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May 16, 1942

Chief Wilson
Secretary Morgenthau

The President of the United States called me at nine-thirty Friday night and said he understood that four members of Secret Service had got commissions and five had arranged to get their commissions with the Army and were about to go in when somebody in the Treasury said that they couldn't go. I told him I knew nothing about it, and I'd look into it at once. I wish you would do so; and if anybody is holding up their commissions, I'd like to know why and please get word to me wherever I am immediately, as I want to make a report to the President.

*See letter to
Pres. dated 5/16
and conv. with
General Nelson 5.18
~~in same letter.~~*

May 16, 1942

My dear Mr. President:

I am informed by Chief Wilson that, to date, 9 men from the White House detail have received commissions in the Army or Navy. In regard to the 5 men who wanted to get commissions in the Army, I have issued instructions to Chief Wilson that they should be permitted to carry out their own personal wishes in the matter.

Yours sincerely,

(Signed) H. Wergenthan, SAC

The President,
The White House.

n.m.c.
S.S. Agent 10:25

MEMORANDUM

May 16, 1942.

I talked with the Secretary this morning at 8:30 en route to the Treasury. I explained to him that the members of the Victory Fund District Committees were volunteers and in no case exercised any authority for the Treasury. It therefore seemed logical to approve their appointment without the complete investigation contemplated in the organization memorandum. The Presidents of the Federal Reserve banks who have submitted District Committee memberships to us will be advised to proceed with appointments after names have been approved by Mr. Bryce and me. The presidents will be asked to confirm acceptance to the Secretary in order that he may send a letter expressing his appreciation. The Secretary stated he would not be willing to sign several hundred letters individually but I suggested some other method might be worked out.

He also read and approved the telegram Mr. Eccles proposed sending to all Federal Reserve bank presidents this morning which stated that the names of Executive Managers must be submitted and approved before appointments could be announced. These names should be fully investigated inasmuch as certain managers will be paid representatives of the Treasury.

The Secretary indicated that he might want to use these Committees on F and G Bonds the last week in May and therefore urged completion of the set-up as soon as possible.

This procedure was the subject of discussion in Mr. Eccles office, yesterday afternoon at 2:30 at which Mr. Bryce and I were present.

Mr. Eccles asked that we discuss with him bank officers appointed to the District committees.

G.F.S.

May 16, 1942

MEMORANDUM TO THE FILES

*Probably
Rant*

On Thursday Mr. Doughton called in the morning and asked me to appear at the Clerk's office for a conference with him and Mr. Stam. I went to this conference, taking with me Mr. Blough and Mr. Farlean. Mr. Stam appeared later. Mr. Doughton indicated to us that Stam's rate schedules were too low and our rate schedules were too high, and he wanted us to confer privately outside the Committee in order to see whether we could reconcile our views. He said that if we could not, he would like each of us to state the furthest we would be willing to go, Stam in the upper direction and we downward. Thursday afternoon, and again on Friday, Stam's staff and our staff conferred on this subject.

On Thursday afternoon I, alone, worked out with Mr. Stam and Mr. Price a general tentative agreement along the following lines:

A 5 percent normal tax, \$1,000 low bracket structure instead of \$500. Some relief between \$3,000 and \$10,000, lower surtaxes reaching an 80 percent top surtax, plus 5 percent normal, or a total of 85 percent hit at \$100,000 instead of \$200,000, as in Stam's schedules.

These lowering of rates would necessitate some increase of lower rates in order to reach the tentatively-agreed, halfway-between figure for the entire rate schedule.

The next day, Friday, we met and gave Mr. Stam the result in revenue yields. His schedule of rates applied to the Ways and Means base produces \$2,400 millions additional income taxes. Our schedules produce \$3.5 billions. The new compromise plan, called the "X" plan, produces about \$3 billions. Stam then

- 2 -

indicated that he was unwilling to accept the "X" plan or any plan substantially higher in yield than \$2.4 billions. He expressed the thought that the increased individual income taxes could not exceed the increased corporate tax of \$2.5 billions. In the meantime, on Thursday afternoon, Blough and I rode home with the Secretary and indicated to him the general tentative agreement and the revenue results therefrom. The Secretary was unwilling to make any such compromise because it would stultify him in the Senate. Mr. Blough, Mr. Tarleau, and I prepared a memorandum presenting our views on this point, urging upon the Secretary the advisability that he agree if Stam would agree. A copy of this memorandum is attached hereto as Exhibit A.

On Saturday morning Mr. Stam and his staff again met with us and we discussed burdens at various brackets and possible alternatives. Nothing came of this discussion, and at 12:00 o'clock Stam and I went to Mr. Doughton's office at his request for a conference. Mr. Doughton called into his office for a conference, Congressmen Cooper, Disney, Boehne, and Robertson.

Mr. Stam and I made a report to this group of our futile efforts to agree, I making it very clear that we had constructed the new "X" schedule in the hope of an agreement with the idea of recommending it to the Secretary and the President only if Stam should agree. Since he did not agree I declined to lower our rates in any way. The group expressed the desire to have presented to it a number of alternate rate schedules running from 2.4 to 3.5 in order that the Committee might study the taxes in various brackets and determine for itself what rate structure it would adopt. I was requested to furnish on Monday, rate schedules bringing \$2.7, \$3.0, \$3.25, and \$3.5 billions. Stam was requested to present the burden tables, etc., with respect to his \$2.4 billions.

To repeat, it was made very clear at this conference that none of these schedules (including the

"X" schedule), except the 3.5 schedule, represented the Treasury's views, and Mr. Disney said that he understood that the Committee was giving us a mandate. I asked Mr. Doughton if he were "ordering" us to produce these schedules and he said that he was "directing" us to do so.

At this conference I also mentioned our desire to present to the Committee our recommendations as to the \$25,000 limitation and they said that they would be glad to give me the opportunity to do so.

7c

*Photostat for
Mr. White 5/18/42*

THE WHITE HOUSE
WASHINGTON

May 16, 1942.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

I have your letter in regard to the calling of a conference of Finance Ministers of the United Nations. It is my thought that the studies now in progress should be continued in conjunction with the State Department and the B.E.W. and the Export-Import Bank.

You might speak to me about this again after you have done this and after you have got the opinions of the Secretary of State and the Under Secretary of State.

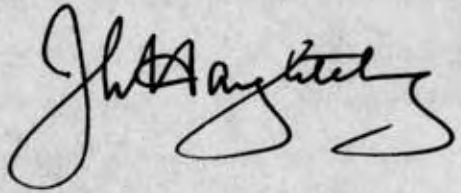
F. D. R.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 16, 1942

TO The Secretary of the Treasury
FROM Mr. Houghteling

I feel sure that you will be greatly pleased to see the attached copy of the "Southern Pacific Bulletin" for May, a large part of which is devoted to the War Savings campaign conducted jointly by the railroad and its labor unions. They are driving strong for 100% participation and 10% allotments.



PACIFIC LINES
Southern Pacific
Bulletin

MAY 1942.



LOS ANGELES SHOPS



BAYSHORE



PORTLAND



SACRAMENTO SHOPS



MEN WORKING



SAN LUIS OBISPO



BUY & SHARE IN AMERICA



Washington Commends Southern Pacific People



TO THE MEN AND WOMEN OF THE SOUTHERN PACIFIC:

I AM most encouraged to learn of the program being started April 20 to enlist every one of sixty thousand Southern Pacific employees in a voluntary payroll savings plan to buy war bonds. The Treasury believes that through voluntary cooperative effort undertaken jointly by management, labor and government we can reach our goal, which is the purchase by the American people of \$12,000,000,000

of war bonds during the coming fiscal year. This will require the investment of over 10 per cent of the national income. The success of your campaign for 100 per cent participation among Southern Pacific employees will be strong proof that we can do this job by the democracy method of voluntary action, and will show that you are doing your share in a big way to assure American victory.

(Signed) HENRY MORGENTHAU, JR.
Secretary of the Treasury.

Payroll Allotment for Bonds—and VICTORY!

