committees. He is going to get it.

MR. GRAVES: I think maybe it would be just as well to postpone it and have Dan just call up rather than to have you go so far as to write a formal letter, don't you, Dan?

MR. BELL: All right, I will do that. I will call up Harold and say, "In view of the discussions going on with the Secretary, maybe we had better just go ahead and postpone it. You can get a deficiency in May."

H.M.JR: That meeting would be a good place to make a speech because it is right after the President's speech. There will be two or three thousand representatives of business there.

MR. BELL: Well, if they will keep it open until after the twenty-seventh, I can tell them then.

MR. KUHN: What organization is it?

H.M.JR: U.S. Chamber of Commerce, what do you think?

MR. KUHN: At the beginning of this campaign to make your first blast at the chambers of commerce, I don't think that is right.

H.M.JR: All right, I won't do it. All right, gents.

April 9, 1942
2:44 p.m.

John
Sullivan:

Congress is now in conference on the Sixth Deficiency Appropriation Bill. There was an amendment introduced by Chairman McKellar which will allow the Secretary of War, the Secretary of the Navy, and the Chairman of the Maritime Commission to call on the Bureau of Internal Revenue to make examination and determination of profits under any of their contracts. There is no provision that gives us any discretion in the matter at all.

HMJr: Yeah.

S: We all feel that this should be done, subject to your approval.

HMJr: Yeah.

S: The number of men we have who can do that terribly difficult cost accounting is extremely limited, and if there's no restraint placed on them, we would have to call off a great many of our audits; so we've prepared a letter to Senator McKellar.....

HMJr: Yeah.

S:pointing out this situation, telling him we're thoroughly in accord with his attempt to avoid duplication of agencies, but suggesting this modification and enclosing an amendment; and I thought if you'd sign this letter, I would take it up to him right away. I'm afraid they may end their conference.

HMJr: Have you shown it to anybody else?

S: Yes. The letter comes over from - came over from Mr. Helvering. Those fellows over there had all initialed it. I didn't like the form of the letter, and I went over it with Lerry Bernard, and it's re-written and in good shape. I called back Mr. Helvering and read it to him, and he approves.

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HMJr: Yeah.

S: They were very much disturbed about it.

HMJr: Send it right in, and I'll sign it.

S: Thank you, sir.

April 9, 1942
3:55 p.m.

HMJr: Hello.

Vice
President
Wallace: Is this Henry?

HMJr: Yeah.

W: Oh, Henry, can you meet with - Sam Rosenman suggests that it would fit in conveniently with him.....

HMJr: Yeah.

W:if we could all meet together in the Cabinet room at ten o'clock tomorrow morning.

HMJr: I can - I'll be there. I'll be there.

W: That will be you and Leon Henderson and Harold. I don't know whether we can get hold of Eccles or not.

HMJr: Uh huh.

W: I'll try to get him.

HMJr: Uh huh.

W: I'm not sure that I can.

HMJr: Well, I'll be there, and I take it it's on that matter.

W: Yeah.

HMJr: All right. I just - so there's no possible misunderstanding, where I stand on it - I mean, I don't want to - I'd like to talk to you about it sometime and it may not come up at this meeting - I just - I argued with myself all through the night, and I've got to the point where the forced savings and the volunteer can't go side by side.

W: Oh, you don't think they can?

HMJr: No.

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W: Oh, gosh, I was hoping that you.....

HMJr: No.

W: I thought that was a grand and glorious solution.

HMJr: Well.....

W: I was tickled to death when you had it.

HMJr: I've gone into it further, and the trouble is on the administrative mechanics end. The one kills the other.

W: Why?

HMJr: Well, you see, we have forty-four thousand companies that have installed this volunteer plan.....

W: Uh huh.

HMJr:at great expense to themselves.

W: Uh huh.

HMJr: Now, if they do the forced savings, they also have to put in the plan; and the one practically is a - well, it would be a substitute for the other, and they wouldn't.....

W: Well, I still can't help thinking there's some way out of that, Henry.

HMJr: Possibly. Now, I was with the President this morning quite lengthy, and he left me with the definite impression that he'd like to get this money - continue to get it for a while through the.....

W: Voluntary?

HMJr: Yeah. Now that was what his position was this morning. He said he wants the money, and he insists that the people who want this money not spent but put into savings, they don't care how they get it as long as they get it. I told him

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he was wrong on that, that they cared very much how they got it; but he said that he'd like to go along with it and would include that in his speech, and so - at least in my own mind, and I want to make - it's one or the other, see. As of this morning, he wants to continue as is with a great drive; and he wanted to get all the publicity that.....

- W: I wonder if you can't - Henry, I wonder if you can't work out a scheme of this sort, on the basis of men that work in plants.....
- HMJr: Yes.
- W: Defense plants.
- HMJr: Yeah.
- W: And they're the ones whose income has increased most over their previous situation, as we all know.
- HMJr: Yeah.
- W: Many of them have two, three, four times as much as they previously had.
- HMJr: Yeah.
- W: I just wondered if you can't give an inducement to the plants which will go over a certain amount are exempted from the compulsory thing.
- HMJr: Well, I don't think it's necessary, Henry. I know that.....
- W: Well, I think that we all ought to talk to the Boss together on this, because apparently - I get different answers - different folks.
- HMJr: (Laughs) Apparently.
- W: (Laughs)
- HMJr: But I just wanted - so there was no possible misunderstanding between you and me.

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W: Well, that's fine, Henry.

HMJr: I just wanted you to know that during the night, after talking to people about the mechanics, I realized it had to be one or the other.

W: Uh huh.

HMJr: So I went in as an advocate of the payroll - volunteer payroll deduction plan.

W: Uh huh.

HMJr: And he said that he wanted to continue that for a while. So I wanted to make my position perfectly clear.

W: Yeah. All right, Henry. Fine.

HMJr: Now, as I take it, I'm to be at the Cabinet room at ten.

W: At ten o'clock tomorrow morning, yeah.

HMJr: Thank you.

April 9, 1942
4:18 p.m.

HMJr: Hello.

Operator: Commissioner Helvering is here in Mr. Sullivan's office. Do you want to talk to him there?

HMJr: Please.

Operator: Right. Go ahead.

HMJr: Hello.

Guy T. Helvering: Hello.

HMJr: How are you?

H: Fine, thank you.

HMJr: I'd like to see you. I haven't seen you in weeks.

H: Well, I'm right here in your building.

HMJr: Come in and shake hands with me.

H: All right.

HMJr: Do it now.

H: All right.

April 9, 1942
4:24 p.m.

HMJr: Hello.

Francis
Biddle: Henry, this is Francis.

HMJr: Hello, Francis.

B: Henry, I'm going to ask you to do something for me which I think would fit in with your plans, and that is this.

You remember all this subversive stuff has been so damned to and fro that it's a headache.

HMJr: Yeah.

B: We have, as you know, this appropriation requiring us to spend money and investigate.

HMJr: Yeah.

B: About half of the complaints are finished, and I'm pushing it very hard now to finish everything up and get a report in on June 30.

HMJr: Yes.

B: The report is going to slam hell out of our mutual friend on the Hill.

HMJr: Yes.

B: Without using any names, it's going to say that these things are ridiculous and a frightful waste of time.

HMJr: Yes.

B: Some of the organizations - not yours, because you've been handling your things so promptly right along - are hesitant and careless and they just don't send their stuff in.

HMJr: Yes.

- 2 -

B: And so I'm trying to get them all in so we can say the cases have been cleared and decided, you see.

Now, to do that, I - there was a great deal of talk to and fro - a lot of these young New Dealers were very anxious to set up a great inter-departmental committee under an Executive Order, and we thought that would be over-dignifying it - be a little foolish.....

HMJr: Yeah.

B:raising it to a level where it didn't belong.

HMJr: Yeah.

B: Well, to make a long story short, I've got a small committee of about four or five men, who, where any particular division or agency wants to do it, they will just send their cases in.....

HMJr: Yeah.

B:and the committee will recommend and handle them, subject to the approval of the head of the organization. I'm going to set aside Dean Dickenson, of the - he's Dean of the California Law School - he's done a lot of this work for me.....

HMJr: Yes.

B:exclusively on that. He'll do all the detail work and have it all ready. Now, I've got Jack Dempsey, who used to be on the old Dies Committee.....

HMJr: Yeah.

B:and try to spike Dies, to Chairman it up. I've got Wayne Taylor, over in Commerce.....

HMJr: Yeah.

B:and I've got a fellow called Brown who is Leo's Chief Counsel. - Leo has almost nobody over there - to sit the committee, and I was wondering

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if you'd let me have Gaston. It would be a matter of an hour or two a week.

- HMJr: Well, now, just - I don't quite - what would this committee do?
- B: They would take up - at the suggestion of the other departments - allegations of subversive activities of any names that complaints have been made on.
- HMJr: I see.
- B: Make their recommendation. They would have no detail work. In other words, Dickenson would collect the whole stuff and would submit it to the committee.
- HMJr: They wouldn't have to do any investigating.
- B: Absolutely none at all.
- HMJr: It would be a Board of Review, so to speak?
- B: That's it exactly.
- HMJr: A Board of Review.
- B: Yes. You see, what happens is, Frances Perkins will say, "Now, I don't know about these organizations. What am I to do with these cases?" And so on.
- HMJr: Yes.
- B: We'd submit to the committee a summary of any organization, we'd submit the FBI report, and - I've done it in my own organization very successfully.
- HMJr: Yes.
- B: So far, I think one man resigned, who - for other reasons - but whose record wasn't good, out of something like twenty or thirty; and the others have been cleared - all of them.
- HMJr: Yeah.

B: Then the man's record is cleared, the clearance is filed in his envelope, and the thing is finished, and we report.

HMJr: Yeah.

B: There will be no names, of course, in the report to Congress. Simply, we'll say, "We've had five thousand complaints and we've investigated them, and there are five that" - you know, and so on.

HMJr: Yeah.

B: And I think it will work out very well, and I think we can just finish this fellow Dies off if we move in on him.

HMJr: Sounds good to me. Sure you can have Gaston.

B: Well, may we have him?

HMJr: Surely.

B: All right. I'll say a word to him and say I've talked to you.

HMJr: Will you do that?

B: That's bully, Henry.

HMJr: All right.

B: Thank you so much.

HMJr: He's a good man.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 9, 1942

TO Secretary Morgenthau
FROM George Buffington *GB*

Attached is a preliminary summary of corporations contacted by the investment industry in connection with the offering of Certificates of Indebtedness, April 6, 1942.

April 9, 1942

Preliminary
 Condensed Summary Report
 Securities Industry Solicitation
 Treasury Certificates of Indebtedness
 Offered April 6, 1942

	<u>Total No. of Corporations Contacted</u>	<u>No. of Subscribers Obtained As Result Of Contacts</u>	<u>Amount Subscribed (000 omitted)</u>
Washington Seattle	43	5	\$ 6,290
Oregon	70	4	550
California			
San Francisco	70	20	11,135
Los Angeles	164	16	3,025
Texas	101	41	1,080
Missouri			
Kansas City	93	14	1,005
St. Louis	74	14	13,480
Illinois	600	93	55,113
Minnesota	180	-	21,800
Michigan	1077	167	5,912
Wisconsin	483	-	12,430
Indiana			
Indianapolis	201	18	2,105
Ohio			
Cincinnati	209	46	3,767
Cleveland	380	44	14,035
Kentucky			
Louisville	291	51	1,516
Georgia	-	24	730
North Carolina	154	42	2,200
Maryland	108	11	3,280
Pennsylvania			
Western	231	28	2,883
Eastern	367	54	30,200
New York	1316	207	438,626
Delaware			
Wilmington	102	16	3,307
Connecticut			
New Haven	82	12	635
Hartford	160	43	20,642
Rhode Island	104	25	1,870
Massachusetts			
Boston	358	46	17,000
TOTAL	7018	1041	\$674,616

Regraded Unclassified

UNITED STATES SAVINGS BONDS

Daily Sales - April, 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
April 1942									
1	\$ 2,476	\$ 10,517	\$ 2,380	\$ 9,608	\$ 22,504	\$ 12,993	\$ 2,380	\$ 9,608	\$ 24,960
2	2,999	8,264	2,119	7,570	17,953	11,263	2,119	7,570	20,953
3	3,222	7,572	1,185	6,235	14,992	10,794	1,185	6,235	18,214
4	2,778	9,292	1,387	5,334	16,013	12,070	1,387	5,334	18,790
6	4,961	13,035	2,329	8,027	23,391	17,996	2,329	8,027	28,352
7	2,958	5,722	834	8,983	15,539	8,680	834	8,983	18,497
8	2,309	9,610	1,142	6,562	17,314	11,919	1,142	6,562	19,623
Total	\$ 21,703	\$ 64,011	\$ 11,377	\$ 52,318	\$127,706	\$ 85,714	\$ 11,377	\$ 52,318	\$149,409

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

April 9, 1942.

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

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

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Seven Business Days of April, March and February 1942
 (April 1-8, March 1-9, February 1-9)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	April	March	February	April over March	March over February	April over March	March over February
Series E - Post Offices	\$ 21,703	\$ 28,675	\$ 33,976	-\$ 6,972	-\$ 5,301	- 24.3%	- 15.6%
Series E - Banks	<u>64,011</u>	<u>84,526</u>	<u>133,627</u>	- <u>20,515</u>	- <u>49,101</u>	- <u>24.3</u>	- <u>36.7</u>
Series E - Total	85,714	113,201	167,602	- 27,487	- 54,401	- 24.3	- 32.5
Series F - Banks	11,377	15,298	24,207	- 3,921	- 8,909	- 25.6	- 36.8
Series G - Banks	<u>52,318</u>	<u>67,573</u>	<u>113,526</u>	- <u>15,255</u>	- <u>45,953</u>	- <u>22.6</u>	- <u>40.5</u>
Total	<u>\$149,409</u>	<u>\$196,072</u>	<u>\$305,336</u>	-\$ <u>46,663</u>	-\$ <u>109,264</u>	- <u>23.8%</u>	- <u>35.8%</u>

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

April 9, 1942.

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

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

**PAY-ROLL SAVINGS
BOND PROGRAM**

**General Electric Company
Employees**



**No. 1 of a Series of Case Histories Outlining Successful Promotions Used by Various
Companies for Increasing Participation in the Pay-Roll Savings Plan**

DEFENSE SAVINGS STAFF, TREASURY DEPARTMENT, WASHINGTON, D. C.



Part of the crowd attending one of the several mass meetings of General Electric men and

GENERAL ELECTRIC COMPANY

GENERAL OFFICE
SCHENECTADY, N. Y.

1 River Road
SCHENECTADY, N. Y.

February 9, 1942.

MR. HAROLD N. GRAVES,
Assistant Secretary of the Treasury Morgenthau,
Treasury Department,
Washington, D. C.

Dear Mr. Graves:

I am attaching a summary of the results of the General Electric Company's Defense Savings Bond drive, which was conducted last December. In addition to a number of cash sales, about 83 percent of our employees pledged the regular purchase of Bonds under our pay-roll deduction plan. The pledges average about \$200 per employee (maturity value of Bonds) on an annual basis.

These figures, while they testify to the success of the drive, tell nothing of the tremendous enthusiasm with which our employees carried on this effort, and which was responsible for its success. Because a large part of our manufacturing facilities have been devoted to war production for more than a year, General Electric employees have consistently been months ahead of the general public in their realization of the seriousness of the war effort. This has been evidenced by the general public in their realization of the seriousness of the war effort. This has been evidenced by the general public in their realization of the seriousness of the war effort. This has been evidenced by the general public in their realization of the seriousness of the war effort. This has been evidenced by the general public in their realization of the seriousness of the war effort.

The Defense Savings Bond drive was a further manifestation of this determination among our employees to do everything possible to help win the war. If this pledge to buy Defense Bonds is a sacrifice on their part, then it is only one of the many sacrifices they have already made to further the war effort, and of the many more they are prepared to make in the future.

In the meetings that were held to instruct those working on the drive, various speakers gave various reasons for buying Bonds—as a good investment, as a means of retarding inflation, and so on. But the spirit that made the drive so outstandingly successful was the patriotic spirit of the employees themselves—their enthusiastic desire to spare no sacrifice that would help smash the forces of aggression.

We were particularly pleased with the showing made by our Schenectady works, since this is our largest factory, and therefore represented the biggest job of organization in this drive. More than 95 percent of these employees subscribed—93 percent joining in the pay-roll deduction plan. The average pledge was \$330 per subscriber per year (maturity value of Bonds). Obviously the reason for so great a response goes far deeper than just the effort exerted during this drive—it shows a recognition of civic responsibility by these employees acquired through years of participation in group activities within the company and the civic activities of their communities.