SHORTLY after dispatching the above message to Southern Pacific employees, Secy. of the Treasury Morgenthau announced the beginning of a nation-wide drive to have all American workers set aside 10 per cent of their income for the purchase of War Savings Bonds through Payroll Savings Plan. In support of both the SP Drive started April 20 and the National Drive to start July 1, representatives of SP Management, Brotherhoods, and Clubs made these pertinent statements:

A. T. Mercier—President, Southern Pacific: "A share of your pay check for a share in your country is today's best investment. War Savings Bonds will help your country today and take care of you tomorrow. You can buy conveniently and regularly through Southern Pacific's payroll deduction plan."

J. G. Luhrsen, executive secy. of the Ry. Labor Executives Assn. (in a letter drafted for all chief executives of Ry. Brotherhoods): "The need for greater participation and increased purchases of bonds is very urgent, and we again appeal for support of every worker. This (Bond Campaign) must be an *all out effort*; we are at war. . . . Nothing short of full and complete participation will do."

John Kearney, president of the SP Club of San Francisco (speaking for the numerous other clubs on Pacific Lines): "Practically every SP Club has invested a large part of its treasury in Savings Bonds. Through direct solicitation, through the stimulation of Victory dances, drawings, and meetings, we are bending every effort to see that every member of every club signs up for payroll deduction."

Your government, your management, your organizations, your clubs urge you: **SIGN UP NOW!**

KEEP 'EM ROLLING!



HUNDREDS OF GENERAL OFFICE FOLKS PARTICIPATED IN THE



100% SIGNUP IS THE AIM

Railroaders Rally to Systemwide Campaign For Payroll Purchase of War Savings Bonds

AMERICA takes the offensive! This is the news of the hour as bombs rain on Tokio, as plane production is speeded, and as Mr. and Mrs. John Q. Public divert more and more of the national income to support of the war effort. Railroaders, as usual, are in the thick of things. There are railroaders at Corregidor; railroaders are transporting those vital planes, yes and flying them, too; and railroaders on the home front have launched an offensive to promote the purchase of War Savings Bonds by payroll deduction.

On April 20 the Bond Drive opened with a bang! All over Pacific Lines committees swung into action and reverberations came from El Paso, Tucson, Phoenix, Los Angeles, San Francisco, Sacramento, north to Klamath Falls and Portland, east to Sparks and Ogden. Small reverberations they were, only scratches of pen on stiff white cards, but translated they read "Death to the Axis Powers". Those cards, requesting payroll allotments, and coming in to the Local Treasurer's office by the hundreds, are the railroaders' pledge to support the national war effort.

By May 20, when the initial phase of the drive will end, it is believed that every railroader on Pacific Lines will have been solicited to buy bonds through payroll deductions—and to keep on buying them. The drive was organized by representatives of railroad brotherhood or-

ganizations, SP Clubs, and the management. Working together in committees they are making a systematic solicitation on every division, in every department, asking every employe to sign a payroll allotment form. Simultaneously with this solicitation, an effort is being made to determine the value of bonds purchased by SP'ers aside from payroll allotments. This figure is desired only that due national recognition will be given railroaders as a craft for the patriotic response they have already given in bond purchases.

Throughout the magazine you will find evidence of Bond Campaign activity. The pictures speak for themselves in telling the story of enthusiasm and cooperation that greeted the efforts of committeemen in this Drive. Many individual members of these hard working committees are seen in the various pictures. We'd need another twenty pages to publish pictures of all the committees, but while we can't publish their pictures, we can pass along a word of praise for the fine work they are doing without exception.

Final and complete results will not be known for some time yet but early returns are encouraging as railroaders realize the definite advantage of systematic saving through regular and continued purchase of bonds through payroll allotments.

If *YOU* haven't signed, do it *NOW*!



UNCLE SAM'S armed forces, the men who will carry the war direct to the Axis, were typified at the General Office Bond Rally April 20 by popular Johnny Lake, formerly of the Motive Power and Passenger Traffic Depts. He was interviewed by Walter C. Fell. Principal speaker at the rally was A. F. Gaynor, division chairman, BofRC, Lodge 890. Pres. John Kearney spoke for the SP Club, sponsors of the rally. Others participating were: Emmett Fitzpatrick, Harold Martin, Enid DeMond, Bernice Maker, Shirley Rogers and several others from the "Babes in Bedlam" cast.



EVERYWHERE committee meetings and rallies are being held to stimulate Bond sales. Here Supt. J. C. Goodfellow is addressing Tracy group. With him are Trainmaster P. D. Robinson, Jas. E. McCormick, and C. E. Tyner, Local Chm. BofLE.

ALLY THAT GOT THE WAR BOND SIGNUP CAMPAIGN OFF TO AN INSPIRING START



All-Out for Bonds!

With raised, clenched fists, railroaders of SP's General Office in San Francisco put spirit and determination into their pledge of wholehearted support of War Bond sales campaign inaugurated over the Pacific Lines on April 20.

Regraded Unclassified

PAYROLL ALLOTMENT PLAN FOR BUYING WAR BONDS NOW REVISED

HERE are the facts about the payroll allotment method of purchasing War Savings Bonds. The method is simple, and designed to fit railroaders' needs. Recently, it was revised to improve certain features. But some misunderstandings still seem to exist regarding the plan so we hope you'll help us put things straight by passing along these facts. Please read them and then talk them over with other SP'ers, some of whom may not know of the revisions made.

In General: A bond purchase is started by simply filling out, signing, and returning the payroll allotment form to your supervisor or campaign committeeman. This form tells what denomination bonds you want to buy, and how much you want taken out of your paychecks to pay for it. The auditor makes these deductions and, when they amount to the price of your bond, the bond is mailed to you. That's all there is to it.

How & When You Pay: Your deduction must be at least \$1 a month. You may have the deduction made from either the first or second period paycheck. If the deduction amounts to \$10 or more each month, you can split your deduction and have one made from each paycheck. To simplify the accounting, your deduction must be made in multiples of 50 cents, unless you are signing up for one or more bonds each month, in which case deductions such as \$18.75, etc., are permitted, and may be split between paychecks. Although they do not come out in even 50 cents, deductions of \$3.75 and \$6.25

are allowed because they add up to an even purchase price.

What You Get: You get back in bonds every cent you pay in. The railroad not only does not make a profit of any kind, but assumes the considerable expense involved in the administration of the plan. The money accumulated for bond purchases is kept in a special trust fund on which no interest is given. This money is not withdrawn until your bond is actually issued and mailed to you. In addition to this, the Company advances its own funds to buy bonds from the Government in advance of their actual issuance to employees. These are kept on hand so that they can be handed over to you without delay when you complete your purchase. These expenses are assumed by your Company to afford you a convenient and practical method of buying bonds.

When Do You Get the Bonds: When your deductions amount to enough to pay for a bond of the denomination you are buying, a bond is issued in the name or names you requested and goes forward to you by mail, or as otherwise directed. Now here's a point to remember: your bonds will be dated as of the first of the month in which you complete payment.

Changes—Cancellations: You can change the amount, you can change the deduction period, you can change the form of registration; you can do any or all of these things simply by preparing a new allotment form and indicating what changes you want to make. You can cancel
(Continued on next page)



"Bulletin" Swamped with 100% Groups

WELL, folks, we asked for it, we got it, and it was too heavy for us to handle. We're talking about the information regarding the departments that were 100% in payroll allotment during the first five days of SP's Bond Buying Campaign. When the campaign opened on April 20 we thought a good feature for the *May Bulletin* would be a list of departments that had hit the 100% mark in the first five days. So out went a telegram to Department and Division heads. So far, so good; but evidently we under-

estimated the response of our railroaders in a matter of this importance.

The telegrams, mailgrams and memos flooded in. They're still coming in, and if the names of 100% departments were laid end to end they'd stretch right over to Japan and cause the Emperor no end of uneasiness. That's just what they caused us, for it soon became evident that a bulky supplement would have to be provided for the *Bulletin* just to list department, office, gang and station names.

Then, too, there was some misunderstanding in the first reports as to just what the 100% was to cover. Some departments considered themselves 100% when everyone in that department had bought or subscribed for a bond, whereas what we wanted were names of departments that had reached 100% in *PAYROLL ALLOTMENT* for bond purchases.

It was all very impressive, these reports from remote sections of our railroad, from the varied crafts, from laborers, from executives; all singing a song of 100% that grew louder in volume as each hour swelled the total. A loud song, a triumphant song, that song of 100% from the Southern Pacific railroaders, and while its very volume drowned out our plan for printing names and figures, that same volume will make a loud and unpleasant noise for the ears of Adolf, Benito, and Hirohito.