Yours very truly,

W. W. Trunch, Secretary,
GENERAL ELECTRIC COMPANY.

WWT:MR

DEFENSE SAVINGS BOND PROGRAM

General Electric Company Employees

This report summarizes the progress made in General Electric's Defense Bond selling program through December 31, 1941. This program has been planned as a series of 1-week drives, repeated about twice a year for the duration of the war effort. The first of these drives was carried on during December in all plants and offices of the company.

RESULTS

Three methods of purchasing Defense Savings Bonds were offered General Electric employees:

- (1) By pay-roll deductions regularly each pay period. Only the Series E Bonds were offered under this plan.
- (2) For cash.
- (3) By income accumulation. Under this plan the employee authorizes the company to pay interest due him on his General Electric employees bonds and his profit-sharing payments in the form of Series E Defense Savings Bonds.

The 121,270 employees on our pay rolls at the beginning of December responded as follows:

Form of Payment	Number of Employees Participating	Maturity Value of Bonds Purchased	Percentage of Employees Participating
Pay-roll Deduction	101,025	\$20,205,000*	83.0%
For Cash	6,770	\$1,025,625	5.6%
Income Accumulation	2,700	\$154,750	2.2%

*Annual basis

Savings Stamps with a value of \$46,600 were also purchased during 1941.

Since the close of the drive in December, additional authorizations have continued to come in. The figures for January are not yet tabulated but will increase those given above.

The average authorization, on an annual basis, is about \$200 (maturity value) per participating employee, representing on a cash basis about 6.5 percent of the company earnings of these employees.

At our Schenectady plant approximately 95 percent of the employees subscribed, pledging an average of \$330 per subscriber per year (maturity value of bonds). This means that these General Electric men and women are subscribing about 10 percent of their company earnings for Defense Bonds.



THE GENERAL ELECTRIC DEFENSE BOND DRIVE

Because the General Electric Company Defense Savings Bond campaign has been among the most successful so far conducted, we are including here a detailed description of how General Electric went about the job of soliciting its 121,270 employees.

General Electric's employees are scattered in more than a hundred units from coast to coast. About 110,000 General Electric people are situated in about 30 factories, ranging in size from the Schenectady Works, with several thousand people, to the smallest factory with only two or three hundred employees. Sales offices are located in 86 cities, and associated with these offices are other units—warehouses and service shops. Thus General Electric's Defense Savings Bond drive covered the whole range of conditions likely to be faced by any company, large or small.

When the Defense Savings Bonds were first offered in May 1941, General Electric immediately announced a plan to make it convenient for its employees to obtain them. This plan was worked out by the company's treasury department and offered three ways by which Defense Savings Bonds could be purchased:

(1) By Pay-Roll Deduction (in installments)

By filling out a form, obtainable from his paymaster, any employee could authorize the company to make regular deductions from his pay checks. These amounts would accumulate, and each time the total reached the required amount the company would purchase a bond and have it mailed to his home.

(2) For Cash

By applying to his paymaster, any employee could request the company to purchase bonds for him and have them mailed to his home.

(3) By Income Accumulation

By filling out a form, obtainable from his paymaster, any employee could authorize the company to pay interest due him on his General Electric employees bonds and his profit-sharing payments in the form of Series E Defense Savings Bonds.

RECORDS AND REPORTS

The General Electric treasury department worked with each of the paymasters in setting up a uniform procedure for keeping records. After the authorization form filled out by the employee has been recorded by the local paymaster on the employee's pay-roll record, the form is sent to the company's treasury department at Schenectady, where a record is kept so that all bonds can be purchased by the treasury department at Schenectady as needed.

INFORMING THE EMPLOYEES

The job of informing employees on the features of the Defense Savings Bonds and the provisions of the General Electric purchase plan was begun at once. A booklet describing the bonds and the purchase plan was prepared and a copy given to each employee. Posters describing the plan were displayed on all 1,500 bulletin boards throughout the organization. The employee publications took up the job of education and of arousing interest in bond purchases.

Since no one publication covers all General Electric employees, much of this material was prepared at Schenectady and syndicated to the editors of nine employee papers. Week after week from then on hundreds of articles, editorials, cartoons, and news items were used to tell the story from all angles and in the simplest possible terms. At the same time, the urgency of the defense effort was being emphasized in these same publications and by talks, motion pictures, dedication ceremonies, posters, flags, billboards, and in other ways.

Sizing Up the Defense Savings Bonds



MUCH DEPENDS upon the success of the Defense Savings Bonds. Unless we purchase them liberally the Government has only two alternatives in raising money for the Rearmaments Program. It can levy much higher taxes, or it can resort to borrowing from the banks. The effect of higher taxes is obvious—the effect of bank borrowing not so obvious. But of these two alternatives, bank borrowing is the more dangerous. It can lead to inflation—greatly increasing the cost of everything we buy.

Thus, in the present emergency, buying Defense savings bonds is not only patriotic, it is good sense. It's a case of either limiting our money solonarily or paying for higher taxes and higher living costs. And when that inevitable "rainy day" comes, the Defense Savings Bonds we've laid away will help to see us through.



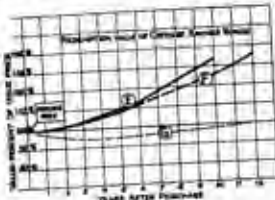
THE SERIES E BONDS appear to be the best investment for most of us, as shown by the outline below.

Rate of Interest
The rate of interest depends on how long you keep the bonds. The longer you hold the bonds before cashing them in, the higher the rate of interest they'll earn. If held to maturity, Series E bonds yield 3.5%, as compared to 3.25% for Series F, and 3.1% for Series G.



Redemption Value

Because the interest on both Series E and Series F bonds is left to accumulate and is not withdrawn, these bonds increase in value during their life. Series G bonds can be redeemed before maturity only at a discount (see chart below).



Limitation on Yearly Purchases

Each owner may purchase up to \$500 (maturity value) of Series E bonds in any one calendar year. Annual purchases of both the F and G Series are limited to a total of \$25,000 (maturity value) for both combined.

Registration

Series E bonds must be registered in the name of either

- (1) one individual
- (2) two individuals as co-owners
- (3) one individual and a beneficiary

Series E and G bonds may also be registered in the name of an association, partnership, trustee, or corporation (banks accepting demand deposits are excluded).

ALL DEFENSE BONDS ARE REGISTERED

All Defense Savings Bonds are registered in the name of the owner, or owners, giving protection against loss or theft. They are also nontransferable, which prevents their being used as security for a bank loan. They may, however, be redeemed in cash. Thus the owner of a 100 Series E bond could, at any time after the usual 90-day period, exchange it for one or more \$10 bonds and receive cash for the redemption value of the portion redeemed.

DEFENSE BONDS ARE NOT TAX-EXEMPT

The Defense Bonds are not exempt from Federal Income Tax. Owners of Series G bonds must report the interest they receive as income each year on their income tax statements. When owners of Series E and Series F bonds cash them, either at maturity or before, they receive more for their bonds than they paid for them. The difference between the cost of the bond and the amount they receive for it must be reported as "income" for the year in which the bonds are cashed.

INTEREST RATES ARE LIBERAL

Compared with the other Government bonds on the market today, the Defense Savings Bonds yield a more liberal rate of interest. There are three other non-tax-exempt Treasury bonds on the market: The Treasury 3% 10-year bond is currently selling to yield 3.5% in cash; the Treasury 3 1/2% 1934-35 bonds are selling at a price which will yield a 3.5% return to call date; and the Treasury 3 1/2% 1935-36 bonds yield 3.25% to call date at current prices. In addition, the Defense Savings Bonds do not fluctuate in value as do other securities based on the stock exchange.

BONDS MAY BE EXCHANGED

Interest Payments

Of the three series, G is the only one that provides current interest payments. These semi-annual payments are at the rate of 3.25% per annum. The interest on Series E and F bonds is left to accumulate, thus the value of these bonds increases periodically.

Some employees who have authorized purchase of Series F bonds on the installment plan have asked how they may switch to Series E. This can be done if new application is filed at once at your Payroll Department.

One of several full-page articles appearing in National Education emphasizes non-employees and discusses the Defense Bonds.

Subscribe For

DEFENSE SAVINGS BONDS Now

By Payroll Deductions
GENERAL ELECTRIC



GENERAL ELECTRIC

Commentator

SIZING UP THE DEFENSE SAVINGS BONDS



Picture booklet in various employee publications describes the General Electric Defense Savings Plan to employees.

GENERAL ELECTRIC NEWS

DEFENSE SAVINGS BONDS

Defense Savings Plan Now in Operation

These Types of Cash Savings Plan Are Available for Cash or Payroll Deductions

GENERAL ELECTRIC NEWS

Defense Savings Bonds to Be Offered Employees Under a New Plan of Payroll Deductions

Employees in the East May Use Cash or Payroll Deductions

PLANNING THE SALES DRIVE

Payments terminated in December on subscriptions under the company's former savings plan, which offered bonds of General Electric Employees Securities Corporation as the investment medium. These subscriptions ran concurrently with subscriptions to Defense Savings Bonds made in May. No further offering of General Electric employees bonds has been made.

By this time it was obvious that most General Electric employees had made up their minds to purchase Defense Savings Bonds, but for one reason or another had not yet gotten around to it. It was therefore decided to solicit each employee individually, making sure that each understood the bonds, the purchase plan, and the reasons for purchasing Bonds regularly.

The New York State Director of the U. S. Defense Bond Staff was contacted by General Electric to learn what promotional materials were available to assist them in this Bond-selling drive. After selecting the pieces they wanted, they designed several additional items for their own use.

In order to work out the details of the drive quickly, the personnel supervisors from the several plants were called to a meeting at Schenectady. At this meeting the principal decisions made were as follows:

- (1) The solicitors should be a voluntary organization of employees.
- (2) Each solicitor should be responsible for personally contacting about 20 employees, although the exact number would vary, depending on local conditions.
- (3) At each factory and office a drive chairman should be appointed by the local manager. He would select a captain in each department of the local organization; each captain would select a lieutenant in each section of his department; and within each section the lieutenants would select their own solicitors. Thus the solicitor organization closely paralleled the physical organization of the company itself.
- (4) No quotas would be set, but if employees asked how much they should subscribe for, it was decided to recommend about 10 percent of their income, in line with the expectations of the U. S. Treasury Department.
- (5) It was decided to stress the Series E Bonds. Only the Series E Bonds were offered for sale under the Pay-Roll Savings Plan. Series F and G Bonds were offered for cash sale.
- (6) The Pay-Roll Savings Plan would be emphasized, although if unsuccessful in getting an employee to use this plan, the cash and income accumulation plans would be offered by the solicitor.

Many other details were worked out at this meeting. The training of solicitors, the promotional materials, the timing of all parts of the program, and other questions were reviewed and decisions reached.

At this same time the General Electric treasury department called a meeting of all paymasters. These also met in Schenectady and worked out the details of the accounting procedure and the handling of the records.

Following the plans outlined, the personnel supervisors returned to their respective units and began building the solicitor organizations. The paymasters began augmenting their facilities for handling the authorizations. The publicity department at Schenectady prepared the promotional materials, and the employee publications stepped up their efforts and began releasing details regarding the coming drive. The smaller units of the company not covered by the personnel supervisors who attended the Schenectady meeting were contacted by mail and given their instructions in this way.

Just one of the many cartoons used in the Bond story in General Electric employee publications.



THE PROMOTIONAL MATERIALS

The promotional materials prepared by the publicity department to aid the Bond-selling drive were as follows:

- (1) Special articles, editorials, cartoons, and similar items were syndicated to the nine employee publications. The editors of these publications added a good deal of material of their own to give local color and arouse local pride in making a good showing.
- (2) Several thousand posters were obtained from the U. S. Treasury Department and distributed to all units of the company for display purposes. Fifteen hundred bulletin-board posters were printed and put on company bulletin boards to advertise the General Electric pay-roll deduction plan.
- (3) A booklet of instructions for solicitors was prepared and fifteen thousand copies distributed to the respective chairmen to assist in training solicitors.
- (4) The company's Defense Savings Plan was published in booklet form. The plan described completely the features of the Bonds and the method of purchase available. One hundred and twenty-five thousand copies were distributed to the various chairmen so that a copy could be handed each employee just before the drive opened.

- (5) A leaflet listing the principal reasons for buying Bonds was prepared. One hundred and twenty-five thousand copies were distributed to the various chairmen, who gave each solicitor one copy for each employee he was to contact.
- (6) A form authorizing pay-roll savings was prepared for each employee to fill out. One hundred and fifty thousand copies were distributed to the respective paymasters. Each employee's name and company address was placed on one of these forms. These were then turned over to the chairmen for distribution to solicitors. Thus each solicitor received individual authorization forms for each employee he was to contact.
- (7) A smaller number of forms authorizing cash purchases, and a like number of forms authorizing income accumulation payments, were prepared, and each solicitor was given two or three of each for any employee who preferred this method of purchase. The various forms were printed on different colored papers to avoid confusion.
- (8) In addition, various mimeographed letters and instructions were prepared to keep the solicitor organization informed on steps being taken, meetings being held, and other events from time to time both before and during the drive.



A typical meeting held to train and embolden the employee-solicitors.

TRAINING THE SOLICITORS

The training of the solicitors was carried out step by step before the drive opened. The various chairmen instructed their captains, the captains in turn trained their lieutenants, and the lieutenants instructed their solicitors. The booklet of instructions and other promotional materials were distributed in time to be useful in this training process.

The second step consisted of calling the solicitors together just before the drive opened in large meetings. In some of the larger factories several hundred solicitors attended each meeting, and more than one meeting had to be arranged to accommodate them all. While general instructions were repeated at these meetings, their purpose was primarily to arouse enthusiasm for the job ahead. The program varied from factory to factory, but a typical meeting was supervised by the works manager or by the local drive chairman. At one meeting the secretary of the company pointed out that the Bonds are an excellent investment, reading the interest rates of other leading bonds from the morning paper for comparison.

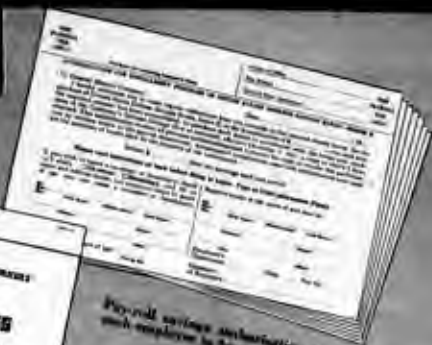
This was followed by a talk given by a local union representative, who urged all employees to subscribe, appealing to their pride as a group which had already contributed greatly to the national war effort.

The final speaker was the company vice president in charge of war projects, a forceful speaker who emphasized what war means to each citizen and what will be required for victory. He emphasized regular Bond purchases as one of the duties and privileges of every citizen today, and told the solicitors that the job they were about to do was as important as any in the war effort.

These booklets were given to all solicitors.



A booklet, "Instructions for Solicitors."



Payroll savings authorization forms bearing the name of each employee in the restaurant.



Cash and bonus drawings from authorization forms.



A booklet for each company, giving the principal reasons for buying.



A booklet describing the Bonds and the provisions of the General Electric Pay-Roll Savings Plan.

Facts About Defense Savings Bonds

SERIES E DEFENSE SAVINGS BONDS

DENOMINATIONS			
WHAT YOU GET AT MATURITY			
\$23.00	\$50.00	\$100.00	\$500.00
WHAT THE BONDS COST YOU			
\$18.75	\$37.50	\$75.00	\$375.00

Your savings grow 33 1/3% in ten years

PAYROLL DEDUCTIONS
WEEKLY INSTALLMENTS
 50 cents, \$1.00 or more in multiples of 50 cents

MONTHLY INSTALLMENTS
 \$2.00 or more in multiples of \$1.00

Or you may buy a bond each pay period

HOW TO BUY BONDS

Simply fill out authorization form, making sure to specify denomination of bond desired and amount to be deducted. Form may also be completed to allow requests (NOTE SAMPLE BELOW) They give firm to deduct, supervisor or Payroll Dept.

INTEREST

3% if held to maturity.

REDEEMABLE

Any time after 90 days for full amount paid plus interest due you.

F and G BONDS

May be purchased through Payroll Dept. for cash in full at time of purchase.