The Allotment Plan Revised

(Continued from opposite page)

the deduction at any time and the full amount accumulated, if not enough to purchase a bond, will be returned to you. And if your paycheck is insufficient in any period to cover the deduction, that deduction is simply suspended to avoid a heavier deduction out of a subsequent check.

Summary: The entire plan has been set up with one idea in mind; to make it easy for YOU to buy bonds. In one sense, it is simply a savings plan through payroll deduction. If there are details you don't understand or if any phase of the present plan is still undesirable to you, talk it over with your employing officer. He has the detailed facts and can help you.

OVER THE TOP in the first days of the campaign went a number of departments, offices and other groups with 100% signups for payroll allotment purchase of War Bonds. It's a pity that space does not make it possible to print pictures of all such groups, for it would make an imposing array. However, here are two of them: (top) Tucson Stores, where W. E. Larson is storekeeper; and (bottom) the 2nd shift at Sacramento Frog Shop, which group gave Foreman G. E. Morris a full signup, back on Mar. 23.



NUPS EVERYWHERE typify the response railroaders are giving the Payroll Allotment Campaign for War Bond purchases. ● (1) H. H. Era, Sacto. Saw Mill, makes out application Committee man C. G. Murphy and R. R. Deal on approvingly. ● (2) Carman Mike Georges reports his \$6,250 purchase of bonds. With him are Sparks carmen A. Hargraves and A. J. Tison. The trio has \$13,350 in bonds. ● (3) Tucson drafting room gave the application forms promptly; l-r: Gus Schneider, Bob Porter, "Army" Armstrong, Paul Bartholomeux, Bob Hall. ● At El Paso Shops Committeemen F. N. Under and J. G. Black sign up Robt. Putman for additional bonds. ● (5) Asst. Mgr. Mech. Dept. Vancongratulates some of Sparks' committeemen whose departments have bought or signed up 100% for bonds; l-r: Pete Smith, L. E. Ford, L. Holly, A. W. Rock, W. L. Ford, Brough, L. Zuning. ● (6) Walter Seal, asst. m. supt., explains payroll allotment forms to a group of Taylor yardmen at LA. Seated is Ed. Ivan ready to sign. ● (7) Immediately after the signing at LA Shops, five clerks were kept busy signing up men for payroll allotment or declaration of previous purchases. ● (8) The same spontaneous response occurred the opening day of the campaign at West Oakland Commissary, where G. E. Mackinnon, Genl. Chm. DCC&W, and Instr. Walter Ed. Frohman led the group. ● (9) Engineer M. W. Nason led the group for payroll allotment at Sacramento. ● (10) Train Dispatcher B. F. Brumby, at Bakersfield, joins in the parade with his department on an allotment application. ● (11) Assistant Division Engineer W. M. Jackle, committee man at Oakland Pier, gets the signature of Head Draftsman Chas. J. McConaughy.





TRACY (1) got its campaign off to good start with a rally MC'ed by Trainmaster P. D. Robinson, wartime movies, Stores Dept. Mexican band, Boy Scout exhibition, talks by Supt. J. C. Goodfellow and J. E. McCormick, businessmen.



GENERAL OFFICE (2) followed up the Court Yard rally (picture pg. 3) with visits to all principal offices by members of the SP Speakers Club accompanied by attractive young ladies who distributed the Payroll Allotment Pledge Cards. (3) Committee, l-r: E. G. Fitzpatrick, E. C. Nevin, Albert E. Miller, Phil Young, Frank DeAcosta, Ed Gibson, James Joyce. Not in the picture: Ed Plate, George Fry.



SACRAMENTO (4) Committeemen whose departments had subscribed 100% to the Allotment Plan only three days after campaign opened. Standing, l-r: W. P. Hansen, G. A. Erickson, Varina M. Sawyer, R. H. Hulick, N. A. Simonsen. Seated: I. S. Wilson, J. A. Silva, E. Embury and J. A. Collins. Division as a whole was making vigorous drive for a full 100% sign-up.

COLFAX (5) Master Mechanic L. E. Lonergan (right), Sacto. Div. committeeman, with group of 100% bond holders and subscribers. Lonergan also visited Truckee and other stations on the Sierra "hill" in behalf of the bond campaign.

ROSEVILLE (6) Carmen in the train yard, who with fellow workers at the Car Shops, 100% bond owners even before the present campaign started, through efforts of Genl. Car Foreman A. S. Teal and Clerk Guy S. Stewart.



SAN LUIS OBISPO (7) "rails" H. Blackburn, E. Sarmento, W. Turney, R. Duncan, R. McKnight made sure their picture with bond poster gave display to department's accomplishments of 1206 days without any reportable accidents.

COAST DIVISION (8) timekeepers F. J. Ryan, Bob Church, O. R. Rogers doing a bit of checking of rosters as assistance to Committeemen Jim Knudsen and Geo. Knudsen in distributing allotment pledge cards at Superintendent's Office.

SAN JOAQUIN'S drive was plenty active, W. E. Grazier (9), Lo. Chm. MofWE, out among the B&B gangs; Victoriano Ysarroz (10), crossing watchman, setting fine example; and everywhere the committeemen are being well received.

W. OAK STORES (11) was typical of almost all other Pacific Lines units of that department in quickly going 100% for Payroll Allotment. A full department pledge was in near prospect.



Veteran Passenger Officer Is Retired

Frank Lathrop's Legion of Friends Include Many of World's "Big Names"

BRINGING to a close a colorful railroad career of nearly forty years, Frank C. Lathrop, general passenger agent for the Central Division of Southern Pacific with headquarters at San Francisco, retired from active duty on May 1. His successor is to be announced later.

Probably no railroad official in the country enjoys a wider acquaintanceship among international celebrities than Mr. Lathrop, who has played "host" to potentates and presidents, kings and queens, as well as stars of stage, screen and radio, traveling over his railroad's lines.

Mr. Lathrop's personal files would be the envy of any international autograph collector. Among these are notes from "big names" throughout the world, including every United States President since Theodore Roosevelt. He has a wide friendship among high ranking U. S. Army officers and numbers among his close friends Generals George Marshall, Douglas MacArthur and John J. Pershing. In personal appearance, Mr. Lathrop closely resembles the late President Warren G. Harding. Once, while accompanying the presidential party from Seattle to San Francisco, many persons mistook him for the chief executive.

Starting with the Southern Pacific in 1903 as a passenger agent at Los Angeles, after having had traffic experience with other companies dating from 1896, Mr. Lathrop held various passenger department positions in Los Angeles and Pasadena, coming to San Francisco in 1912 as assistant general passenger agent. He had held his present position and that of assistant passenger traffic manager since



FRANK C. LATHROP

1923. He estimates that during his long period of service he has traveled more than 250,000 miles.

Widely known in railroad circles, Lathrop is first vice president of the San Francisco Tourist & Convention Bureau and has been active in promotion of tourist travel to the Pacific Coast.

FAYDAY DOLLARS FOR BONDS

Railroad Book of outstanding nature is *This Fascinating Railroad Business*, published by Bobbs Merrill and written by Robert S. Henry, asst. to president of the AAR. The book tells what railroad service is, how it's produced, what it means to all of us, and tells it not in a technical treatise, but from the viewpoint of the layman who is interested in the fascinating facts behind trains and of the railroad man who is interested not just in his own part of the performance but in the business as a whole.

TRACY'S NEW TURNTABLE was ready for operation on March 20, the 110-foot table replacing an 80-footer, and equipping this busy division terminal to better handle today's heavy volume of traffic. The installation was carried on by engineering and maintenance crews working under the direct supervision of Division Engineer O. M. Barlow, B&B Supervisor J. F. Harbor, Roadmaster W. M. Gatre, Asst. Engineer K. C. Brunner, B&B Foreman Wm. Ferber and Section Foreman Geo. Minotto. This picture was one of a series taken by Locomotive Engineer Dave Welch to record stages in the installation.