ADVANTAGES

- (1) Save some of your savings for the post war period
- (2) Security backed by U. S. Government
- (3) Aid National Defense
- (4) Help prevent inflation

LIFE

Matures in ten years.

CASH PURCHASES

E Series bonds may be purchased for cash at any time through Payroll Dept.

REGISTRATION

- Must state name of either:
- (1) One person
 - (2) Two persons as co-owners
 - (3) One person and beneficiary

Follow This Sample Form When Making Out Your Authorization

Weekly Payroll
 \$0 cents, \$1.00, \$1.50, \$2.00, etc.

Monthly Payroll
 \$2.00, \$3.00, \$4.00, etc.

Name of Employer: **General Electric**
 Name of Employee: **John A. Brown**
 Address: **123 Hillside Ave., Lynn, Mass.**
 Telephone: **MA 7-1234**

I authorize the deduction of the amount specified above from my pay for the purchase of U. S. Defense Savings Bonds.

Name of Bond: **E Series**
 Denomination: **\$1.00**
 Frequency: **Weekly**
 Start Date: **12-1-41**

I understand that the bonds purchased through this plan will be held in my name and will be subject to the same restrictions as bonds purchased in any other manner.

Signature: **John A. Brown**
 Date: **12-1-41**

Signature of Supervisor: **John R. Brown**
 Date: **12-1-41**

I understand that the bonds purchased through this plan will be held in my name and will be subject to the same restrictions as bonds purchased in any other manner.

Signature: **John R. Brown**
 Date: **12-1-41**

NATIONWIDE DEFENSE BOND CAMPAIGN GETS UNDER WAY

EVER SINCE LAST April we've been hearing appeals to buy Defense Savings Bonds. Every day for the last eight months radio announcers have aired bond-buying appeals with their descriptions of "fruity-waity Kapack flour" or "Gilbey's girlish girdles." Americans, hillbards and porters have appealed to our patriotism—newspaper articles have pointed out the "reason why." And for eight months most of us have agreed wholeheartedly with everything that was being said but have gone listlessly on our way, refusing to buy some Defense Bonds the first time we got around to it.



And at the actual sale of Defense Bonds has been disappointing in the U. S. Treasury Department, and something is being done about it. Full-time regional directors have been established throughout the country, and business firms, civic organizations, schools, and hundreds of other groups are now ready to contact every single person in the country.

MR. BISBEE BUYS BONDS

APRIL 1941: Mr. Bisbee receives a letter from the U. S. Treasury Department asking him to buy Defense Savings Bonds.

MAY: Mr. Bisbee goes to the bank to buy his first Defense Savings Bond.

JUNE: Mr. Bisbee goes to the bank to buy another Defense Savings Bond.

JULY: Mr. Bisbee goes to the bank to buy another Defense Savings Bond.

AUGUST: Mr. Bisbee goes to the bank to buy another Defense Savings Bond.

SEPTEMBER: Mr. Bisbee goes to the bank to buy another Defense Savings Bond.

OCTOBER: Mr. Bisbee goes to the bank to buy another Defense Savings Bond.

NOVEMBER: Mr. Bisbee goes to the bank to buy another Defense Savings Bond.

DECEMBER, 1941: Mr. Bisbee goes to the bank to buy another Defense Savings Bond.

NATIONAL CAMPAIGN EFFORT TO BE MADE IN DECEMBER

The success of this effort can be judged by the number of workers who will be engaged in making personal contacts. During the "Liberty" campaign of 1941-1942, a majority of 70,000 employees were active. Today, the Treasury Department estimates that six times as many people will be working in all Defense Savings Bonds.



Grand old personal feeling that he is a full-fledged member of his nation's defense effort. Who said "Loser" comes with pride in their bond-buying time.

WHAT G.E. CAN DO DEPENDS ON US

Last April, when the Treasury Department announced the Defense Savings Bond Program, General Electric was among the first to cooperate. A Defense Savings Plan was adopted to make the purchase of Defense Bonds as convenient as possible for all G.E. people.

In order to be in with the U. S. Treasury's present efforts to expand the bond-buying program, General Electric has just announced a special Defense Savings Plan. One of four fellow employees will soon call on you, as a Defense Bond Campaign worker, ready to answer any questions you may have on this program—and to give you an opportunity not only to help defend America, but also to provide for your own future security by making purchases of Defense Savings Bonds by payroll deductions.

Read the full-page articles appearing in *General Electric* employee publications during the next buying period of Defense Savings Bonds.

A few of the dozens of columns, articles, columns, stories, appeals, and other items appearing in General Electric's employee publications during the drive.

GENERAL ELECTRIC
Commentator
 NATIONALWIDE DEFENSE BOND CAMPAIGN GETS UNDER WAY

EVER SINCE LAST April we've been having appeals in our Defense Savings Bonds. Every day for the last eight months our customers have asked something like "Why not start a campaign of 'every-body buys a bond'?" or "Why not start a campaign of 'every-body buys a bond'?"



NEWS
 SCHENECTADY WORKS
HAPPY NEW YEAR
 Bond Subscription Totals \$8,520,920

95.12 Per Cent of Works Employees Buying Bonds

NEWS
 SCHENECTADY WORKS
U. S. War Bond Sale High In Works

90 Per Cent of Employees Subscribe for \$8,101,668 in Defense Savings Bonds

37 Per Cent of Employees in Works Subscribe for Bonds in First Three Days

Defense Savings Week to Be Held December 15 to 19

Producing for Defense
 Schenectady Works
 GENERAL ELECTRIC

THE DRIVE

The drive was scheduled to last 1 week, although it was realized that another week would probably be required for the solicitors to clean up some of their contacts who happened to be away during the drive or who were slow in making a decision.

On the Friday before the drive opened, each employee was given a copy of the Defense Savings Plan. These were handed out by the foremen and other supervisors. On the following Monday the solicitors started work.

Each solicitor had the following materials.

- (1) A pay-roll deduction authorization form for each employee he was in contact, filled in with the employee's name and location.
- (2) A few cash authorization forms and a few income accumulation forms in case any employee he contacted preferred one of these methods of subscription.
- (3) A leaflet for each employee giving the principal reasons for buying Bonds.
- (4) A copy of the Defense Savings Plan booklet describing the Bonds and Pay-Roll Savings Plan, for reference.
- (5) A copy of the booklet "Instructions for Solicitors," for reference.

In contacting each employee, the solicitor first reviewed briefly the features of the Bonds and the provisions of the Pay-Roll Savings Plan, to make sure that the person he was contacting understood them. He cleared up any questions that arose and gave the principal reasons for buying Bonds. Then he gave his prospect the pay-roll savings authorization forms with his name imprinted on it and urged him to take it home and discuss it with his family. He also gave his prospect a copy of the leaflet explaining the principal reasons for buying Bonds to help him in selling the idea to his wife or other members of his family interested. The solicitor then made an appointment to call back later in the week and get the authorization form.

If, on his return call, the employee indicated that he did not wish to authorize pay-roll deductions, the solicitor then explained the cash payment and income accumulation plans, urging his prospect to subscribe in one of these ways.

QUESTIONS RAISED

The questions most frequently asked by employees were about the Bonds themselves: "What is the difference between Series E, F, and G?" "How soon can I cash them if I need the money in a hurry?" "What is the best denomination to buy?" "Do I get any interest if I cash them in the first year?" "Do I get back less than I paid if I cash them before maturity?" "What if I lost the Bond?" "Can I put the Bond in the name of my youngster?" "What is a co-owner or beneficiary?" "Will some place of safe-keeping be provided?"

Solicitors were instructed that if any questions came up that they could not answer, to ask their leader. In this way all questions were answered correctly—some of them were even referred back to the headquarters at Schenectady in order to be sure of the answer.

By the end of the week the drive was practically complete, although some "cleaning up" remained. The completed forms were passed back through the organization to the chairman, who turned them over to the local pay-roll department.



As solicitors handle the job of contacting every General Electric employee.

CONCLUSIONS

The "pyramid" type of solicitor organization used proved ideally suited to the job. It was possible to organize it in a few days; it made the training of the actual solicitors relatively easy; it was a simple matter to give instructions and distribute a half million pieces of literature quickly and efficiently; it was easy to expand quickly in those areas where additional help was found necessary as the drive progressed; and it made possible a day-by-day check of results.

The same procedure was found to be efficient in large factories with several thousand employees and in small units of a hundred or so people. In the smaller units the effort was, of course, less formal. The meetings consisted of smaller groups, and there were fewer steps in the "pyramid" of the solicitor organization.

War was declared just prior to the opening of the drive, and large outdoor mass meetings were held at most of the large factories to pledge an "all-out" war effort. This no doubt helped in boosting enthusiasm still higher and contributed to the results.

The field organization of the U. S. Treasury Department Defense Savings Staff was just getting under way at the time the drive was being planned and in several instances was of help in furnishing materials and in giving talks before groups of solicitors and others working on the drive. In one case the General Electric group helped the Defense Savings Staff in getting the city organized so that the city-wide effort could start at the same time as the drive in the local General Electric factory.

The elapsed time, from the day the idea of sponsoring such a drive was conceived until the day the drive ended, was only about 1 month. Urgency was stressed all through the effort, and this no doubt contributed to getting the job done quickly and efficiently. On the other hand, sufficient time was given to make sure that the organization was properly set up and trained before the drive was started.

In order to forestall the possibility of employees cashing in their Bonds to pay income taxes, General Electric moved ahead the date on which the next profit-sharing payment would normally be made to employees by about a month, so as to distribute this money early in March instead of in April.

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OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

April 9, 1942

MEMORANDUM TO THE SECRETARY:

Since I have been with the Procurement Division I have made it a point to visit the field procurement offices as I could and have covered all but those in the far West. Very shortly budgets will be submitted for the field office operations, and I have in mind reducing the number of field offices from forty-two to six or eight, one of which will be on the West Coast.

If agreeable with you, I would like to go to five of the Western state procurement offices during next week, leaving by plane either tomorrow or Saturday. In deciding as to the best qualified state procurement officers to retain, it would help considerably to see how the Western offices are run, as I have visited practically all of the other state procurement offices throughout the country.

Mr. LeFevre handles regular Procurement matters when I am away from the office and Mr. A. J. Walsh would act for me on Lend-Lease matters.

Clifton E. Mask
Clifton E. Mask
Director of Procurement



April 9, 1942

TO MR. MATTINGLY,
BUREAU OF THE BUDGET:

In compliance with your oral request, I am sending you herewith the Secretary's memorandum to the President, dated April 9, 1942, with reference to the liquidation of the Emergency Treasury Accounts offices.

I understand that you will present it to the Director of the Budget with a view to its transmission by him to the President.

Your early consideration of the matter will be appreciated.

E. F. Bartelt,
Commissioner of Accounts

Attachment

EFS:hbw

April 9, 1942.

TO THE PRESIDENT:

In Executive Order No. 7034, dated May 6, 1935, you directed the Secretary of the Treasury, through the Commissioner of Accounts and Deposits, to exercise accounting control over funds appropriated for relief and work relief. This work involved, (1) the maintenance of appropriation controls, (2) the maintenance of project accounts, (3) the presudit of expenditures, (4) the administrative examination of disbursing officers' accounts, and (5) the preparation of financial reports, (a) for current administration, and (b) for transmission to the Congress.

In line with the policy of reducing non-defense expenditures wherever possible, you authorized the discontinuance of the maintenance of detail project accounts of the Work Projects Administration by the Treasury Department, effective January 1, 1942.

On December 29, 1941, you approved an Act of Congress, Public Law 389, providing for the bonding of officers and employees authorized to certify vouchers for payment by disbursing officers in the executive branch of the Government. This law, coupled with the need for making available maximum trained

- 2 -

personnel for the war effort, indicates the desirability of adopting the following measures with respect to the Emergency Treasury Accounts Offices established pursuant to Executive Order No. 7034:

- (1) Effective May 1, 1942, discontinue the preaudit by the Emergency Treasury Accounts Offices of all vouchers and pay rolls relating to the emergency work-relief program;
- (2) Effective July 1, 1942, discontinue the maintenance of accounts; the preparation of financial reports (except the final report hereinafter referred to); the administrative examination of disbursing officers' accounts and all other functions performed by the Emergency Treasury Accounts Offices pursuant to Executive Order No. 7034, as amended and extended.

It is proposed to maintain during the fiscal year 1943, or such part thereof as may be necessary, a small staff of employees to (1) prepare a final financial report similar to those transmitted to the Congress annually during the past seven years at the beginning of each regular session, (2) preserve such files and records as may be necessary and to arrange for the destruction or disposition of those which are no longer required, (3) handle matters relating to the transfer of personnel and equipment to other agencies, (4) clear suspensions made by the General Accounting Office in disbursing officers' accounts, and (5) search records and make replies to inquiries involving claims and related matters.

(Sgd) H. WORGENTHAU Jr.

Secretary of the Treasury.

APPROVED:



TREASURY DEPARTMENT

WASHINGTON

APR 9 1942

TO THE PRESIDENT:

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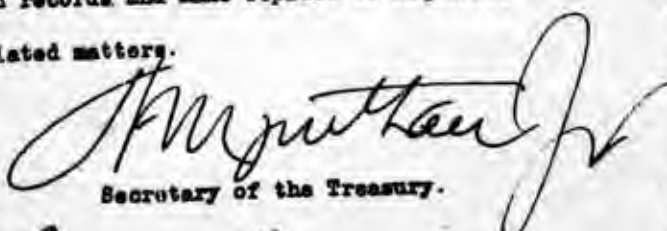
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Secretary of the Treasury.

APPROVED:


4/14

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ASSISTANT SECRETARY OF THE TREASURY

April 9, 1942.

MEMORANDUM

To: Secretary Morgenthau
From: Mr. Gaston

A textbook published by the Globe Book Company "Mathematics at your Service" for eighth year students contains a chapter entitled "The Story of Money" which reproduces most of the material from the Secret Service "Know your Money" booklet.

One of the agents in New York who is a graduate of Brown University has been working with other textbook publishers, including Ginn and Company, Allyn-Bacon and Houghton Mifflin and Company, who will probably use similar material in their textbooks.

Another new book "The American Scene", an introduction to sociology published by McGraw-Hill, reproduces with credit a chart on the reduction in counterfeit money in circulation as illustrating the usefulness of educational campaigns in combatting crime.

The public schools in Chicago have prepared a course of study and published study guides and booklet, based on the "Know your Money" booklet of the Secret Service.

WGS

April 9, 1942.

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HEG:ds

WHITE HOUSE PRESS SECRETARY EARLY DESCRIBED AS "A COMPLETE LIE" A STORY PRINTED IN THE WASHINGTON MERRY-GO-ROUND ON THE RECENT SLAYING OF AN FBI AGENT BY TWO ARMY DESERTERS IN VIRGINIA. THE COLUMN SAID "THE INCIDENT CAUSED A SHAKEUP IN THE MILITARY GUARD OF THE WHITE HOUSE" BECAUSE THE TWO DESERTERS HAD SERVED FOR SOME TIME AS WHITE HOUSE SENTRIES AND THAT "NO EFFORT" WAS MADE TO INVESTIGATE SOLDIERS DETAILED FOR WHITE HOUSE DUTY. "THESE MEN WERE NEVER ON THE WHITE HOUSE DETAIL," EARLY SAID, "THERE IS NO TRUTH IN ANY DETAIL OF THIS STORY."

4/9--GE337P

TO:

To the Secretary

362

For your information.

Charles P. Shaeffer

From: MR. SCHWARZ

THE DAILY
WASHINGTON MERRY-GO-ROUND
WASHINGTON, D. C.

363

ROBERT S. ALLEN
1225 Twenty-Eighth Street

DREW PEARSON
1313 29th Street, N. W.

April 8, 1942

Mr. Charles P. Shaeffer,
Acting Director of Public Relations
Treasury Department
Washington, D. C.

Dear Charlie:

Thanks for your kind letter. This story was turned in by Tom McNamara. I don't know where he got it, but I'll check.

If it's as completely inaccurate as you say it is, I can't imagine how the story could have been cooked up. Somebody must have been having pipe dreams, and I'll look into the matter at once.

Cordially,



Robert S. Allen

RSA/s

April 7, 1942.

Mr. Robert S. Allen,
"Washington Merry-Go-Round,"
National Press Building,
Washington, D. C.

My dear Bob:

Reference is made to your "Merry-Go-Round" article appearing April 6 in the WASHINGTON TIMES-HERALD regarding the killing of an F. B. I. agent by two Army deserters.