J. E. Davidson



C. H. Grider



R. J. Crowe



R. M. Beals



R. I. Bouque



J. W. Mitchell



J. O. Adams

OFFICERS ALL are the above stalwarts of the armed service, and all former SP'ers too. 1st Lt. Davidson was supervisor of foundry operations at Sacramento Shops, is winding up a stay at Engineer Replacement Training Center at Ft. Leonard Wood, Missouri, will report to 753rd Railway Shop of U. S. Engineer Battalion. ● Lt. Grider was a clerk in Lease Agent's office, was commissioned Feb. 28, is now with the Academic Dept. of the Infantry School at Fort Benning, Ga. ● Crowe worked at our Kirkham St. Station in Oakland, is the son of Agent J. Crowe of Alameda, a member of the Naval Reserve, he completed his training at Corpus Christi, was commissioned an ensign, specializes in the intriguing business of dive

bombing tactics. ● Beals is a first lieutenant now serving up north at Ft. Lewis, Washington. As a railroader the smiling lieutenant signed the payroll at the Eugene yard office. ● A storesman at West Oakland Genl. Stores was Ensign Bouque before going on active service with the navy. He is son of S. L. Bouque, asst. to genl. storekeeper, is a graduate of University of California, has been assigned to Naval Training Station at San Diego since January of last year. ● Mitchell, now a lieutenant of an infantry outfit in Tacoma was a yardman at Eugene, is the son of D. H. Mitchell, former car inspector at Eugene, now retired. ● Ensign Adams with the Navy Air Corps in the Pacific, was cost analyst at Tucuman

NEWS FROM THE FRONT—FOR AND ABOUT RAILROADERS IN ARMED SERVICE

GREETINGS to you, men—all two thousand of you. That's what we said, **TWO THOUSAND**, and even that number is probably outdated by now for SP'ers are going into the armed service so rapidly and in such great numbers that we just can't keep up with them. The variety keeps up, too. As witness Private **Wm. P. Wheeler**, SF district passenger clerk now sliding over the snows of the great Northwest with a ski troop outfit, and Sailor **E. A. Reupert**, Bakersfield brakeman, who's fighting his share of this man's war in a submarine.

We're feeling a little small as this is being written, and all because of a visit from a genial soldier named **Robt. E. Durham** who did his railroading in the Stores Dept. down El Paso way. Bob

POLE CLIMBER is Private Kenneth E. Haines who is skinning up a pole at Camp Roberts during training in Wire Communications. Haines was asst. signalman on the Salt Lake Divn. That he can do much more than climb poles is attested by the medals he has won for rifle marksmanship.



stands 6 feet 3/2 inches in his stocking feet and he wasn't in his stocking feet when he talked to us. Our neck's still stiff from looking up, but we wish all of you who come to the General Office would visit us in room 210 and tell us what's cookin'.

Shouldn't tell tales on a captain, maybe, but we have it on good authority that **Capt. H. H. Wittekind** attacked so ferociously during bayonet practice that it took three soldiers to get the bayonet out of the dummy. Wittekind, district material supervisor in the Stores Dept., El Paso, was a member of the Reserve Corps of the Railway Engineers before his induction March 20.

There's going to be a surprised private in Uncle Sam's army when **Hubert J. Shobert** sees his picture in this issue. Shobert's folks sent us his picture . . . might be a hint for you parents whose sons were former railroaders and are now



SLOAN & SLOAN are brothers, railroaders, navy men. Peter G., left, worked for Supt. of Transportation, James J. was a clerk in Personnel Dept. The young gobs are sons of P. K. Sloan, secy. to President.

in the armed service. Shobert railroaded on the Portland Division.

Walter Way, a fireman on the Sacramento Division, is now with the navy at a destroyer base. The navy is old stuff to Walt, for he served his first hitch from 1930 to 1934. Says "hello" to railroaders in and around Roseville.

Army men **Willis Childress** and **Joseph J. Hopkins**, formerly of the SP commissary at El Paso, will be interested to know

INTO A SHELL HOLE drives 1st Sgt. Walter E. Newman to mark the spot where a shell, presumably fired from an enemy submarine, landed harmlessly in an oil field north of Santa Barbara some weeks back. Newman (right) was a yard clerk at West Oakland before joining the army, and his railroad friends were quick to tell the *Bulletin* about this picture, which was widely published in newspapers throughout the country. (Photo from Press Association, Inc.)



that Cmsy. Agt. W. H. "Bill" Barker says he's going to join up himself if he loses any more of his men.

By the way, a word to you fellows whose pictures have appeared in the *Bulletin*: If you want a few extra copies to send to Tom, Dick, and Harry (maybe we should say Marian, Edith and Jane), drop us a line and we'll send them to you as long as the extra copies last.

Paul W. Fife will soon be wearing bars on his uniform. He left for Officers' Training School in Georgia, April 15. Paul, son of Bayshore Master Mechanic L. T. Fife, formerly worked in the Motive Power office, SF.

The Chief Engineer's office held its own with the army last month. They gave up Bill Black, Jr., blueprinter, but got back Draftsman W. L. Budde, who was recently given an honorable medical discharge.

There seems to be an awful lot of "best outfits" in this Army, Navy, and Marine Corps of ours. Just about everyone we hear from belongs to the "best." Private Stan Griffin goes them one better in his letter to fellow worker Jim Higgins in the Freight Claims. Griffin says his outfit is "absolutely the best."

We claim a hand in the promotion of Jim Inman, army cook whose picture appeared in the March *Bulletin*. Just after the magazine came out, Jim was made Mess Sergeant and transferred to El Paso. Nice going, Sarge!

"The best to the Band" is the word from Private H. T. Quaid, former checker at 4th and Berry, SF, and leader of the drum section in the SP Band. Quaid is right at home in the army—he's with a drum corps outfit.

All of us send regards and good luck to all of you. Keep up the good work. We'll be with you again next month.

HORSEMAN is Private J. T. Shepler now at a California Camp with a cavalry outfit. We're inclined to believe that Shepler is a natural for the cavalry because every time we asked him for a picture of himself he sent us a picture of a horse with him merely a part of the background. Shepler railroaded at LA General Shops.



BUNDLED UP is Private William P. Wheeler—and for good cause. He's with the ski troops in the Northwest Sector where the climate is inclined to get a little rough in the cold way; Bill worked in both Passenger and Freight Depts. in SF, did his first skiing back east, was prominent in skiing activity of SP Club at Norden.

With the Philippine Forces

WITH the Battling

Boys of Bataan, and fighting elsewhere in the Philippines alongside the valorous American-Filipino troops, are men who but a few months ago were rail-roading for the Southern Pacific. Just how many SP'ers there are among those immortals with Wainwright's forces is not known. Five have been reported thus far.

Lieut. Raymond McCarthy, San Joaquin Division brakeman, was last heard from just before Christmas with his infantry unit at Fort McKinley. He had been called up with reserve officers in February a year ago. Corp. James E. Rehn, Western Division clerk, radio operator with the Signal Corps, was last reported on Cebu Island. His father is Yardman



James Rehn Ramon Garcia Ray McCarthy

J. E. Rehn of Tracy. Ramon Garcia, sectionman on Rio Grande Division, once reported killed in action, was with the New Mexico Coast Artillery units overpowered on Bataan. His father is Sectionman Eulalio Garcia of Deming. Also from Rio Grande Division, and with Garcia's outfit, were George E. Darling, clerk, and Warren D. Graves, water service helper.

FAMILY TRIO (right) consists of Sergt. M. N. Bass, Corporal Norman A. Bass and their father, D. L. Bass, Sr., who died recently. Both boys were popularly known yardmen at Roseville, where their father was also a former yardman and Police Judge of that city. Norman was last reported in Arizona and his brother's army address was last in Los Angeles.



READY, AIM, FIRE! and judging by the expression on the face of Marine Spencer W. Blackburn he's got a dead bead on the target. Blackburn was an electrician's apprentice at the Sacramento Shops before joining the marines. He's now a private in training at Camp Elliott. Blackburn's father is asst. chief clerk in Motive Power Department, Sacramento.



In the Service of Their Country

The following names of SP's in the U. S. Fighting forces supplement those published in recent issues of the "Bulletin." There remain many additional names to be published in later issues.



H. J. Shohert
Portland Divn.



David K. Furman
San Joaquin Divn.



Gerald R. Hughes
Los Angeles Divn.



H. Johnson
asta Divn.



H. R. Blakkolb
Sacto. Shops



John P. Courtney
Los Angeles Shops



T. J. Oaks
San Joaquin



Walter Way
Sacramento Divn.



Edward R. Bush
Accounting, SF



B. M. Bradley
Portland Divn.



Carl H. Henkrodt
Los Angeles Shops



W. E. Schroeder
Sacramento Shops



J. Hernandez
Sacto. Shops



E. R. Reupert
San Joaquin Divn.



Willis Childress
Dining Car Dept.



Frederick Seib
Equip. Ser. Acts.



John Lundeon
Pass. Traffic, LA



J. E. Asparren, Jr.
San Joaquin Divn.

SALT LAKE DIVISION

ALDOUS, Claire, Marines.
DALEY, Max L., Army Air Corps.
LILE, Keith H., Army Air Corps.
KEED, Jack R., Army.
SCHIVELEY, C. A., Army.
STEVENS, Harold S., Navy.
SULLIVAN, T. P., Army.
SWARTZ, Kyle F., Lt., Army.

RIO GRANDE DIVISION

BAROS, Tobias, Army.
BURT, Max, Army.
EATON, Jesse Randall, Army.
ERMINE, James J., Army.
GOLDEN, John S., Army.
HAAS, Floyd S., Army.
HELEMAN, Cecil W., Army.
HOSKINS, Stanley W., Navy.
JAMES, Leslie H., Army.
JONES, Virgil P., Navy.
LAMB, J. D., Jr., Navy.
LOCKE, Harry R., Army.
LOWENSTEIN, Albert G., Army.
MIRANDA, Ramon O., Army.
MONTROYA, Domingo, Army.
QUINN, Leonard T., Marine Corps.
RAMON, Justo, Army.
ROBERTS, E. A., Army.
ROQUEMORE, Prentiss D., Army.
SMITH, Eldridge R., Army.
SNYDER, Admiral Dewey, Army.
STULL, H. C., Capt., Army.
TYRA, Ernest R., Army.

PORTLAND DIVISION

ALDRICH, Donald R., Army.
ALLEY, Charles H., Army.
BANASKY, Sol A., Navy.
COLLINS, Chester A., Army.
DOVE, James E., Navy.
DRAKE, Woodrow S., Army.
POSBACK, Christian, Army.
HENDRICKS, James, Army.
KULICK, C. W., Navy.
LADEEN, R. H., Army.
LAJOIE, E. R., Navy.
LASSEGARD, H. H., Army.
LEARY, D. J., Army.
LIDDELL, J. D., Corp., Marines.
LISTER, L. B., Navy.
LOPUSON, N. R., Army.
MacGREGOR, D. C., Army.
MANN, J. A., Army.
MANN, Willis W., Army.
MASON, J. A., Marines.
MEISENHEIMER, V. E., Army.
MELTON, A. B., Navy.
MERCER, M. E.

MEYERS, Frank R., Army.
MEYERS, J. D., Army.
MISETICH, R. A., Army.
MOSHER, M. L., Army.
MUSIC, William, Army.
NADEAU, E. W., Army.
OLSON, Raymond L., Army.
PACK, George, Navy.
PACKARD, D. C., Army.
PALADJCEUK, Sam, Army.
PERRY, L. G., Army.
PETERSON, H. M., Navy.
PHILLIPS, Marion K., Army.
PLAISTED, W. E., Army.
REDMAN, D. E., Army.
REGHITTO, W. J., Army.
REID, Maurice, Army.
HILEY, Curtis B., Navy.
ROBERTS, D. J., Army.

SACRAMENTO DIVISION

ALLISON, Geo. W., Army.
BASS, M. N., Army.
BASS, Norman A., Army.
HENNING, Donald J., Army.
HOSKINS, Gilbert J.
ISOLA, I., Army.
SCOTT, Walter J., Army.
SHEDD, Gordon J., Army.
SWARTZ, David, Army.
WALSTROM, E. M., Army.

SAN JOAQUIN DIVISION

POSTER, Harold E.
NARON, Upton W., Army Air Corps.
TOMMER, Newton W., Army.
TINSLEY, Ferris W., Coast Guard.
WALLACE, Vernon D.

WESTERN DIVISION

AINSLIE, John H., Army.
CECIL, Joe, Army.
CONNERS, S. W., Army.
DIXON, Joseph, Army.
GILBERTI, Joseph, Army.
GUTTE, Jack Clark, Navy.
ISAACSON, Allen E., Army.
JANSEN, Vincent W., Navy.
JARNAGIN, Gus L., Army.
KEEFE, William W., Army.
KEY, George B., Army.
KLEBAS, Albert, Army.
KOENIG, Raymond F., Army.
KOVACHICH, Anthony, Army.
KOWSKIE, Edward V., Army Air Corps.
KRANTZ, George W., Army.
LACHMAN, Charles A., Army.

These Boys Fight With Their Lives—
Help 'em With Your Fighting Dollars

LACORTE, Emillanc M., Navy.
 LAFLEUR, Edmond A., Navy.
 LAGERSON, Victor, Army Air Corps.
 LEAVITT, Helge W., Marine Corps.
 LENRICH, Frank, Army.
 LEWIS, Mike, Army.
 LIPANOVICH, Michael, Navy.
 LOERA, Edmundo, Army.
 MACDONALD, Frank R., Army.
 MACKI, Jack L., Army.
 MANNING, George, Navy.
 McARTHUR, R. E., Army Air Corps.
 McCRAY, Orville R., Army.
 McCUTCHEEN, Edward L., Army.
 McKENNA, Warren, Army.
 McLAUGHLIN, Edward P., Navy.
 McMILLIN, Ernest J., Army.
 MEDINA, Oliver B., Army.
 METZNER, Harry T., Army.
 MITREA, Nicholas J., Navy.
 MOORE, V. E., Army.
 MOORE, William, Army.
 MULLIGAN, Jack, Army.
 NELSON, John, Army.
 NISICH, Peter, Army.
 NIX, Harold J., Army.
 NIXON, William C., Army.
 NOLAN, John M., Army.
 OBERO, Rex B., Army.
 O'LEARY, H., Army.
 PEER, Kenneth N., Army.
 PIVER, Tony N., Navy.
 PITTA, Joaquin G., Navy.
 PRITZMICH, Mike, Navy.
 PROVENCIO, Arturo, Army.
 QUIRK, Joseph W., Army.
 REEVES, Stewart C., Army.
 RICHARDSON, John W., Army.
 RUBALCAVA, J. C., Marine Corps.
 RUBALCAVA, Robert E., Navy.
 SARGENT, Charles R., Navy.
 SCHNABEL, Edward J., Navy.
 SCHUPP, Harvey R., Army.
 SCHWEITZER, Laurence, Army.
 SCOTT, Vincent, Army.
 SCOTT, Walter A., Army.
 SHEARER, Wm. B., Army.
 SLEIN, John J., Army.
 SMITH, Kenneth C., Army.
 SOLORIO, Jesse, Army.
 STERLING, Feltus F., Army.
 STEWART, Samuel D., Army.
 STOKES, Milton L., Army.
 STORCH, George E., Army.
 STUART, Victor A., Army.
 TIFFANY, George C. M., Navy.
 TILLMAN, Howard B., Army.
 TROAKE, Herman W., Marine Corps.
 VOTAW, Earl A., Army.
 WATKINS, William L., Army.
 WEBSTER, Richard J., Army.
 WELCH, Claude E., Army.
 WELSCH, Virgil W., Navy.
 WHITE, Frederick E., Army.
 WHITLOCK, Carleton, Navy.
 WIGGINS, David P., Army.
 WILLIAMS, John W., Army.
 WILLIS, Aubert E., Army.
 WILSON, Owen O., Navy.
 WILBURN, James C., Navy.
 WOOD, Cyril, Army.
 YATES, John C., Army.

COAST DIVISION

BENDOTOFF, Alexander, Army.
 BRODERICK, A. J., Army.
 CADY, R. L., Army.
 CALL, L. T., Army.
 CAVALLI, A. M., Army.
 COEN, J. J., Army.
 COOK, J. M., Army.
 COSS, C. H., Army.
 DAVIS, Robert N., Army.
 EAMES, J. P. Lt., Army Air Corps.
 GARCIA, R. S., Army.