In all pleasantness please know that the facts in this matter are as follows:

The two army deserters from Fort Oglethorpe who killed an F. B. I. agent in Virginia about two weeks ago never were assigned to the army detail protecting the White House. That incident did not cause a shakeup in the military guard at the White House.

There has been no "sweeping change in regulations" since the killing of the F. B. I. agents resulting in a "minute investigation of every soldier" who patrols the White House grounds.

A personnel investigation of the soldiers detailed to protect the White House is made by the Secret Service Division. This procedure has been followed since a permanent detail was placed at the White House and was in effect long before the killing of the F. B. I. agent.

I thought you might want to know this.

Very truly yours,

Charles P. Shaeffer,
Acting Director of Public Relations.

CS:col



OFFICE OF THE CHIEF
U. S. SECRET SERVICE

TREASURY DEPARTMENT
WASHINGTON, D. C.

April 6, 1942

Memorandum for the Secretary

From: Chief, Secret Service

The article in the Washington Daily Merry-Go-Round of April 6 is returned herewith.

The two army deserters from Fort Oglethorpe who killed an F. B. I. agent in Virginia about two weeks ago never were assigned to the army detail protecting the White House. That incident did not cause a shakeup in the military guard at the White House.

There has been no "sweeping change in regulations" since the killing of the F. B. I. agents resulting in a "minute investigation of every soldier" who patrols the White House grounds.

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J. S. P.
APR 10 1942
RECEIVED
SECRET

FOR DEFENSE



BUY
UNITED STATES
SAVINGS
BONDS
AND STAMPS

April 9, 1942

MONTHLY REPORT OF NATIONAL DEFENSE CASES

MARCH 1942

Applications received as of February 28, 1942	9196	
Applications received during March	-	
Previously reported cases reopened	<u>3</u>	
Total received as of March 31, 1942		<u>9199</u>

* * * *

Completed investigations as of February 28	5824	
Completed investigations during March	<u>27</u>	5851
Total completed investigations as of March 31		
Applications withdrawn as of February 28	486	
Applications withdrawn during March	-	
Applications delivered to Department of Justice	<u>2852</u>	<u>3338</u>
Total applications withdrawn as of March 31		
Total cases closed as of March 31, 1942		9189
Applications pending in office as of March 31	-	
Applications pending in field as of March 31	<u>10</u>	
Total applications pending as of March 31, 1942		<u>10</u>
Total cases disposed of and pending as of March 31		9199

* * * *

Agents engaged on this and similar work under direction of this office close of
March 1942

Alcohol Tax Unit	-	50
Secret Service	-	-
Customs Service	-	2
Narcotics Service	-	6
Intelligence Unit	-	3

THE UNDER SECRETARY OF WAR
WASHINGTON



April 9th, 1942.

Dear Henry:

I was very glad to receive a copy of Mr. Tickton's report. It is cheering to learn that the bottleneck at Philadelphia has been completely cleared up.

With best regards, I am

Sincerely yours,

Rh.

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

Bottom cargo for Russians sent from mills to Philadelphia,
total March 30 to April 4 and daily April 5 to 8, 1942

Name of company and commodity	Tonnage				
	Total March 30 to April 4	Sunday April 5	Monday April 6	Tuesday April 7	Wednesday April 8
<u>Brass</u>					
American Brass Co.....	1,356		231		
Chase Brass & Copper Co.....	96			39	
Revere Copper & Brass Co.....	84		40		39
Scovill Manufacturing Co.....	106				39
<u>Copper and brass</u>					
Revere Copper & Brass Co.....	127				
<u>Nickel</u>					
International Nickel Co.....				200	
<u>Steel</u>					
Allegheny Ludlum Steel Co.....	322		143	50	102
Alen Wood Steel Co.....					152
American Rolling Mills.....	484				
American Steel & Wire Co.....	50				
Armco International Co.....	29		474	330	277
Bethlehem Steel Co.....	1,764	204	271	275	339
Blair Strip Steel Co.....	28				
Brimmer Steel Co.....	50			50	
Cold Metal Products Co.....			50		
Collyer Insulated Wire Co.....					15
Colorado Fuel & Iron Co.....	1,882				
Crucible Steel Co.....	91				
Firth Sterling Corp.....	17				
Ford Motor Co.....	2				
Great Lakes Steel Corp.....	1,630	197	140	332	432
Inland Steel Co.....	1,903		156	55	134
Johnson Steel & Wire Co.....					24
Jones & Laughlin Steel Corp.....	398		333	332	41
Kalsbein Bros.....	20				
Keystone Steel & Wire Co.....	30				145
Le Salle Steel Co.....	79				
Madison Wire Co.....	34		47		
McLouth Steel Co.....	271	11		47	51
Mid States Steel Co.....	25				
National Tube Co.....					185
Newport Rolling Mills.....	200				
Otis Steel Co.....	639		52	169	236
P & M Co.....				255	
Pittsburgh Steel Co.....	51				255
Republic Steel Co.....	3,242		275	277	248
John A. Roebling & Sons.....	104				
Sawyer Steel Co.....				30	
Sharon Steel Co.....	176				
Superior Steel Co.....	271		31	24	62
Thomas Steel Co.....	145		58	28	18
Thompson Steel & Wire Co.....	56			42	
Union Drawn Steel Co.....	274		166	42	42
U. S. Steel Export Co.....	3,702				29
Universal Cyclone Co.....	45				
Vulcan Crucible Co.....				50	1
Wallingford Steel Co.....	72				24
Washington Tinplate Co.....	36				
Wairton Steel Co.....	1,302				69
Wheeling Steel Corp.....	2,105		263		191
Wyckoff Drawn Steel Co.....	80				
Youngstown Sheet & Tube Co.....	714				24
Undesignated.....	11				
<u>Miscellaneous</u>					
National Lock Washer Co.....	2				
Vanadium Corp.....	28	28	28		
Total.....	24,605	530	3,424	3,083	3,374

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

April 9, 1942

Source: Procurement Division, Treasury Department.

Bottom cargo for Russians sent from mills to Baltimore,
total March 30 to April 4 and daily April 5 to 8, 1942

STRICTLY CONFIDENTIAL

Name of company and commodity	Tonnage				
	Total March 30 to April 4	Sunday April 5	Monday April 6	Tuesday April 7	Wednesday April 8
<u>Brass</u>					
American Brass Co.....	96		47	47	47
Chase Brass & Copper Co.....	58		23		19
<u>Copper</u>					
Wolverine Tube Co.....	10				
<u>Steel</u>					
Allegheny Ludlum Steel Co.....					11
American Rolling Mills.....	352				
Bethlehem Steel Co.....	360			64	
Blair Strip Steel Co.....	21				
Cold Metal Products Co.....	53				
Colonial Steel Co.....	18				
Great Lakes Steel Co.....	537	146		257	36
Inland Steel Co.....					340
Johnson Steel & Wire Co.....	24				
Jones & Laughlin Steel Corp.....	1,592			870	1,084
Keystone Steel & Wire Co.....	227				
Otis Steel Co.....	111				105
P & M Co.....					51
Republic Steel Co.....	5,397		1,091	1,166	260
John A. Roebling & Sons.....			33		
Rustless Iron & Steel Co.....	13				
Seneca Steel Co.....				28	
Sharon Steel Co.....	128		32	29	28
Thomas Steel Co.....	38				
U. S. Steel Export Co.....	611	225		45	476
Universal Cyclops Co.....	25				
Washburn Wire Co.....	4				
Weirton Steel Co.....	182			33	165
Youngstown Sheet & Tube Co.....	153			112	
Undesignated.....	187				
<u>Miscellaneous</u>					
Hubbard & Co.....	115				
Undesignated.....	67				
Total.....	10,379	371	1,226	2,651	2,622

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

April 9, 1942

Source: Procurement Division, Treasury Department.

Regraded Unclassified

Bottom cargo for Russians sent from mills to New York,
total March 30 to April 4 and daily April 5 to 8, 1942

Name of company and commodity	Tonnage				
	Total	Sunday	Monday	Tuesday	Wednesday
	March 30 to April 4	April 5	April 6	April 7	April 8
<u>Brass</u>					
Phelps Dodge Co.....			113		
<u>Copper</u>					
United Wire & Supply Co.....	33				
<u>Steel</u>					
American Rolling Mills.....	1,225				
Armco International Co.....	541		134	141	
Bethlehem Steel Co.....	50				
Carnegie Illinois Steel Co.....	331				
Cold Metal Products Co.....	84	53			
Colorado Fuel & Iron Co.....	1,332				
Crucible Steel Co.....				28	
Great Lakes Steel Co.....		274	76	266	323
Halcomb Steel Co.....			27		
Heppenstahl Co.....	101				
Inland Steel Co.....	695		234		35
Jones & Laughlin Steel Corp.....	135		339	46	46
Madison Wire Co.....	25				
McLouth Steel Co.....	54				
Otis Steel Co.....	652		37	74	328
P & M Co.....					51
Pittsburgh Steel Co.....	1,349			547	
Republic Steel Co.....	940		89	137	36
U. S. Steel Export Co.....	1,336	40	73	100	334
Weirton Steel Co.....	117				
Wheeling Steel Corp.....	78				
Wyckoff Drawn Steel Co.....	399		118	40	39
Youngstown Sheet & Tube Co.....	1,829	331	157	635	915
Total.....	11,306	698	1,397	2,014	2,107

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

April 9, 1942

Source: Procurement Division, Treasury Department.

April 9, 1942

Dear Joe:

I am enclosing the letter from Secretary Knox, about which we talked this afternoon.

Will you please prepare a reply for the signature of the Secretary, as well as letters to all those to whom the original General Aniline and Film letter was sent in January.

Sincerely,

(Signed) E. H. Foley, Jr.

General Counsel

Mr. J. J. O'Connell, Jr.,
Room 3303 Chanin Bldg.,
122 East 42nd Street,
New York, New York.

Enclosure

kfa

APR 9 - 1942

Sir:

This will acknowledge receipt of your letter of April 8, 1942 in which you ask the present status of the General Aniline and Film Corporation and its subsidiary, the Osalid Corporation since the transfer to the Treasury of the stock of the General Aniline Corporation.

A letter is being prepared which should be in your hands the first of next week.

Sincerely,

(Signed) E. H. Foley, Jr.

Acting Secretary of the Treasury.

The Honorable,

The Secretary of the Navy.

EHF:mdm
4/10/42

CONFIDENTIAL

THE SECRETARY OF THE NAVY

Washington

April 8, 1942

Serial No. 0849136

0
P
I

SIR:

In connection with the recent transfer to the Treasury Department of the stock of the General Mills and Pills Corporation - including its subsidiaries, such as Oseild Corporation - it is requested that the Navy Department be advised as to the present status of the company.

It would be of particular interest to know whether all personnel of questionable loyalty to the United States have been divorced from the above mentioned corporations in order that the Navy Department may resume normal business relations with those corporations.

Respectfully,

(Signed) Frank Knox

Frank Knox

The Honorable,
The Secretary of the Treasury.

CONFIDENTIAL

April 9, 1942.

Dear Dr. Soong:

It was a great pleasure to receive your letter and to know that you would like to send a copy of the picture to the Generalissimo. I was very glad to procure two more copies of it, and have now autographed one for you to send him, and another that you may care to keep.

Will you also convey my compliments to the Generalissimo in sending the picture when your own signature is added?

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

File M.M.C.
By Messenger 11:05 *Deed*

Dr. T. V. Soong,
Minister for Foreign Affairs,
Republic of China,
1601 V Street, N.W.,
Washington, D. C.

Enclosures.

dbz/dbe

MINISTER FOR FOREIGN AFFAIRS
REPUBLIC OF CHINA

April 4, 1942

Dear Mr. Morgenthau:

Thank you very much for sending me the copy of the photograph taken when we signed the recent Loan Agreement, and for your much appreciated autograph. I have duly sent back to you a second copy with my signature.

It occurs to me that the Generalissimo would be very glad to have a similar copy of this photograph with our joint autographs. May I suggest that you sign another copy with your personal autograph.

If you will be good enough to send this to me, I shall see that the copy is delivered to the Generalissimo, after I have also autographed it.

With kindest personal regards,

Yours sincerely,



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

376

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

By Hand.

Mr. Livoosy

APR 9 1942

D. W. Hall

Referring to telephonic conversation will you please send the following telegram to the American Consulate General, Sydney, Australia.

From Treasury.

1. The United States Treasury has been informed that the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of \$4.05-1/2 per pound net in Great Britain and Northern Ireland and it understands that the British Government is enabling the Dominion Central Banks respecting similar arrangements on the basis of \$4.05-1/2 per pound net in the sterling area. As arrangements for the handling of checks drawn on the Treasurer of the United States have already been made (see cable No. 100, March 14, 1 p.m.), the following procedure is suggested with respect to United States currency:
 2. In the case of excess United States paper currency instruct the Commonwealth Bank of Australia, Sydney, to prepare list in quadruplicate showing the amount of each denomination of each kind of currency separately, and for Federal Reserve notes and for Federal Reserve Bank notes, the list must show separately the amount of each denomination of the issue of each bank, cut currency in half vertically and stamp or write name of bank on each half in ink. Then deliver both halves and list in quadruplicate to American Consulate General, Sydney.
 3. Consular Officer will verify amount of currency delivered to him against list prepared by bank and then he will telegraph Treasurer of the

United States through State Department the amount of currency delivered to him. When Treasury receives advice payment in corresponding amount will be made to the Federal Reserve Bank of New York for account of the Commonwealth Bank of Australia, Sydney. Upon receipt and examination Treasury reserves right to claim reimbursement for any currency which is not genuine. Each set of halves should be forwarded by separate carrier accompanied by a copy of the list. The third copy of list should be forwarded by still another carrier. American Consular Officer will retain fourth copy of list.

4. Consular Officer should make no arrangements for insurance as shipments will be covered by Government Liens in Shipment Act.

5. The designation of the Commonwealth Bank of Australia, Sydney, as a depository of public monies of the United States is hereby extended to carry out the procedure outlined in this telegram.

6. Please advise Commonwealth Bank of Australia, Sydney, and other United States Government officials appropriate parts hereof.

The Department approves the foregoing. Any expense incurred in carrying out the instructions contained in this telegram should be included in regular accounts as separate item for billing Treasury in accordance with Sec. 7-15, Foreign Service Regulations.

TELEGRAM SENT

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

April 9, 1942

2 p.m.

AMERICAN CONSULATE GENERAL,
SYDNEY, AUSTRALIA.

154

FROM TREASURY.

QUOTE 1. The United States Treasury has been informed that the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of \$4.03-1/2 per pound net in Great Britain and Northern Ireland and it understands that the British Government is cabling the Dominion Central Banks respecting similar arrangements on the basis of \$4.03-1/2 per pound net in the sterling area. As arrangements for the handling of checks drawn on the Treasurer of the United States have already been made (see cable No. 100, March 14, 1 p. m.), the following procedure is suggested with respect to United States currency:

2. In the case of excess United States paper currency instruct the Commonwealth Bank of Australia, Sydney, to prepare

-2-#154, April 9, 2 p.m., to Sydney, Australia

to prepare list in quadruplicate showing the amount of each denomination of each kind of currency ~~separately~~, and for Federal Reserve notes and for Federal Reserve Bank notes, the list must show separately the amount of each denomination of the issue of each bank, cut currency in half vertically and stamp or write name of bank on each half in ink. Then deliver both halves and list in quadruplicate to American Consulate General, Sydney.

3. Consular Officer will verify amount of currency delivered to him against list prepared by bank and then he will telegraph Treasurer of the United States through State Department the amount of currency delivered to him. When Treasury receives advice payment in corresponding amount will be made to the Federal Reserve Bank of New York for account of the Commonwealth Bank of Australia, Sydney. Upon receipt and examination Treasury reserves right to claim reimbursement for any currency which is not genuine. Each set of halves should be forwarded by separate carrier accompanied by a copy of the list. The third copy of list should be forwarded by still another carrier. American Consular Officer will retain fourth copy of list.

4. Consular Officer should make no arrangements for
Insurance

-3-#154, April 9, 2 p.m., Sydney, Australia

insurance as shipments will be covered by Government losses in Shipment Act.

5. The designation of the Commonwealth Bank of Australia, Sydney, as a depository of public monies of the United States is hereby extended to carry out the procedure outlined in this telegram.

6. Please advise Commonwealth Bank of Australia, Sydney, and other United States Government officials appropriate parts hereof. END QUOTE

The Department approves the foregoing. Any expense incurred in carrying out the instructions contained in this telegram should be included in regular accounts as separate item for billing Treasury in accordance with Sec. V-45, Foreign Service Regulations.