GREENBERG, M. A., Army.
 GRIFFITH, P. L., Army.
 HAWTHORNE, Robert E., Army.
 HETHCATE, W. E., Army.
 HODGE, Ira W., Army.
 JONES, B. H., Army.
 KLINE, Wm. H., Army.
 LAMPUM, M. T., Army.
 LEIKER, V. C., Army.
 LEONARDI, A. D., Army.
 NAPPI, L. J., Army.
 NEW, L. E., Army.
 POINTER, E. G., Army.
 QUAILD, H. T., Army.
 REZENDES, George, Army.
 RUTHNICK, H. C., Army.
 STANK, James J., Army.
 TINER, Melvin S., Navy.
 VAUGH, Ward D., Army Air Corps.
 VERMILLION, L. J., Army.
 WOOD, Ernest, Army.

SHASTA DIVISION

BUTTERS, Norval W., Army.
 HALL, Barnard, Army.
 HOLBROOK, Karl L., Army.
 HOPKINS, R. N., Army Air Corps.
 ROSENDAHL, Harold, Army.
 WOLCOTT, D. J., Army.

LOS ANGELES DIVISION

BALDWIN, James H., Army.
 BLEWITT, Eugene C., Navy.
 BLIGHT, James E., State Guard.
 BORUFF, William E., Army.
 CALLAND, Warren W., Army.
 DENT, William M., Army.
 EGGLESTON, Kenneth W., Navy.
 ENOUF, Leo J., Navy.
 FISH, Stephen L., Army.
 FOLEY, Archie T., Army.
 FRAME, Peter N., Navy.
 GANTUS, John M., Army.
 GRANER, Donald J., Army.
 GRAY, Robert A., Army.
 GREEN, Edmund L., Army.

GENERAL SHOPS

DAVIDSON, J. E. Lt., Army (Sacto)
 DISMONI, Steve J., Army (LA)
 GRIFFITH, E. S., Army (Sacto)
 HARDY, Michael S., Army (LA)
 HENDERSON, Victor B., Navy (LA)
 KIDWELL, Thos. L., Navy (LA)
 LONGO, Leroy, Army (LA)
 MARGRAVE, Hugh T., Army (LA)
 MAXEY, Quinton, Army (LA)
 MILLER, Edward D., Army (LA)
 McCAULEY, Harry N., Army (Sacto)
 MONTAGUE, Chas. A., Army (LA)
 NASH, Jack, Navy (El Paso)
 PIZARRO, Leonso D., Army (LA)
 SCHIRO, Pete, Army (Sacto)
 SMITH, Joe, Army (Sacto)
 UMENHOFFER, Lyle E., Army (LA)

GENERAL OFFICES

Operating
 SLOAN, James J., Navy (Pers.).
 SLOAN, Peter G., Navy (Trans.).

Engineering
 BLACK, Bill, Jr., Army Air Corps.
 FULTZ, Cecil E., Army.

Real Estate & Tax
 EAGEN, Francis T., Army.

Purchasing
 AKERS, Albert, Jr., Navy (LA)

Accounting
 ANTHONY, Thomas G. (APA), Army
 BAILEY, James A. (APA), Army.
 BISHOP, Don (APA), Army.
 BUSH, E. R. (AD), Army Air Corps.

(Continued on page 14)



Francis T. Eagen
Real Estate-Tax



J. H. Billings
Portland Divn.



Carl Faelini
Sacramento Divn.



Harold H. Sharpe
El Paso Shops



N. D. Petrichella
Los Angeles Shops



W. H. Vextor
San Joaquin Divn.



Ed. L. Lambert
Purchasing, SF



J. D. Lamb, Jr.
Rio Grande Divn.



G. L. Miller
PMT Co.



W. J. McNeil, Jr.
Sacramento Divn.



Kenneth C. Smith
Western Divn.



G. A. Nichols
Sacramento Stores



Roy C. Williams
Western Divn.



Melvin S. Tiner
Coast Divn.



L. J. Collins
Los Angeles Shops



M. J. Williams
San Joaquin Divn.



Estel V. Orr
Sacramento Stores



W. J. Gautier
Sacramento Divn.

**A Share of Your Check Each Pay Day
 Is the Easy Way in War Bond Buying**



LADIES BRIDGE LUNCHEON annual feature of S. F. SP Club's calendar, was held April 1 at the Palace Hotel. Club members and friends enjoyed lunch and cards, heard some of the songs from the forthcoming Club Musical, "Babes in Bedlam." Committee is pictured at far right: Margaret Donahue, Gertrude LaFortune, Ruth McNab. Seated: Chairlady Jean Smogrow, Fae Donahue



INFORMATION MEN pictured above answer passenger questions in the new Information Bureau at Sacramento District Office. The compact unit carries six lines, is manned by Head Information Clerk Frank H. Bower (near camera), Clerk J. L. Adams (also in picture), Roy Kirschmann, and Robert McGee. "Small but busy" describes office.



LOS ANGELES folks combined patriotism with safety at the mass meeting of shopmen below, held on March 27. Two large United States flags were presented by LeRoy H. Walters, chairman of the safety committee, to Shop Superintendent James Bean. A service flag was displayed and announcement made that over 80 stars would be added to it immediately to represent shopmen joining the armed forces. * F. W. Ferrara entertained with accordion music and Mackintosh Oliver made the feature safety talk of meeting urging individual acceptance of responsibility in shops' cooperative effort. Oliver's talk, his first at a safety meeting, compared the job of winning





RAMENTO was the scene of the ceremony pictured below showing workers in the Spring Shop Sacramento Shops standing at attention just after their new flag was raised for the first time. Occasion, March 13, Jefferson's Birthday, was attended by color guard of VPW, American Legion members, and other guests. Master of ceremonies was Legionnaire Walter Hewton, blacksmith.



At the left, standing in front of the U. S. and service men by SP Club members, March 22. Day started with drive through L. A. and suburbs, included visit to movie and radio studios, wound up with a supper and dance back in Los Angeles.

WELL PROTECTED is Dorothy Kennedy of L. A. SP Club with escorts from the Navy, Marine Corps and Army. Occasion was party given 50 service men by SP Club members, March 22. Day started with drive through L. A. and suburbs, included visit to movie and radio studios, wound up with a supper and dance back in Los Angeles.



In the Armed Forces

(Continued from page 11)

KELLY, Philip (AGA), Army.
McDERMOTT, Waldo D. (AMA).
RIPPON, Paul V. (AMA).
SEIB, Frederick (AESA), Army.
STUART, R. J. (ACE), Army Air Corps.
SWANSON, Paul E. (APA), Navy.

STORES DEPARTMENT

ANDRADE, Manuel M., Army (W. Oak.)
CAMILLO, Joseph D., Army (W. Oak.)
CLIFFORD, Patrick J., Army (W. Oak.)
COREY, Clarence L., Army (W. Oak.)
EMERY, John F., Army (Bayshore)
FEIBUSCH, Martin Hans, Army (St'y)
GIANNOTTI, Chas. G., Navy (Bayshore)
GILKEY, Norman, Army (Brooklyn)
GUGEL, Fred W., Army (Bayshore)
JOHNSON, Verne W., Marines (W. Oak.)
JOHNSON, Wilton H., Army (Bayshore)
KELLEHER, Timothy P., Army (W. Oak.)
KOEFFER, J. A., Army (San Luis Obispo)
LISCOMB, Kenneth A., Army (Bayshore)
RINALDI, James L., Army (W. Oak.)
SANTI, Michael, Army (Stationery)
THOMPSON, Conrad A., Army (Bklyn.)
WITTEKIND, H. H., Capt., Army (El Paso)

FREIGHT TRAFFIC

ANDERSON, A. C. (DFO-SF), Lt., Army.
BENEDICT, H. B., Lt. (GFO-SF), Army.
BERGSTROM, L. T. (DFO-SF), Army.
BOYCE, E. W. (GF-LA), Army.
BURDICK, H. M. (GFO-SF), Navy.
CAMPBELL, W. B. (GFO-LA), Navy.
CARTER, A. W. (S.L.), Army.
CHANDLER, A. B. (GFO-SF), Navy.
COOK, Geo. W. (GA Pitt.), Navy.
EDWARDS, H., Spokane, Army.
FLANAGAN, A. P., Lt. (DFO-SF), Army.
GREGORY, W. A. (DFO-SF), Navy.
HABELT, M. (GFO-SF), Navy.
HARRIS, W. R. (Phoenix), Navy.
KILLMER, G. F., Jr. (DFO-SF), Army.
KOEBER, K. T. (GFO-SF), Army.
LINSTAD, E., Phoenix, Navy.
LUCAS, F. G., Lt. (GFO-SF), Army.
MARKS, L. H. (SF), Army.
MARKWART, J. (GFO-SF), Army.
MARSHALL, F. W., Sac'to, Army.
MATHER, C. S., Jr. (GFO-SF), Navy.
MATHIAS, W. M. (GFO-LA), Army.
McKIM, R. M. (GFO-LA), Coast Guard.
McVEIGH, L. T. (GFO-SF), Navy.
PEEBLES, W. L. (GFO-LA), Army.
RIORDAN, J. M. (GFO-SF), Army.
RUPPEL, A., Fresno, Army.
SIMMONS, D., El Centro, Navy.
SMITH, R. C. (GFO-LA), Army.
SWETT, L. M. (GFO-LA), Army.
THOMPSON, H. F. (GFO-SF), Army.
WHEELER, M. F. (K. Falls), Army.
WICK, R. Z. (GFO-Port.), Army.
WIERSEMA, K. C., Capt. (SF), Army.

JUST LIKE NEW is our Geary St. Ticket Office in San Francisco. The exterior, shown above, has been refinished and features the brilliant color of our Daylight trains over the entire facade. Simplicity is the keynote of interior fittings, with new fluorescent lighting accentuating the bleeded color arrangement especially designed for this office.



FOUR MEN & A CAR: the men are SP carmen, L-R: F. W. Thompson of Dunsmuir, N. Reynolds and J. E. Gaunt of Sacramento, and M. A. Mathewson of Los Angeles. The car is an all steel box, manufactured by Bethlehem Steel Co. at Johnstown, Pa., where the carmen are checking specifications. SP's 1942 building program calls for 2100 new cars of this type.

WEST OAKLAND ROUNDHOUSE group pictured below met on March 30 for discussion of safety methods. The meeting was opened by J. Splendorio, chairman of the Safety Committee, who spoke of various accidents at the roundhouse and emphasized the need of avoiding them to keep in service for defense. Master Mechanic E. E. Auton also stressed the need for full manpower on the railroads today to move service men and equipment. Announcement was made at meeting that roundhouse forces had purchased \$350 worth of War Bonds during the last two months in bond drive conducted by G. Greelman, J. Splendorio and A. Scozzafava.





SCENES AT SHIPSIDE pictured above were taken at docks in SF following the arrival of transport bringing evacuees from war torn Pacific areas. • (1) Temporary SP Ticket Office established at the pier with Passenger Agents Walter H. Anderson, W. E. Godtfredson ready to help with the transportation problems of passengers traveling overland. • (2) DPA T. Louis Chess (seated) discusses plans for handling evacuee's requests with Passenger Agents T. C. Keedy and W. E. Godtfredson. As many as five SP passenger

men often work from three to four days to satisfy the train travel requirements of the overseas voyagers. • (3) Navy personnel at docks: L-R; Lt. R. B. Kimbell, Chaplain H. M. Peterson, Capt. E. U. Reed, Mrs. W. K. Kilpatrick, chairlady, Navy Wives Emergency Service, Ensign E. O. Cox, Lt. R. F. McMahon, Yeoman C. F. Pullen. • (4) Passenger Agents B. C. Harvey, Tom Keedy, and Fred Schorch at second SP Ticket Office. SPers work closely with morale officers of the Navy Relief Department.

Oakland Engineers will observe the 57th anniversary of Division 283, BofLE, with a dinner at Hotel Oakland May 30. Chairman S. O. Sanden and his active committee are expecting a record attendance and promise a program of entertainment and speaking that will surpass even the best of former years. Mrs. Harriet Rodriguez heads the committee of auxiliary ladies who will assist in staging the event.

Capt. Escalle Speaks: To E. E. Escalle, asst. chief clerk in the Asst. Genl. Auditor's office, came a letter of thanks recently from the Millbrae Parent-Teacher Association. Escalle, captain of the Auxiliary Police under the Millbrae Civilian Defense organization, spoke before the Parent-Teachers on the defense preparations being taken. That his listeners found his words highly reassuring was the subject of the letter.

PMT Enlists: *The PMT boys are proud of the fact that they are giving transportation to more and more army encampments each week. The army has been quick to grasp the advantage of this coordinated rail-truck service and the song of the PMTers is "We're in the army now!"*

A Wish for Nugent: When Terminal Supt. M. A. Nugent recently celebrated his 25th Wedding Anniversary, his yardmen expressed the hope that his golden jubilee would also be celebrated in Los Angeles, proving his popularity at home and abroad.

Jonas to the Rescue: Robert Lillie, enroute to Los Angeles, got off the train at Fresno for a stroll. He strolled too far, returned to find his train gone. Losing your train is awkward under any conditions but for Mr. Lillie, ninety years old, it was doubly so. To the rescue came Ticket Agent P. C. Estes, but highest honors must go to **Walter H. Jones**, a retired SP engineer, Roseville, who happened to be in the station. Estes wired the train conductor to assure Lillie's daughter, Mrs. Ada Keel, that her father would be well cared for. Jones, on his own initiative, bought two bus tickets and accompanied the elderly traveler to Los Angeles via Greyhound. The reunion at Los Angeles between father and daughter completed a saga of thoughtfulness and kindness. Hats off to Pensioner Jones.

Dream Comes True: When Horace Heidt, playing with his orchestra in Roseville, asked Oliver Moulton, SP switchman, to sing two numbers with the band, he made a dream come true. Sonester Moulton is known as the singing switchman around Roseville, and his outspoken aspiration has long been to sing with a "name" band.

Oopal, Slipal A lot of people do a lot of checking to see that news appearing in the *SP Bulletin* is accurate, but in spite of our "check; double-check; triple-check" policy, we slip occasionally. Phil Kelly's friends called in to tell us that we'd called him "Pete" in the April issue, and **Norman Wiley** himself corrected the news of his promotion. Seems he's ASST. Personnel clerk in charge of clerical employment.

Susie to Sambot Manager Bill Hudson of "ND" Telegraph office, Coast Div., SF, had to re-name the black kitten recently picked up off the tracks by a messenger and made the office pet. Originally named "Susie," the kitten now answers to "Sambot." This, not because of any protest from **Susie Johnson** in the Division Engineer's office across the hall, but simply because "Sambot" is more appropriate to kitty's color and gender.

A New Bataan: There's a new Bataan under the American flag these days. It's an army station located on SP's Fernley-Klamath Falls line, named Bataan some time ago by SP officials with a fine flair for timeliness. "Avenge Bataan" is the motto of the men at SP's Bataan.

Eggs Wing Back: Speaking of eggs flying back in your face, give a thought to **Alex "Scotty" McAdams**, carman at Sacramento Shops. "Scotty" has been raising prize homing pigeons for over twenty years. Recently he shipped twelve pigeon eggs to Cardena. On arrival, the shipment consisted of twelve baby pigeons, and three months later all twelve of them flew over 200 miles right back to McAdams and "home."

Railroader vs. Gardener: Roundhouse Foreman **J. McDonald** of Santa Barbara is torn between two urges. As a railroader he's enthusiastic about the new tracks being installed at his roundhouse, but as a gardener he's not so enthusiastic about having to take up his beautiful lawn to accommodate them.

Operating Results for First Three Months of '42

FOR the three months ended March 31, 1942, Railway Operating Revenues of Southern Pacific Transportation System amounted to \$93,432,300, or \$31,018,717 more than the revenues for the same period of 1941; a 50 per cent increase.

During the same period Railway Operating Expenses were \$60,452,265, or \$17,053,209 more than the expenses for the same period of last year; a 39 per cent increase.

Federal retirement and unemployment insurance taxes amounted to \$2,567,192 and other railway tax accruals to \$9,061,915; a total of \$11,629,107. After deducting these taxes and \$4,448,095 of net rentals for use of equipment and joint facilities, there was left Net Railway Operating Income of \$16,902,833, or \$5,624,112 more than the net railway operating income for the same period of 1941.