WELLES
ACTING
(FL)

FD:FL:ME

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

Chungking via N.R.
Dated April 9, 1942
Rec'd 5:38 p.m. 10th

Secretary of State,
Washington.

378, April 9, noon, (SECTION ONE).

FOLLOWING FROM ADLER FOR FOX, TREASURY DEPARTMENT:

"TF25 (Section One.)

One. Board interprets fund designated in Sino-American agreement to include both the United States dollars twenty million mentioned in paragraph 1A and the United States dollars fifty million mentioned in paragraph 3A of the agreement. As some doubt seems to exist in mind of accountant drawing up accounting procedure Board would like to have its interpretation confirmed.

Two. In accordance with paragraph 3A of the agreement Board is advising Central Bank to open account for Federal Reserve Bank for the Chinese currency equivalent of United States dollars five million to enable the Federal to credit the fund with five million in its account number two.

Owing to acute shortage of f.a.p.i. board decided it could help by holding appropriate Chinese

Government

-2- #378, April 9, noon, (SECTION ONE) from Chungking
via N.R.

Government Treasury notes instead of f.a.p.i. and that Treasury note number 120 was appropriate for this purpose. British Treasury has agreed with respect to f.a.p.i. held against sale of sterling provided that Treasury notes are reexchanged for legal tender currency if physically possible. In accordance with first clause of last sentence of paragraph 10 of Sino-American agreement Board decided to adopt same procedure with respect to f.a.p.i. held against sales of United States dollars. It has formally approached Ministry of Finance on question and favorable answer is anticipated.

Three. Meeting of joint head office of four Government banks held on April 3 to discuss Generalissimo's new recommendations on banking policy and organization. One of his proposals was reexamination by Government banks and Exchange Control Commission of Exchange Control. When a Chinese board member present interpolated "how about the Board?" Hsu(?) Minister of Food, replied, "The Board exists only to pay out." This attitude reflects strong tendency in certain Government quarters to belittle Board and reduce functions. Another of Generalissimo's proposals was that

-3- #378, April 9, noon, (SECTION ONE) from Chungking
via N.R.

was that foreign exchange transactions should be
handled in future only by Central Bank and Bank
of China. No action yet taken on any of these
recommendations.

GAUSS

EMB

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

Chungking via N.R.

Dated April 9, 1942

Rec'd 2:45 p.m. 10th

Secretary of State,
 Washington.

378, April 9, noon (SECTION TWO)

In this connection there is a strong campaign
 on against banks and bankers including government
 banks supported if not inspired by highest quarters.
 Generalissimo in speech two weeks ago said bankers
 and merchants constituted two leprosy. On the
 other hand he is still pushing his plan for a government
 bond market.

Four. Sale of United States dollar backed
 saving certificates proceeding very slowly.
 According to informed opinion sales unlikely
 to be substantial without some form of pressure
 as long as quick and large returns can be made by
 15 day loans and trading in goods and as long
 as there is no special inducement to invest now
 instead of later in foreign exchange backed
 securities as a hedge against depreciation of currency.

Five.

-2-#378, April 9, noon (SECTION TWO) from Chungking
via N.R.

Five. Board received confirmation from an employee escaped from Hong Kong that its records including codes were destroyed before fall of Hong Kong.

Section Two.

A. Reference TP17 of February 3 and paragraph three of TP24 of March 24. Herewith gist of memorandum Board proposes to submit to Dr. Kung with your approval "(***) since outbreak of hostilities in the Pacific receipts from overseas remittances as well as export bills have been drastically reduced. Consequently it is proposed to cancel arrangement (entered into on November 1, 1941) and to reimburse Central Bank only for foreign exchange sold under instructions of Exchange Control Commission for period of November 1, 1941, to December 8, 1941. As from December 8, 1941, Board proposes to turn over to Central Bank all foreign exchange credited to its account in accordance with United States general license 75 and from other current sources in so far as is necessary to cover applications for foreign exchange approved by Exchange Control Commission (***) and intends to provide exchange cover only for commercial and personal requirements. If this proposal is accepted the original arrangement once canceled shall not be reinstated".

GAUSS

JRL
(*) Apparent omission.

WWM

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

Chungking via N.R.

Dated April 9, 1942

Rec'd 4:22 p.m.; 10th

Secretary of State,
Washington.

378, April 9, noon (SECTION THREE)

(B)

One. Board's obligation under their proposals would be approximately United States dollars 1,350,000 and sterling 450,000. As Central Bank's oversold position in March was about United States dollars 2,220,000 and sterling 1,130,000, Board's total obligations under old arrangement would have amounted to United States dollars 6,820,000 and sterling 5,150,000.

Two. First half of penultimate sentence in (A) designed to avoid need for amending General License 75 and to facilitate United States dollars bookkeeping.

Three. K K Kwok suggested last sentence in (A) on ground that its inclusion would make it easier to obtain Doctor Kung's assent to new arrangement.

Four. Feel this proposed arrangement lets Board off lightly on the whole and enables it to continue without exhausting its sterling. On the other hand

CHINESE

-2- #378, April 9, nonn (SECTION THREE), from Chungking

Chinese Government foreign exchange (?) now substantially larger than commercial and personal so that Board will only (*) the smaller part of the Chinese foreign exchange outgoes. But in any case Board has not exercised any supervision on Exchange Control Commission's outlays, nor could it in present situation attempt to do so on its own initiative and without considerable pressure from outside (?) apparent Section One (three).

(C) Board approves my going to Kunming for a week or ten days. Intend to leave some time next week if possible.

(END OF MESSAGE)

GAUSS

HMM

(*) Apparent omission

APR 9 1942

Mr. Liversy

D. V. Bell

Referring to telephonic conversation, will you please send the following telegram to the American Consul, Bombay:

From Treasury.

1. The United States Treasury has been informed that the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of \$4.03-1/2 per pound net in Great Britain and Northern Ireland and it understands that the British Government is cabling the Dominion Central Banks respecting similar arrangements on the basis of \$4.03-1/2 per pound net in the sterling area. As arrangements for the handling of checks drawn on the Treasurer of the United States have already been made (as per telegram No. 66, February 25, 8 p.m., to American Consul, Calcutta), the following procedure is suggested with respect to United States currency.

2. In the case of excess United States paper currency instruct the National City Bank of New York, Bombay, to prepare list in quadruplicate showing the amount of each denomination of each kind of currency separately and for Federal Reserve notes and for Federal Reserve Bank notes the list must show separately the amount of each denomination of the issue of each bank, cut currency in half vertically and stamp or write name of bank on each half in ink. Then deliver both halves and list in quadruplicate to American Consul, Bombay. Consular officer will verify amount of currency delivered to him against list prepared by bank and then he will telegraph

- 2 -

Treasurer of United States through State Department the amount of currency delivered to him. When Treasury receives this advice payment in corresponding amount will be made to the National City Bank of New York, New York, for account of its Bombay branch. Upon receipt and examination Treasury reserves right to claim reimbursement for any currency which is not genuine. Each set of halves should be forwarded by separate carrier accompanied by a copy of the list. The third copy of list should be forwarded by still another carrier. American consular officer will retain fourth copy of list.

4. Consular officer should make no arrangements for insurance as shipments will be covered by Government Losses in Shipment Act.

5. Please advise National City Bank of New York, Bombay, and other United States Government officials appropriate parts hereof."

The Department approves the foregoing. Any expense incurred in carrying ^{the} out instructions contained in this telegram should be included in regular accounts as separate item for billing Treasury in accordance with Sec. 7 - 15, Foreign Service Regulations.

TELEGRAM SENT

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

April 9, 1942

6 p.m.

AMERICAN CONSUL

BOMBAY (INDIA)

RUSH

121

From Treasury

QUOTE. 1. The United States Treasury has been informed that the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of \$4.03-1/2 per pound net in Great Britain and Northern Ireland and it understands that the British Government is cabling the Dominion Central Banks respecting similar arrangements on the basis of \$4.03-1/2 per pound net in the sterling area. As arrangements for the handling of checks drawn on the Treasurer of the United States have already been made (as per telegram No. 68, February 28, 2 p.m., to American Consul, Calcutta), the following

-2-#121, April 9, 6 p.m., to Bombay (India)

following procedure is suggested with respect to United States currency.

2. In the case of excess United States paper currency instruct the National City Bank of New York, Bombay, to prepare list in quadruplicate showing the amount of each denomination of each kind of currency separately and for Federal Reserve notes and for Federal Reserve Bank notes the list must show separately the amount of each denomination of the issue of each bank, cut currency in half vertically and stamp or write name of bank on each half in ink. Then deliver both halves and list in quadruplicate to American Consul, Bombay. Consular officer will verify amount of currency delivered to him against list prepared by bank and then he will telegraph Treasurer of United States through State Department the amount of currency delivered to him. When Treasury receives this advice payment in corresponding amount will be made to the National City Bank of New York, New York, for account of its Bombay branch. Upon receipt and examination Treasury reserves right to claim reimbursement for any
currency

-3-#121, April 9, 6 p.m., to Bombay (India)

currency which is not genuine. Each set of halves should be forwarded by separate carrier accompanied by a copy of the list. The third copy of list should be forwarded by still another carrier. American consular officer will retain fourth copy of list.

4. Consular officer should make no arrangements for insurance as shipments will be covered by Government Losses in Shipment Act.

5. Please advise National City Bank of New York, Bombay, and other United States Government officials appropriate parts hereof. END QUOTE.

The Department approves the foregoing. Any expense incurred in carrying out the instructions contained in this telegram should be included in regular accounts as separate item for billing Treasury in accordance with Sec. V- 45, Foreign Service Regulations.

WELLES
ACTING
(FL)

FD:FL:BMcB

APR 9 1942

Mr. Lacey

D. W. Hall

Will you please send the following telegram to the American Commissioner,
New Delhi, India:

From Treasury for Commissioner.

1. With reference to the Bank of England order to purchase United States currency mentioned in your No. 56, February 28, 1 p.m., the Treasury is informed that this order was given before the arrival of United States troops in India for the purpose of establishing a strategic reserve of United States notes and that a similar policy has been followed with regard to sterling notes and coverings in various Empire centers.

2. The United States Treasury has been informed that the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of \$4.05-1/2 per pound net in Great Britain and Northern Ireland and it understands that the British Government is calling the Dominion Central Banks respecting similar arrangements on the basis of \$4.05-1/2 per pound net in the sterling area.

3. For your information the Treasury has had in effect with the National City Bank of New York, New York, an arrangement for the handling of checks drawn on the Treasurer of the United States, credit for which is given to that bank at its New York office upon receipt of telegraphic advice from the American Consul at New York of the amount of such checks delivered. The Treasury is now making a currency arrangement with the

- 2 -

National City Bank of New York, Bombay, similar to the currency arrangement with the Reserve Bank of India outlined in telegram No. 27, February 5, 1942.

FD: am: 4/7/42

TELEGRAM SENT

RS

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

April 9, 1942

2 p.m.

AMERICAN MISSION

NEW DELHI (INDIA)

RUSH

111

FROM TREASURY FOR COMMISSIONER.

QUOTE 1. With reference to the Bank of England order to purchase United States currency mentioned in your No. 58, February 28, 1 p.m., the Treasury is informed that this order was given before the arrival of United States troops in India for the purpose of establishing a strategic reserve of United States notes and that a similar policy has been followed with regard to sterling notes and sovereigns in various Empire centers.

2. The United States Treasury has been informed that the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of \$4.03-1/2 per pound net

in Great Britain

-2-, #111, April 9, 1942; 2 p.m., to New Delhi.

in Great Britain and Northern Ireland and it understands that the British Government is cabling the Dominion Central Banks respecting similar arrangements on the basis of \$4.03-1/2 per pound net in the sterling area.

3. For your information the Treasury has had in effect with the National City Bank of New York, Bombay, an arrangement for the handling of checks drawn on the Treasurer of the United States, credit for which is given to that bank at its New York office upon receipt of telegraphic advice from the American Consul at Bombay of the amount of such checks delivered. The Treasury is now making a currency arrangement with the National City Bank of New York, Bombay, similar to the currency arrangement with the Reserve Bank of India outlined in telegram No. 27, February 5, 8 p.m. END QUOTE.

FD:FL:ME

WELLES,
ACTING
(FL)

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

April 9, 1942

2 p.m.

AMERICAN LEGATION,

PRETORIA, UNION OF SOUTH AFRICA.

36

FROM TREASURY.

QUOTE. 1. The United States Treasury has been informed that the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of $\$4.03\text{-}1/2$ per pound net in Great Britain and Northern Ireland and it understands that the British Government is cabling the Dominion Central Banks respecting similar arrangements on the basis of $\$4.03\text{-}1/2$ per pound net in the sterling area. As arrangements for the handling of United States currency have already been made (see cable No. 11, February 9, 9 p.m.), the following procedure is suggested with respect to checks drawn on the Treasurer of the United States:

2. All United States dollar checks drawn on the

Treasurer

-2-1936, April 9, 2 p.m. to Pretoria

Treasurer of the United States negotiated by the South African Reserve Bank are to be delivered to the American Consul, Capetown, accompanied by list in triplicate with complete description each check as follows: Name of drawer; symbol number; check number; amount; payee's name; date of check.

Consular Officer will carefully verify checks against list and advise Treasury by telegraph through State Department aggregate amount of checks delivered by bank. Upon receipt of this advice Treasury will effect payment in corresponding amount to the Federal Reserve Bank of New York for account of the South African Reserve Bank, Pretoria.

Consular Officer should instruct South African Reserve Bank to use all possible diligence in identification of payee and determining validity of endorsements. South African Reserve Bank, Pretoria, should endorse checks as follows: INNER QUOTE Pay to the order of the Treasurer of the United States for credit of our account with the Federal Reserve Bank of New York Signed South African Reserve Bank, Pretoria, South Africa END INNER QUOTE. Treasury will look to South African Reserve Bank, Pretoria, only for usual guarantee under laws applicable in South Africa.

Consular

Consular Officer should forward checks accompanied by one copy of list to Treasurer of United States, Washington, as promptly as possible by safest means available. Second copy of list should follow by separate carrier at earliest possible date. Third copy should be retained by Consular Officer.

3. Consular Officer should make no arrangements for insurance as shipments will be covered by Government Losses in Shipment Act.

4. The designation of the South African Reserve Bank, Pretoria, as a depository of public monies of the United States is hereby extended to carry out the procedure outlined in this telegram.

5. Please advise the South African Reserve Bank, Pretoria, and other United States Government officials appropriate parts hereof. END QUOTE.

The Department approves the foregoing. Any expense incurred in carrying out the instructions contained in this telegram should be included in regular accounts as separate item for billing Treasury in accordance with Sec. V-45, Foreign Service Regulations.

WELLES
ACTING
(FL)

FD:FL:ME

C
O
P
Y

DEPARTMENT OF STATE

Washington

In reply refer to
FD 851.515/157

April 9, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of despatch No. 696, dated March 17, 1942, from the American Consulate General, Zurich, Switzerland, concerning suppression of a new issue of coins by the French Government.

Enclosure:

Despatch No. 696, from
Consulate General,
Zurich, Switzerland.

No. 696

402

By air mail pouch from Lisbon

C
O
P
Y

AMERICAN CONSULATE GENERAL

Zurich, Switzerland, March 17, 1942.

SUBJECT: Suppression of a new issue of coins by the
French Government.

THE HONORABLE

THE SECRETARY OF STATE,
WASHINGTON.

SIR:

I have the honor to report that, according to information which I have received through an influential Social-Democrat in Zurich, a whole issue of 10 centimes coins, minted in 1942, has had to be withdrawn by the French Government because the coins were found to bear on them, in microscopic size, the initials of General de Gaulle: "A. de G." I have seen one of the coins which has just been brought to this country by a Swiss returning from France. The issue is of zinc metal, perforated in the middle.

Respectfully yours,

James B. Stewart
American Consul General

In quintuplicate.
Copy to the Division of Commercial Affairs.
Copy to the American Legation, Bern.
EOO/851.5/MWA/ugt.

A true copy of the signed original - UGT

C
O
P
Y

403

DEPARTMENT OF STATE
Washington

In reply refer to
FF 102.102/570

April 9, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith copies of a paraphrase of telegram no. 264 of April 8, 1942 from Montevideo, concerning arbitrage transactions involving Switzerland, New York, Buenos Aires and Montevideo, carried on allegedly by a recognized Argentine importer and speculator.

Enclosure:

From Montevideo,
no. 264, April 8, 1942.

eh: copy
4-10-42

PARAPHRASE OF TELEGRAM RECEIVED

404

FROM: AMEMBASSY, MONTEVIDEO

DATED: APRIL 8, 1942

NUMBER: 264

FOR PERLE, TREASURY, FROM TOWSON

Heavy transactions in escudos and the possibility of enemy interests are referred to. Positive information of transactions in arbitrage involving inveighed francs and escudos, originating in Buenos Aires and using Montevideo, is possessed by the British. The hypotheses which follows is possible: A speculator in Argentina (name of Corres or Lord) who is an importer of some recognition obtains from the Argentine Supply of Control a license to make escudos purchases ostensibly for the importation of goods (there are no checks made to determine if importations actually result from such licenses.) Inveighed francs are purchased in Switzerland with escudos. Dollars bought with Swiss francs are, under terms of Swiss General License, credited to Argentina in New York. Thus the circle is completed by the purchase of Argentine pesos with the dollars and a profit is realized. The Swiss may thus be disposing of dollars for escudos without the general license being violated. Transactions concluded with the Argentines or other South Americans under the Swiss general license, in view of the above information, it is suggested should be scrutinized. Treasury to be charged.

DAWSON

eh:copy
4-10-42

TREASURY DEPARTMENT

405

INTER-OFFICE COMMUNICATION

DATE April 9, 1942

TO Secretary ^{Worces} Morgenthau
 FROM Miss ^{Cham} Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£50,000
Purchased from commercial concerns	£135,000

Of the latter amount, £124,000 was reported to have been purchased from an American motor company.

Open market sterling held at 4.03-3/4, with no reported transactions.

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

Canadian dollar	13-1/4% discount
Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2830
Cuban peso	3/32% premium

The Federal Reserve Bank of New York purchased 100,000 Swedish kronor in New York at the rate of .2385-1/2 for account of the Central Bank of the Uruguayan Republic. The latter declared that the kronor are for commercial use.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In London, spot and forward silver remained at 23-1/2d, equivalent to 42.67¢.

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 35-1/8¢.

We made no purchases of silver today.

BRITISH MOST SECRET

(U.S. SECRET)

APTEL No. 117

Information received up to 7 A.M., 9th April, 1942.

1. NAVAL

8th. Three enemy battleships and one aircraft carrier were sighted by Datalina aircraft 500 miles east of CEYLON. Early on 9th, a large enemy force was reported east of TRINCOMALEE, where an air-raid subsequently developed. First reports indicate no damage to H.M. ships, one merchant vessel damaged and some damage to ground installations. COLOMBO was also reconnoitered by enemy aircraft but no bombs dropped.

7th. A hospital ship was damaged by torpedo or floating mine north-east of SIDI BARRANI, but is proceeding under her own power.

8th. A minesweeper and whaler were sunk during air-raid on ALEXANDRIA.

2. MILITARY

LIBYA. During 7th, enemy were digging in at BIR TEMROD and SIDI WEGHISO, whilst an enemy column, including 100 tanks moved to a point six miles north-west of MTEPEL and other tanks and M/T were observed in the SEGALI area... Our Armoured Cars kept contact with enemy patrols and our Artillery engaged the enemy who made no attempt to reconnoitre our positions.

BURMA. SITTANG Front: Fighting continues in the YEDASHI area. The Japanese have also reached a point 30 miles west of MARCHI.

3. AIR OPERATIONS

WESTERN FRONT. 8th. Four Beauforts, of which one is missing, made a torpedo attack on four large merchant vessels in a south-bound convoy off the west coast of DENMARK. Poor visibility prevented observation of results.

8th/9th. Aircraft were despatched as follows: HAMBURG, 272 (including 54 heavies); Sea mining off HELIGOLAND, 24; HAVRE, 13; Dutch aerodromes, 3; Boufflers (PARIS and BRUSSELS), 16. Six aircraft missing. HAMBURG raid is considered unsuccessful on account of bad weather.

MALTA. 7th. A further 120 bombers escorted by fighters attacked the Island. On 8th, up to 1300 hours, attacks were made by a total of 183 aircraft. Extensive damage was caused to the Harbour area, including Admiralty House, Officers' Mess at KALAFRANA was destroyed and aerodromes were damaged. Fighters and anti-aircraft guns destroyed 12 enemy aircraft. Probably destroyed at least five and damaged ten. One Spitfire lost, pilot safe.

EGYPT. 8th. 16 enemy aircraft attacked ALEXANDRIA losing two Beaufighters whilst anti-aircraft probably destroyed a third.

4. HOME SECURITY

A research station at NORTH MATRAVERS near SWANAGE was bombed and machine-gunned without damage, but there were nine casualties, including two service men killed.

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 123

Following is supplementary resume of operational events covering period second to ninth April, 1942.

1. NAVAL

Strong Japanese Naval Forces operated in the Bay of Bengal, COLOMBO and TRINCOMALEE were attacked by carrier-borne aircraft. These operations caused serious losses among R.M. ships though the enemy paid heavily in aircraft destroyed. Heavy air raids on MALTA continued. A large British convoy of troops and supplies arrived in BOMBAY on ninth. U-boats were still active in the Western Atlantic, the Caribbean and off Liberia. The number in Norwegian waters has increased. It is estimated that there are 23 German U-boats in the Mediterranean. Japanese submarines have been active south of CEYLON. During the week ending eighth April 10% ships were convoyed. During March, out of 4192 ships convoyed only six were lost by enemy action. Imports into Great Britain by ships in convoy during the week ending fourth April were 506,000 tons including 191,000 tons of oil.

Shipping losses were comparatively light although those in Far East are not yet fully recorded. Thirteen ships including eight tankers were reported torpedoed, nine of them in the West Atlantic and West Indies and three off Ceylon, but only four are known to have been sunk. Two British ships were sunk by surface craft in the BAY OF BENGAL.

2. MILITARY

LIBYA. Contacts between our columns and those of the enemy were on a larger scale but there are at present no indications that the enemy mean to try a further advance.

BURMA. Things were quiet, but the Japanese are reorganizing and are likely to resume their pressure northwards. British and Chinese have suffered from an almost total lack of air support.

PACIFIC. In the TIMOR and NEW GUINEA area there are still indications of a possible renewal of penetration southwards or south-eastwards.

RUSSIA. In spite of the thaw, the Russians are continuing to make local attacks in many parts of the front. German armoured Divisions have been increased from twenty-one to at least twenty-three. Some interchange of infantry divisions between FRANCE and RUSSIA continued.

ITALY. A further Italian Infantry Division has been identified bringing the total to 77.

BULGARIA. Although there are still no indications of any impending military action, the recent call-up of recruits has brought the Bulgarian forces almost to their full mobilisation strength of 370,000.

3. AIR OPERATIONS

WESTERN FRONT. In spite of bad weather on each occasion, COLOGNE, ESSRN and HAMBURG were attacked by night bomber forces involving a total of 692 aircraft. The most successful night attack of the week was on a medium scale against the Watford Works when about one hundred tons of H.E. were dropped in excellent visibility. Coastal command reported hits on about fourteen thousand tons of enemy shipping. A total of about seventy-five enemy aircraft were engaged in sea-mining off our coasts, our own sea-mining sorties were also seventy-five.

MALTA. Enemy bombing attacks were heavier still and reached an intensity of 1562 sorties, on seventh April alone 318 Axis aircraft were used. Our fighters intercepted on every possible occasion and caused casualties with few losses to themselves, in addition, our A.A. artillery brought down twenty-five enemy aircraft.

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RUSSIA. German Air Force. It is thought that there are about two thousand aircraft deployed compared with about sixteen hundred at the beginning of the year. Most of these reinforcements comprise units which have returned after a period for overhaul and rest following their efforts at the end of 1941. The thaw is likely to affect aerodromes in addition to the fact that the serviceability of units on the Russian front remains low, consequently the effort to be expected from this force is likely to be much less than the normal average of the G.A.F. Apart from bomber operations on MURMANSK, work has been mainly confined to close support of land forces resisting Russian attacks. Long-range bomber operations have been directed against railway communications which have assumed increased importance owing to the state of the roads during the thaw.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF AIR ATTACKS ON ENEMY TERRITORY IN EUROPE

KIEL. Photographs taken on 29th March confirm damage at the Deutsche Werke and show that the two buildings have been destroyed in a factory reputed to be making torpedo components and shells.

DORTMUND. More details have been received concerning damage at Bosch Steel Works on 10/11 March.

POISSY. It is clear, from recent photographs, that the Hatford works have been severely damaged both by H.E. and by fire. Adjacent factories have also suffered.

LE TRAIT. Photographs taken the day after the latest attack confirm its success and show that most of the important work-shops as well as at least one slipway have sustained varying degrees of damage.

5. OPERATIONAL AIRCRAFT BATTLE CASUALTIES

Metropolitan Area

<u>British</u>		<u>In the Air</u>	
	Bombers		Twenty
	Fighters		Fourteen
	Coastal		Seven
	Total		Forty-one
<u>Enemy</u>	<u>Destroyed</u>	<u>Probably Destroyed</u>	<u>Damaged</u>
Bombers	Seven	One	Eleven
Fighters	Six	Four	Fourteen
Miscellaneous	Nil	Nil	One
Total	Thirteen	Five	Twenty-six

MIDDLE EAST (including MALTA)

<u>British</u>		<u>In the Air</u>	<u>On the Ground</u>
	Bombers	Five	Five
	Fighters	Twenty-two	Five
	Others	Nil	Two
	Total	Twenty-seven	Twelve
Two pilots and two crews are safe.			
<u>Enemy</u>	<u>Destroyed</u>	<u>Probably Destroyed</u>	<u>Damaged</u>
Bombers	Forty	Sixteen	Forty-three
Fighters	Fifteen	Nine	Eighteen
Miscellaneous	Four	Three	Eight
Total	Fifty-nine	Twenty-eight	Sixty-nine
Of the above totals, thirty-one were destroyed, one probably destroyed and nineteen damaged by A.A. fire.			

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FAR EAST

<u>British and Allied</u>		<u>In the Air</u>	
Fighters		Nineteen	
Miscellaneous		Two	
Total		Twenty-one	
<u>Enemy</u>	<u>Destroyed</u>	<u>Probably Destroyed</u>	<u>Damaged</u>
Bombers	Six	One	One
Fighters	Six	Three	Two
Miscellaneous	Twenty-five (Star)	Five (Star)	Twenty-eight
Total	Thirty-seven	Nine	Thirty-one

Of the above totals, five were destroyed by A.A. fire. (Star) Indicates mostly Navy "O" fighters each carrying one bomb (COLOMBO).

NOTE: No account is taken of enemy aircraft destroyed on the ground in any theatre or of British Naval Aircraft casualties.

6. HOME SECURITY

Estimated civilian casualties for week ending six A.M. eighth, Killed fifty-five, seriously wounded 104. Majority at WEYMOUTH and DOVER.

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NUMBER 26

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COORDINATOR OF INFORMATION

THE WAR THIS WEEK

April 2-9, 1942



Printed for the Board of Analysts

Copy No. 6

The Secretary of the Treasury

APRIL 2-9, 1942

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Coordinator of Information

THE WAR THIS WEEK

The Battle of the Bay of Bengal has begun. The British admit the loss of two cruisers; the Japanese claim the sinking of 21 merchantmen. The Japanese have struck at both the principal British naval bases—Colombo and Trincomalee. It seems clear that the Japanese navy is operating in force in the Indian Ocean and that a major effort against India is under way.

This orientation of the Japanese effort runs counter to certain earlier predictions, and it is believed that it may reflect a decision by the Japanese that a conquest of Australia has become too difficult and that a campaign in Siberia should await a clarification of the military situation in European Russia. Meanwhile the political situation in India, probably reflecting the gravity of the Japanese military menace, has improved, and a press despatch of Thursday notes that a general understanding on the main issues has been as good as reached, with an early agreement between Sir Stafford Cripps and the leaders of the All-India Congress predicted.

Elsewhere the Allied cause is suffering serious reverses. The epic American defense of Bataan has finally succumbed to overwhelmingly superior Japanese forces. Marshal Rommel has synchronized a new drive in Libya with the Japanese attack on India, but there is reason to believe that this may be a reconnaissance in force rather than a serious effort to invade Egypt. The gathering intensity of the drive in Burma and the devastating attack on Mandalay seemed clear indications that

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the Japanese are determined to cut the last of the potential "Burma roads" to China. And heavy plane concentration and a further forward movement in the Solomons suggest a south-eastward extension of Japanese control over the Melanesian shield.

Despite the spectacular newspaper reports of Russian success, it is now clear that there has been no change of importance on the Eastern Front during the past month. Meanwhile the Germans have nearly completed their preparations in the south, and apparently the initial Nazi offensive will be launched in that area—possibly as early as the second half of April, when weather and ground conditions are first suitable. At the same time German military and naval concentrations in the north suggest both interest in the interruption of the Archangel supply line and preoccupation with the defense of Norway.

India's Eleventh Hour

With the foe literally at the gates of India, negotiations over the political status of the peninsula had reached a deadlock when the last-minute intervention of President Roosevelt apparently saved the day. Reports from New Delhi suggested that leaders of the Congress, in consultation with Louis Johnson, the President's personal representative, had worked out a new formula on the critical issue of defense. Observers confidently predicted that this latest compromise proposal, drawing on Australian experience, would provide for a British commander-in-chief and a native defense minister, with clearly demarcated functions.

In a week of alternating optimism and gloom, control of Indian defense was apparently the hard kernel of the whole dispute. Second in importance as an objection to the scheme brought by Sir Stafford Cripps was the question of Indian

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partition that it foreshadowed. A third point of conflict was the proposed postponement of the whole constitutional scheme until the end of the war—the "post-dated check," as Gandhi termed it. Finally—although the press scarcely mentioned this last objection—reports from New Delhi implied that Congress leaders were dissatisfied with a constitutional convention to which the Indian princes would apparently send personal representatives rather than delegates elected by the peoples of their states.

Two of the groups that flatly rejected the Cripps proposals—the Sikhs and the Hindu Mahasabha—based their arguments on the partition issue. With the two most important Indian political elements, however, the Congress and the Moslem League, the defense question was paramount. As representatives of the Working Committee of the Congress, Pandit Nehru and Maulana Azad, president of the Congress, offered counter-proposals—calling, apparently, for a native Indian defense minister. This proposition they discussed with Cripps and General Wavell, commander-in-chief for India. At one point it appeared as though the British might offer the post of defense minister to Nehru himself. But the final British compromise proposal—evidently worked out by Cripps and Wavell after telephone conversations with members of the War Cabinet in London—seems to have been somewhat less conciliatory. The result was again a virtual "no" from the Congress—plus the last minute appeal to President Roosevelt.

"Stubbornness" and Panic

In a magisterial address in New York Tuesday evening, Lord Halifax—a former Viceroy of India—defended the British proposals on defense and partition, and solemnly warned that if the current negotiations broke down, the

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friends of India "would not find it difficult to decide where the responsibility lay." This, indeed, was the note struck with surprising unanimity by the press of Great Britain, the United States, and even of China. There seemed to be little appreciation of the Nationalist contention that historical experience has shown military control in India to be practically equivalent to total overlordship.

Lord Halifax also stated that if reconciliation failed, the British government would nevertheless "do its own duty" to defend India against the Japanese. Nehru likewise was said to have pledged himself in the event of invasion to "fight . . . unto the death." Despite these brave words, despatches from New Delhi reported that panic was gaining the upper hand in India. Bengal was seething with unrest and pro-Japanese activities. And many British were evacuating the Calcutta area, apparently against the wishes of General Wavell.

The Battle of the Bay of Bengal

In the beginnings of the battle for the Bay of Bengal the British have admitted the loss of the cruisers *Dorsetshire* and *Cornwall*, while the German radio has even announced a Japanese landing on the Indian coast. On the basis of these fragmentary reports, however, it is impossible to form a clear picture of the whole battle.

Intense air activity on both sides formed the prelude to the main action. As British headquarters denied that the Japanese had landed at Akyab on the west Burma coast, United States bombers, in a daring raid on the Andaman islands, set fire to a Japanese cruiser and damaged a transport. Meantime, according to Tokyo, Japanese planes and submarines accounted for 21 Allied merchantmen in the Bay of Bengal. Then on Easter Sunday the invaders' carrier-based aircraft struck at Ceylon.

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The air attack on Colombo, if it was an effort to repeat the surprise success of Pearl Harbor by knocking out Britain's chief naval base in the Indian area, was clearly a failure. Twenty-five planes shot down and perhaps as many more damaged, out of a reported total of 75 enemy aircraft, constitute an impressive record for the defenders. Next day, Vizagapatam and Cocanada on the Indian east coast were the targets. Three days later the Japanese returned to the attack on Ceylon, this time striking against the east coast naval base at Trincomalee.

The outcome of the air and naval battle for the waters between the Malay and Indian peninsulas—essentially a battle for supply lines—can have a decisive influence on the struggle in Burma. Last week, American bombers started fires in the dock area of Rangoon. But this success was scarcely comparable to the Japanese raid on Mandalay—temporary capital of Burma and the link between the old and new roads to China—which, according to a report from London, destroyed two-thirds of the city, killing 2,000 to 3,000 and injuring 5,000 more. On the fighting front, while the Chinese counter-attacked north of Toungoo, the British fell back from Prome and established a new line for the protection of the Burmese oil fields, about 70 miles farther north.

Japanese Expansion Continues in Melanesia

Despite recent Allied air successes, the Japanese are still expanding southeastward in the Melanesian Islands. Buka Passage, the strait between Buka and Bougainville Islands in the Solomons, has now been seized and about 500 troops have been landed in this area. Air reconnaissance there recently revealed the presence of three Japanese heavy cruisers, a light cruiser, a destroyer, and a transport, indicating that further expansion may be anticipated. Faisi Island, southwest of Bougainville, also is reported to have been occupied.

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Disposition of Japanese Air Forces

Further evidence of the continued interest of the Japanese in the Australasian area is presented by the estimated disposition of their air forces. Including some planes still stationed in Java, there are believed to be in the area which extends through the Sunda Islands, Timor, Amboina, New Guinea and New Britain more than 700 "operational" planes—first-line planes available for operations. This number is estimated to include nearly one-fourth of Japan's operational fleet. Some 225 or more planes are thought to be in the New Guinea area alone (compared with only about 325 in Burma). Available in Manchuria for possible operations against Soviet Siberian forces there may be fewer than 300 planes—a force which is considerably inferior to the known strength of the Russians in that area.

End of the Battle of Bataan

In the face of a Japanese offense in great force, American resistance apparently has finally collapsed. The east flank of the Bataan lines was enveloped, according to a special communiqué of the War Department, and a counter-attack with physically exhausted troops failed. Earlier it was reported that the Japanese, using tanks as well as artillery fire and aerial bombardment, had thrown fresh reserves into the fighting, and that both sides were suffering heavy losses.

The heroic defense of Bataan has won the unstinted admiration of enemy and friend alike. But its loss will be severely felt. At least four divisions of Japanese troops have been contained there by a much smaller group of defenders. As a base for counter-attack against Japan,

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the Philippines would have offered invaluable advantages. And the psychological importance, particularly among Asiatic peoples, of the successful joint resistance of American and Filipinos against the Japanese invader already had been outstanding.

China's Diplomatic Offensive

One of the most striking developments of the post-Singapore world has been China's coming of age as a great power, according to one close observer of the Chinese scene. This was implicit in China's becoming an ally of the Anglo-Saxon nations on December 8. But at that time Singapore still remained the tangible symbol of British sea-power in Asia and of the "unequal" treaties in China, which they had endured for exactly a century (1842-1942). Hence the fall of Singapore has had repercussions in diplomacy which are hardly less profound than those in military strategy. As never before in modern history, Nationalist China is now on her own, our observer continues. In this exposed and dangerous position the Chungking Government has been stimulated to take the diplomatic offensive on a world scale.

Chinese Representation in Washington

The inauguration of the Pacific War Council at Washington on April 1 was a victory for China quite as much as for the British Dominions, according to the same source. The inclusion of Dr. T. V. Soong (although seated farthest from the President) appears to vindicate the unusual and inventive move last December by which he was made Foreign Minister of China resident in Washington.

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Meanwhile China's representation in this city, though still not comparable to the British, has steadily increased. Admiral Liu T'ien-fu recently arrived as a naval liaison officer, four generals of the Chinese Army are now here (Chu Shih-ming, military attaché; P. Kiang, ordnance expert; and T. H. Shen and Huang P'ing-heng, air experts), and three more generals will soon arrive with the military mission from Chungking.

China in India

The delivery of a private message by special messenger from Chiang Kai-shek to Pandit Nehru on April 3 witnessed China's continued interest in the Indian political crisis. It is appropriate that the new Chinese commissioner to India, Shen Shih-hua, whose appointment was announced on March 31, should be a transportation expert of long experience in the Ministry of Communications. According to a Chinese press despatch of April 3 from Chungking, the Central Executive Committee of the Kuomintang has decided to send a delegation to India in the near future.

China and Islam

Equally important, though less publicized, has been China's activity in the Moslem world. A treaty with Iraq, negotiations with Iran, and the sending of a Turkish chargé d'affaires to Chungking, have been followed by the recent announcement that China and Egypt are exchanging ministers.

The importance of Islam to China is hardly recognized in the west. Just as the Arab world for centuries intervened between China and Europe, so today the Mohammedans of Malaysia, India, and Sinkiang hold strategic positions in Chinese foreign relations. In the case of Sinkiang the religion

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of the prophet, with its extra-Chinese orientation, has in the past impeded strict Chinese control of the area and might in the future be of use in any effort to shake off Soviet domination. In India and the Indies, whence thousands of pilgrims visit Mecca yearly, the Moslems form a powerful minority. And it should be noted that Free China includes most of the Chinese Mohammedans; there are 50 million Mohammedans in Kansu and Yunnan provinces.

A national Moslem conference of representatives from 16 provinces convened in Chungking on March 30. Pai Chung-hsi, a leading Mohammedan as well as outstanding military commander, was made chairman and in a rousing speech called upon the "60 million" Moslems of China to band together in the cause of "resistance and reconstruction" (*K'ang-chan chien-kuo*).

German Preparations for an Offensive in Russia

For approximately a month there have been no real changes on the Russian front. Competent American observers, who have consistently stressed the fact that the Soviet counter-offensive this winter succeeded in wresting no vital strong points from German control, now believe that there is little likelihood of any further Russian gains. Recent newspaper stories—such as the accounts of "fierce fighting" in the Donets and Kalinin sectors—printed with banner headlines and then a day or two later quietly dropped without sequel or confirmation, seem to be frequently the joint product of journalistic bull-sessions, working on the flimsiest evidence.

The initiative on the Russian front will apparently soon be in German hands. It seems unlikely that there will be further movement of any magnitude until the Nazis choose to launch a spring offensive. Already in the south their preparations are reported to be nearly complete. Since the

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first week in February, heavily loaded trains have been carrying back to Russia, rested and reequipped, the German divisions that have been spending the winter in occupied France, central Germany, or central Poland. Many of them are apparently already in their concentration areas. Others are traveling by rail, unimpeded by the spring thaw, to within perhaps 100 to 150 miles of their destination. From there on to the concentration areas the distance is short enough so that the mud of the Ukraine presents no insuperable barrier.

To a large extent, then, the Nazi armies are already poised, ready to strike when the ground dries and other conditions are favorable—perhaps as early as the second half of April in the south, and possibly a month thereafter in the Moscow area. It is impossible, of course, to predict just what the German strategy may be. Observers concur, however, in forecasting a main attack to the south. Moreover, in the region about Moscow, which the Russians will evidently spare nothing to hold, and whose entrenchments to the west they have been strengthening, it is highly probable that the Nazis will launch a holding attack, in an effort to immobilize the substantial reserves concentrated there. And it is not impossible that, after a break through to the south, the German army will strike suddenly north to take the defenders of Moscow in the rear.

Limitations to German Strategy

Supply lines in southern Russia would, however, limit the initial force to about 100 divisions. The railway net behind the present German positions could continuously maintain about 60 divisions, plus perhaps 40 more to be supplied (for a maximum of two months) from stores held in reserve this winter. But as the German army entered the Caucasus area, the number of divisions that their greatly extended

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lines of supply could actively maintain might fall to as low as 20-30.

Under these conditions, the strategy envisaged above—turning north against the rear of the defenders of Moscow—might prove extraordinarily difficult. Meantime the Russians would have an opportunity to disrupt Nazi plans by a simultaneous attack from the north. Despite all these difficulties, the destruction of the Red Army this year would appear to be an essential part of German strategy. And it is difficult to see how the Nazis could accomplish this without extensive operations on the central and northern fronts.

Civilian Conditions in Russia

Reports from Kuibyshev are at length beginning to reveal the extent of civilian suffering in Russia this winter. According to what purports to be an official tabulation, 650,000 people starved to death during two winter months in Leningrad alone. And in Moscow bread, herring, and pickles issued on civilian ration cards have apparently given a bare minimum of subsistence.

The result seems to have been a slight slump in the morale of the capital. The renewal of German air attacks, limitations on the use of fuel gas, and the frequent interruption of electricity have also contributed to the difficulties of life in Moscow. And shortages of coal for heating and of soap in Moscow and in Kuibyshev have contributed to dangerously insanitary conditions.

Ordeal in Malta

On Malta, whose air-raid shelters, dug out of the rock, are said to be able to withstand a direct hit and to give refuge to the entire civilian population, air attacks continued with un-

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abated intensity. During the week ending April 4, there were 53 air raid warnings, more than 100 civilian casualties, and more than 65 enemy aircraft destroyed or damaged.

In Libya, Axis columns were apparently advancing from Martuba, Bomba, and Mekili. Press reports jumped to the conclusion that this was Rommel's long-awaited spring offensive. But a report from Cairo pointing out that the Axis would hesitate to launch a full-scale attack in the face of existing British strength, suggested that the present movement might be no more than a reconnaissance in force. Meantime, in the Levant area, an increase in Axis U-boat activity and the threat of surface raiding added to tension in Syria.

More British Bombs for Nazi War Production in France

Contrary to somewhat sensational reports in the press regarding internal changes in France, there is reason to believe that Marshal Petain finds Laval no more a solution for the French problem than does Hitler himself, but at the same time there are repeated reports that changes may still occur in the Vichy cabinet. The Germans have apparently also been impressed with the difficulties of any radical solution of the political situation, such as total occupation of the country, just on the eve of the opening of the spring campaign in Russia.

The inability of the press and radio in Vichy and Paris to arouse the anger of the French people at repeated British bombings is a disappointment to the Vichy Minister of Propaganda as well as to Goebbels, it is reported. And it is to be noted that the press of unoccupied France has shown considerably more restraint in treating the current bombings than when—in violent invective—it dealt with the raid on the Renault factories near Paris March 3.

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At the same time the intense aerial activity resulting in serious damage to the Matford Plant at Poissy, and the British raid on Saint Nazaire appear to have indicated to the Germans the desirability of maintaining larger troop concentrations in France. The Matford plant, a subsidiary of the Ford Motor Company, is reported in despatches from London to have been producing twenty trucks a day for the use of the German army. Before the war it manufactured light automobiles. Ford officials are reported to have had no contact with the Matford plant since the fall of France in June, 1940.

Current French Industrial Contribution to Germany

Fresh Nazi attempts to recruit French labor for work in German industry are reported. Proposals have been made to Petain in this connection, and inducements of higher wages and better living conditions are being made to workers, some of which, according to reliable reports, have been meeting lately with greater success. At the same time, there are reports of increased production in France to meet the needs of the German war economy. The manufacture of tools and other machinery has been increased, the construction of freight cars for the German Army is "sufficient and regular," and in the textile industries a very large percentage is supplied to Germany. Leather, wood, and food stuffs, to mention a few, continue to be commanded for German use in large amounts.

Japanese Pressure on Vichy

Japan is now attempting to take over in one form or another 100,000 tons of Vichy French shipping now in Indo-China. There have been suggestions that a "local agreement" between the French in Indo-China and the Japanese, might be reached as an alternative to immediate Japanese

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seizure. This agreement would provide that these ships continue to fly the French flag and be manned by French officers and crews, but that they operate nevertheless between ports under Japanese control, with the exception of a line between Indo-China and the island of Madagascar, now controlled by the Vichy French.

Following the announcement by the State Department regarding the status of the Free French in the Pacific, a similar announcement has now provided for the establishment of a United States Consulate General in Free French Africa.

Japan Becomes "Protector" of the Catholics

The recent diplomatic accord between Japan and the Vatican has already been put to extensive use by the Axis in radio propaganda beamed to Latin America. The new agreement is obviously being used, particularly by Catholic Italy, in an effort to make Japan more "palatable" from a religious point of view to Catholic Latin America, and to increase distrust of "Protestant" Great Britain and the United States. This Axis propaganda now claims the Papal blessing for its cause in general, and especially for Japan, which is alleged to have assumed the role of "protector" of the Catholics in the Far East.

Meantime on the diplomatic front, there were indications that the Vatican was doing its best to counteract the impression created by the establishment of relations with Japan. The Papal government has apparently not only accepted but even urged on China the sending of a similar representative. There is in China an organized group of more than two and a half million Catholic converts.

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Reservations on Padilla

The United-States-Mexican agreement, negotiated in Washington on Tuesday by Ezequiel Padilla, the Mexican foreign minister, to stimulate Mexican war industry and rehabilitate her railways, is an important step forward in hemisphere economic development and defense. Padilla is continuing in the role which he established for himself at the Rio Conference, where he spoke with a decisive pro-democratic accent.

One observer points out, nevertheless, that the efforts of the daily and weekly press in the United States to "build up" Padilla as the "symbol of the coming of age of the American republics" and as the future president of Mexico are unfortunate. Padilla is an able civil servant but has no popular following in Mexico. Mexicans might well receive the impression, therefore, that the United States was attempting to foist a president on them. Such an impression, embroidered by Axis propaganda, could intensify normal Mexican resentment at alien interference in their politics and thus jeopardize the current cordiality between Mexico and the United States, our observer concludes.

APPENDIX I

BRITISH OPINION IN TRANSITION

Various reports of well-placed observers picture a significant change in public sentiment in Britain over the past few weeks. The episodes at Singapore and in the Channel apparently contributed to a public depression which appears to some observers to be verging almost on apathy. The average man's belief in the impregnability of the Empire has rested upon the assumption that these two naval strongholds were under secure British control, but the fall of Singapore and the Scharnhorst-Gneisenau dash through the Channel profoundly altered this view, according to these reports.

One observer who had talked widely with all classes of people, and particularly with those concerned in gauging public opinion, declares that the post-Dunkirk spirit can be revived only if an immediate threat of danger returns or if a tangible "cause" appears. According to this view, the man in the street—no longer fired by the old slogans—sees no real prospect of a changed world worth fighting for, and he regards the *status quo* as an insufficient incentive to victory.

Another observer, who notes a "certain brightening" in the public attitude as a result chiefly of MacArthur's appointment in the Far East, nevertheless declares that there are some quarters in which there is open discussion of the "possibility of defeat." On the whole, however, the public wants a more active policy and, in its eagerness to contribute through sacrifice, it greeted the recent restrictions on clothing and fuel with an almost "pathological gratitude." If, however, popular sacrifices are not capped by vigorous action on the part of the Government, a swing toward defeatism or communism might follow, the same observer believes.

Students of public opinion to whom this evidence has been submitted warn against overemphasizing the decline in British morale as evidenced in the two attitudes characterizing this wave of depression—bewilderment and irritation. The sacrifices, tension, and effort of the British people during the Battle of Britain were tremendous, tending to obscure mistakes and inefficiency, which now loom large. The psychological effect of the inevitable let-down is now simply manifesting itself in a harvest of complaints. Bewilderment over the blows sustained in areas long thought to be invulnerable adds to these complaints.

These commentators point out that there is as yet little evidence suggesting a deep-seated downward turn in British morale. The search for more active and successful leadership, already manifest in the appointment of Cripps and Lyttleton; the demand for greater self-sacrifice; for an immediate "second front"—all are indicative rather of a basic morale which has not undergone serious deterioration.

British Attitude Toward the United States and Russia

British sentiment toward the United States has undergone many changes since the beginning of the war. According to observers in Britain, the initial reaction of gratitude in 1939 changed gradually to irritation over our tardiness in taking an active, armed part in the struggle. Russia then began to replace America in the esteem of the average Britisher. Admiration for the Russians continues, particularly for Russian "austerity." The Russians are hailed as the "chaps who don't talk but kill Huns." And it is declared that Britain would win the war in half the time if she had some of Russia's generals and some of that country's spirit.

There is some implication that America, which is not "austere," is not pulling its weight. However, the general

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view toward American war production is reported to be more optimistic than formerly. Criticism of the United States now comes usually from a small but vocal group on the extreme right, who dread our post-war trade competition; or from the group on the extreme left, which contrasts our war effort unfavorably with that of Russia. The British generally are said to be welcoming Anglo-American cooperation as a basis of post-war stability—cooperation in which they feel Russia also must have a part.

As to Australia, that Dominion is now thought to be as good as lost to the United States already. But there is apparently little alarm, and the British in general are said to favor even closer ties between these two "nations."

Food Situation in Britain

Although food consumption early in 1941 was at a level dangerously low for morale, it was still above the absolute minimum required for the maintenance of health, according to data assembled by the Economics Division of the Coordinator's Office. Since last spring the situation has been steadily improving. Lend-lease shipments of evaporated and dried milk, cheese, bacon and lard, eggs, canned meat and fish, and dried fish have made possible also a welcome variation in the diet. The home production program has been expanding, with considerable increases in potato, carrot, and cereal acreages; and milk supplies have been maintained practically at pre-war levels.

In a period when the German U-boat campaign is being greatly intensified, however, there is a real question as to how long the present standard of consumption can be maintained. Before the war the United Kingdom normally imported more than half her total food supply. Of these imports, more than one-fourth came from Australasia,

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Africa, India, and the Far East—sources which have either been cut off or rendered precarious. While government policy has tried to minimize dependence on imported food-stuffs by reserving shipping space for foods of the highest nutritional value (on a weight basis) and by encouraging home production, the United Kingdom is still heavily dependent upon these imports.

APPENDIX II

THE ARCHANGEL-MURMANSK SUPPLY ROUTE AND
GERMAN ACTIVITIES IN THE NORTH

With serious German naval attacks on the Arctic route to Russia already under way, attention is once again focussed on the principal Soviet supply line. The Murmansk-Archangel route is by far the shortest available from democratic arsenals, and it leads all others in capacity. Murmansk is ice-free all winter and can handle about 100,000 tons of imports per month, barring military interference. The present front cuts the Murman railroad to Leningrad a considerable distance south of the White Sea, but a cross line, recently completed, skirts the southern shore of that sea and connects with the Archangel road (see map inside back cover).

When ice-free, the Archangel route has a substantially larger capacity, and its railroad link is not nearly so vulnerable as that from Murmansk, which is longer, nearer to the enemy, has many bridges (along the White Sea), and is electrified in the Kola Peninsula sector. The Archangel railroad, currently serving both Murmansk and Archangel, can reasonably be expected to handle at least 200,000 tons per month one way. This railroad is being double-tracked, and it is possible that this project may soon be completed, leading to a substantial increase in capacity.

There is likewise a second route from Archangel—the Northern Dvina River to Kotlas, thence by the Kirov railroad to the main Russian railway net. During the American occupation of this region, following the first World War, 50,000 tons per month were forwarded over this route during the ice-free season, which lasts from mid-May through Sep-

tember. It is estimated that this route could handle from 50,000 to 100,000 tons per month at the present time.

During the winter the capacity of Archangel is undependable, but the ice is expected to break up about May 10 this spring. During the first World War ships came in under icebreaker convoy from Cape Svyatoi Nos but penetrated only as far as the outlying ports of Molotovsk and Ekonomia (on an island north of Archangel). Despite noteworthy attempts this route proved unusable this past winter, which was very severe.

German Military Concentrations in the North

Military concentrations reflect the interest of the Germans in cutting this vital northern route. The most effective method would be the seizure of Murmansk and the Russian naval base nearby at Polyarnoe (also eliminating to a great extent the Russian defenses of the ocean route to the White Sea). An alternative cutting of the Murman road at Belomorsk (Sorokks) would still leave 200 miles of difficult country to traverse before the Archangel line was reached.

As the map indicates, the Germans now have in northern Finland five divisions in the line (assisted by three Finnish battalions), a division in reserve, two divisions of reinforcements recently arrived (and at present located at the head of the Gulf of Bothnia), one division at Kirkenes, and probably most of six Todt battalions of railroad engineers (exact position unknown). Most or all of another German division stationed at Kirkenes, where barracks were constructed for 30,000 men, was recently sent to strengthen the garrisons in southern Norway. A German air fleet in northern Finland (based on the triangle Petsamo-Rovaniemi-Palojoensuu) is reported to consist of 1,000 planes, but perhaps only 300 are available for operations.

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German Attacks on the Northern Supply Route

To date, German attempts to cut the Arctic route have met with little success. An incipient offensive against Murmansk was recently checked by a daring Russian landing in its rear and there has been no sign of a follow through by the Germans. The 16th German army, whose mission the Russians think was to cut the Archangel-Moscow railroad south of Vologda, is cooped up in Staraya Russa, far from its goal. And the RAF has staged a devastating raid on Lübeck, an important shipping center for supplies to Scandinavia and the Russian front.

German Defenses in Norway

Meanwhile important preparations in Norway appear to reflect German concern for that country's defense. The *Tirpitz*, the *Admiral Scheer*, the *Prinz Eugen* and other German naval units are at Trondheim. For the protection of the Norwegian panhandle, the Germans have rushed to completion the lateral highway from Trondheim to Kirkenes, and have established mosquito boat bases at Tromsø and Trondheim. Coast defenses are being rapidly completed, but, like the air force, are concentrated chiefly on the southern coast around Trondheim, Bergen, and Stavanger. To man these coast defenses, the personnel for 150 new batteries and 36 coast-defense infantry battalions have been or are being sent to Norway chiefly from the coasts of Western Europe.

The southern part of Norway is now held by six divisions, while there are only three in the panhandle north of Trondheim, excluding always the division at Kirkenes. To facilitate reinforcement of Norway the Germans have erected barracks for four divisions in Denmark, where their total garrison does not exceed 7,000 troops, and have collected 50 tanks there for an armored division being organized for Norway, where none exists at present. A submarine base at Horten, near Oslo, and strong air bases in Denmark and the southern lobe of Norway protect the crossing.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE April 9, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck

Subject: Excerpts from Military Periodicals of Possible Interest

Life and Death of a U-boat

(U-501: b., April, 1941; d., September, 1941)

"U-501 was the first of a new series of 740-ton U-boats. She was built at Hamburg and formally commissioned on 30th April, 1941....

"On 7th August, 1941, U-501 left Trondheim on her first and last operational cruise into the Atlantic. She had been out only a few days when she was attacked by a British warship at daybreak and forced to crash-dive. Later she was forced to remain submerged for two days owing to incessant air reconnaissance over the Atlantic. Once she was almost caught on the surface by a British aircraft.

"Early in September, U-501 attacked a small Norwegian ship of about 2,000 tons, which was sailing independently. (The Captain) Forster fired six torpedoes but only one of them hit, and this failed to sink the Norwegian. U-501 had to come to the surface and fire more than forty shells into this small steamer before sinking her. The destruction of this unprotected 2,000-ton ship was U-501's only contribution to Germany's alleged blockade....

"On 11th September U-501 attempted to attack a British convoy. She was detected by the two corvettes Chambly and Moosejaw...who were part of the convoy escort. The Chambly carried out a depth-charge attack which did considerable damage inside the U-boat. All the lights went out. Instruments were smashed. Valves were damaged. Water entered the hull and reached the electric batteries, producing chlorine gas. U-501 was forced to the surface. The Moosejaw opened fire, then tried to ram, but because the U-boat was still under way and altering course, the corvette struck her only a glancing blow. At the moment of impact, the captain of the U-boat, who was on the conning tower, jumped on board the corvette, abandoning his boat and crew in a scramble for his own life.

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"The Moosejaw, having swung clear, again opened fire on U-501. The U-boat crew then took to the water. Thirty-seven men were saved from U-501 and are prisoners of war, Ten were drowned.

"Forster, the captain of U-501, certainly lacked both experience and the confidence of his crew. He joined the German Navy in 1923 and, apart from a short U-boat course, spent his time entirely in surface ships. His First Lieutenant...joined the German Navy in 1934. Two years later, he was transferred to the Luftwaffe and had only recently been sent back to the Navy, and been drafted to U-boats after a short course. Among the other officers were two midshipmen, who had only joined the Navy on 1st December, 1939. These two had no naval experience. The Engineer Officer, four Petty Officers and two ratings were the only members of the crew of U-501 who had ever made a war cruise in a U-boat. Most of the crew were very young. They were disillusioned by the difference between the realities of life on active service in a U-boat and the glowing descriptions of the recruiting authorities and incessant propaganda."

(Source: Great Britain, "The Fighting Forces", pp. 366-7, Vol. XVIII. No. 6, February, 1942.)

Japanese Night Tactics

The stress in night operations is put on surprise, which is gained by outflanking and by silent movement. Weapons are of minor importance, compared to the approach crawl, used until the enemy can be leapt upon. For instance, in the attack on the Kota Bahru airdromes (in Malaya) the whole area was surrounded by Japanese who crawled through rice fields up to the actual perimeter of the field and guard posts. Some of the posts were over-powered with scarcely any shooting.

(U.S. Army, Information Bulletin, Number 9)

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The Disappearance of the Red Army

(According to the official German figures, it can be demonstrated that the Red Army had been completely destroyed by December 1.)

An article in the August 22 issue of the German military journal, Militar Wochenblatt, gives the German estimate of Russian strength at the beginning of the invasion.)

"The total strength of the Soviet Russian Army, according to this...report (of the German High Command) is given as comprising 170 infantry divisions, 33-1/2 cavalry divisions, and 46 motorized and armored brigades; forces which represent from four to five million men. Even though we accept the figures of the press as ten to twelve million, this possibility must be considered ...that the arms, equipment and the command and staff necessary for such a mass are inadequate...."

(Hitler on December 12, declared that the Germans had taken 3,500,000 prisoners by December 1. Total Russian casualties were given as over ten million.)

"The Russians have great confidence in their armored units, estimated as having from 12,000 to 15,000 tanks."

(According to Hitler, by December 1, the Germans had destroyed or captured 21,391 Russian tanks.)

"The Air Force has about 12,000 planes, of which but one-third may be considered first class, and an aggressive and technically superior opponent possibly could destroy them within a comparatively short period of time...."

(By December 1, Hitler stated that the Germans had destroyed 17,325 of these planes.)

(Sources: Das Sowjetrussische-Heer, by Lt.Colonel Gaul, in Militar Wochenblatt, August 22, 1941; translated in Command and General Staff School, Military Review, January, 1942, pg.127.)

TIMOSHENKO

(A short biography of the best Allied general in the war to date)

By Colonel Nikolai Klimov

"Under his command the Red Army fought the battle of Smolensk, which the Germans call the greatest battle in history. In July and August, his firm hand stemmed the blitz offensive against Moscow and forced the Nazis to go on the defensive east of Smolensk. And under his command the valiant Red Troops on the southern front gained their first big victory over the Germans at the end of November by routing von Kleist's army near Rostov. This victory has won Timoshenko world renown.

"...He is 46 years old, in excellent health, and full of vigor and determination.

"His whole life has been one of struggle. The son of a Bessarabian peasant, the future marshal was acquainted with poverty in his childhood. A village school gave him all his formal education. He went to work early to help support his family.

"The turning point in his life came in 1915 when he was called to the colors. During the First World War he went through the stern school of a soldier in the ranks. He not only learned to use his weapons and become an experienced cavalryman, but his eyes were opened to the social antagonisms rending Old Russia on the eve of the great Revolution of 1917.

"It was only natural that the young soldier should unhesitatingly join the Revolutionary ranks. His division went over to the Soviets and took an active part in overthrowing the old order.

"...Timoshenko's Civil War career was...connected with the valiant First Mounted Army, commanded by Budyanny. In its ranks Timoshenko commanded a cavalry division, (i.e., equivalent to an American Major General, when he was 23 years old.) Here his military talent developed to the full.

"One January night in 1920, at the head of a small force, he swooped down on Rostov, then in the hands of the Whites, and seized 250 officers who, all unsuspecting, were feasting in a restaurant....

"Timoshenko distinguished himself not only for daring, but also as an organizer. The Civil War was his military school and it trained him in the habit of leadership. Only when the Civil War ended was he able to supplement his practical experience by study and acquire a solid foundation of military theory.

"When the Germans in 1939 precipitated the present World War, Timoshenko was in command of the Kiev military area. Under his orders, the Red Army in September entered the Western Ukraine - a region with which he had been familiar since the battles of 1920.

(Then, in the Russo-Finnish war, Timoshenko was given the task of forcing the Mannerheim line.)

"Here nature had come to the aid of the military engineers - the right flank of the Mannerheim line abutted on the Gulf of Finland, the left flank on Lake Ladoga. The front was protected by rivers, marshes, forests and stern, northern cliffs. Moreover, the weather was unusually cold - there had not been a winter like it for 100 years. The temperature at times fell 40-50 degrees below zero, Fahrenheit, and the snow lay mountain high.

"...This was a problem with which no army in the world had yet successfully coped....

"Arriving at the front, Timoshenko set about the most painstaking preparations for forcing the Mannerheim line.... All idea of a swift assault had to be abandoned. It was necessary slowly and systematically to gnaw away at the enemy's line of steel-reinforced concrete fortifications and push stubbornly ahead through a wall of fire.

"For six weeks, Timoshenko made his preparations.... Launching its attack at the end of February, the Red Army carried it forward steadily and with unabating vigor. Viborg was taken and access gained to the southern coast of Finland, where mobile operations could develop unhampered. The campaign was over and the war was followed by a peace.

"The year of respite between the Soviet-Finnish war and Nazi Germany's unscrupulous attack on the Soviet Union found Timoshenko - in the post of People's Commissar of Defense of the U.S.S.R.

"The war with Finland had demonstrated the high fighting qualities of the Red Army. But it had also revealed a number of weak spots in its organization and training. Under Stalin's guidance and with his customary energy and persistence, Timoshenko set about removing these defects. He accomplished much during the year and, thanks to the measures taken, the Red Army was considerably better prepared to meet the blow of the Nazi hordes than it had been against the Finns.

"Today, Timoshenko is Commander-in-Chief of the southwestern front and Stalin's deputy as People's Commissar of Defense...."

(U. S. S. R. Embassy, Information Bulletin.)

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE April 9, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: Summary of Military Reports

Philippines

Supplies of food and ammunition are getting low on Corregidor. The situation looks very dark and it is likely that Corregidor will not be able to hold out much longer. The Japanese have tightened their control over the adjacent waters, making it extremely difficult to move any supplies in.

(Military Intelligence, April 8, 1942)

Russo-German Front

It is the estimate of the Situation Section of Military Intelligence that Hitler's major goal is the destruction of the Russian Army. While the Germans will achieve considerable success in this goal, it is believed that at the end of the summer, there will still be a Russian Front.

(Military Intelligence, April 8, 1942)

German Rations

The curtailment of German meat, bread and fat rations, effected on April 6, brings meat and bread down to the 1914-18 war level at 10-1/2 to 14 ounces of meat weekly and 71 to 80 ounces of bread weekly. However, the fat ration at 7 to 9-1/2 ounces per week, is much higher than the 2 ounces weekly allotment during the last war.

(C.O.I. Cable, M.E.W. Weekly Digest, April 7, 1942)

Battle of the Atlantic and Arctic

The British estimate that there are somewhat less than fifty U-boats, at present, operating in the Atlantic. Up to March 31, 127 ships had been convoyed to Russia and of these, four were lost. (The usual ratio of losses is five ships lost per thousand convoyed.)

(U.K. Operations Report, March 26-April 2, 1942)

Italian Army

According to reports, three new Italian infantry divisions have been formed, making a total of 76 Italian divisions identified.

(For purposes of comparison: The British army probably has 60-70 divisions. Estimates of the size of the Japanese army vary from 60-72 divisions. The U.S. army, at present, has about 35 divisions and will have around 65 divisions by the end of the year. The German army is estimated to have 250-300 divisions. The Russian army probably also has around 300 divisions.)

(U.K. Operations Report, March 26-April 2, 1942)

Air Forces

(It is not generally recognized that there is a steady attrition of the planes and pilots, even during periods when military activity seems to be relatively quiet.) In the fairly quiet week ending April 2, the British lost in the course of their air activities, 119 planes. This total was composed of 67 bombers, 39 fighters and 13 other types.

(U.K. Operations Report, March 26-April 2, 1942)

German Home Propaganda

The main theme of German home propaganda is that while Germany is engaged in Russia, she is in little danger of an attack from the Allies. There is a standing directive to say nothing which would suggest that America is a formidable foe.

(C.O.I., British Survey of German Home Propaganda,
April 6, 1942)