Out of Net Railway Operating Income, and Other Income consisting of dividends and interest on securities owned, rentals and miscellaneous income, must be paid the interest on bonds and equipment trust notes in the hands of the public, and other fixed charges. For the three months ended March 31, 1942, the final result was a Net Income of \$10,608,767, which compares with a net income of \$4,437,629 for the same period of 1941.

WAR BONDS KEEP 'EM FLYING

Historians and other "rail fans" will be interested in the "Spike of Gold" article that is featured in the current issue of *Trains*, which article reviews epic events in the building of the first trans-continental railroad.

Supt. H. R. Gernreich. Many prominent personages from both Mexico and the Imperial Valley exchanged good will greetings at this meeting. ● (4) Leading the SP Club Band in the night parade: L-R: Yvonne Livingston Bush, V. F. Frizzell, Betty Thorson, G. B. Hanson, J. R. McCuiston, SP agent at Calexico. ● (5) "God Bless America" lustily rendered by Americans dawn Mexico way-

HISTORY MAKING was the above parade as, for the first time a parade crossed into Mexico without entrance formalities at the border. Part played by SP is told below.

SP'ERS IN PARADE ACROSS THE BORDER

GALA indeed was this year's Desert Cavalcade, annual pageant and parade held in the Imperial Valley, which this year featured the SP Club band of Los Angeles. On April 11 the parade, culminating three days of festivities, started in Calexico and crossed the international boundary into Mexicali, Mexico, making the first time an SP Club band has played in a foreign country.

Supt. H. R. Gernreich, GPA Geo. B. Hanson and GFA V. F. Frizzell attended the celebration as did many members of the SP Club of Los Angeles.

Over 25,000 persons viewed the long parade on its international good will excursion. Armed troops of the United States and Mexico marched across the

international border between the two friendly republics in this unprecedented gesture of good will made possible by War Department authorizations from both Washington and Mexico City.

In the evening, the band played a special concert for several hundred service men who had taken part in the day's ceremonies. Soloists and majorettes outdid themselves in presenting a fast-moving program and were generously applauded at every turn. The entire LA unit was complimented by the Calexico-Mexicali committee for the fine help given in further strengthening international good will, and for otherwise assisting in making the annual Imperial Valley event a complete success.

TYPICAL SCENES of the big day down Mexico way: ● (2) Mexican Drum and Bugle Corps snap to salute as American colors pass by. ● (3) A group pictured at the party for service men sponsored by American Legion officials. Standing, third from left: Ed. Henig, commander of Calexico American Legion Post; fourth, GFA, V. F. Frizzell. Standing at extreme right are GPA Geo. B. Hanson and





SPARKS FLAG CEREMONY: pictured above is general scene as flag is raised for the first time. At left: Mrs. Allen Rock, wife of Local Chairman of Carmen, presents flag to Military Guard. Speakers' stand holds company officials, army officers, political leaders. • Right: Supt. L. P. Hopkins and Governor E. P. Carville take ride in jeep.

OLD GLORY IS GIVEN SALUTE AT SPARKS

IN an impressive ceremony, SP'ers at Sparks dedicated the new flag purchased by shopmen and raised over the roundhouse for the first time on April 23. Company officials and employes, political leaders, officers and men of the armed service joined in an inspiring meeting that was described in the *Sparks Tribune* as "one large family gathered together to dedicate themselves to service under the Stars and Stripes."

The program opened with musical selections by Sparks High School Band after which Sheet Metal Worker G. Narramore introduced Supt. L. P. Hopkins who acted as master of ceremonies. After brief opening remarks Hopkins introduced Major W. A. Gavin of the U. S. Army who was followed at the microphone by Governor E. P. Carville. Mrs. Allen Rock, wife of Local Chairman of Carmen, then presented the flag to the Military Guard and it was raised to the top of the 72-foot pole as army bugles played "To the Colors". The Pledge of Allegiance was given, followed by a moment of silent prayer. The program closed with singing of the National Anthem by Mrs. August Frohlich, daughter of Engineer E. Hecox, accompanied by Mrs. Lula Grimmer.

Others taking part or assisting in the program, included: Mayor D. J. Fodrin of Sparks, Chief of Police A. J. Bassemier, Brig. Genl. J. H. White, Capt. H. F. Hayes, Master Mechanic J. E. Stone, Asst. Supt. A. F. Green, Div. Engr. G. L.

Morrison, Asst. Master Mech. H. G. Vance, County Commissioner C. B. Shelley, Secy. of System Federation Earl Ashbrook, Oliver Hansen, Dr. H. Earl Belnap, Geo. Steiner and Seth Burgess.

BUY BONDS THE PAYROLL WAY

100%—Two Ways: When Storekeeper J. T. McDonald of Tracy sent us the names of storemen making up his 100 per cent bond buying department, he added the pertinent remark that these men are also 100 per cent wearers of safety shoes. Incidentally, the citizens of Tracy recently elected McDonald to the City Council.

BONDS TO BACK OUR BOYS

Soldiers' Party: The San Francisco Women's Chamber of Commerce served as hostess to about 2500 service men at the Hospitality House on April 14. Prominent on the committee were SP's **Barbara A. Pell** and **Genevieve L. Beane**, through whose solicitation 75 cakes, 13 dozen easter eggs and a cash donation were given by SP employes. Also in attendance were thirty young ladies from SP Disbursements office, acting as Junior Hostesses at the dance. That the party was outstanding is attested by the report given by personnel of Hospitality House, who stated that this was the first party where the boys stayed their entire leave. To the hard working Barbara Pell and Genevieve Beane, congratulations.



IN OAKLAND the folks of the Kirkham Street Freight Station followed the trend of the day over the railroad and bought their own flag. Below: Larry Hickerson, Mervyn Baggett raise it.



SOCIALS • S P CLUBS • ATHLETICS

SP CLUBBERS ARE WAR BOND BOOSTERS

LOS ANGELES: Featuring a new outing every month, the club recently went down Mexico way in a big way. (See pictures, page 16.) • Second Victory Dance on April 18 in the PE Ballroom went over the top with the usual bang. • Tommy Brockmiller sent out the call for softball players. Says he's going to field a team that will blast City League opposition in all directions. • Over eighty orphans were given a happy outing at the recent Shrine Circus. The day, featuring pink lemonade, elephants and clowns, was sponsored by the club. • That club members haven't lost sight of the military in their activities is amply proved by pictures on page 20. • The burnt cork is ready, the interlocutor is polishing his speech, the end men are sharpening their wits—another way of saying that the Minstrel Show is all set for a gala performance sometime in June.

BAKERSFIELD: Big doings at the Druids Hall on April 16 when the SP Club held a box social and dance. Music was furnished by L. S. Benjamin and his SP Club Orchestra. The auctioneering of Vice-President C. A. Simmons boosted the sales figures to prosperity heights. • First, the Helpers; second, the Supervisors; third, the Clerks; that's the order of the teams at the finish of the Bakersfield Winter Bowling League. The Summer League, consisting of eight mixed fivesomes, is already under way.

PORTLAND: From our "City of Roses" friends comes word that all is in readiness for the great swim of May 16 when club members will take over the Northeast YMCA pool for an evening of splashing and shaking water out of their respective ears. • Captains for the seven teams in the newly-organized SP Softball League: Carl Wood, Fred Kimball, Cliff Evanson, Joe Colatorti, Al Thompson, Paul Streight, Joe Resnick. President of the league is Paul Streight; secretary-treasurer, Al Thompson. • First prize in the defense drawing from club membership cards went to G. A. Bentley of Stores Dept. Other winners: Bill Carse, H. C. Munhollon, R. F. Abbott, Agnes Kennedy, G. H. Condon, F. D. Stady, H. R. Demmon, J. R. Gwynn, W. W. Kloster, Jennie Klemm, and H. B. Axtell. • And before we forget mention of that fine club dance, see picture on page 20.

SACRAMENTO: Activity of the Capital City Club revolves around its recently organized baseball team. Outstanding members: Tom Glaviano, Jim Herrero, Pete Venesin, Henry Nunes, Joe Mungo, Allen Zutz, Benny Silver, Harry Palamidi, Primo Dalessando, Steve Zupan, and Joe Smith. The boys got off to a tragic start, not so much because they lost their opener 10-3, but because of the name of the opposition that downed them: *The Dreamland Dance Team*. Shame, men, shame!

TUCSON: War caused suspension of the Arizona-Texas Class C Baseball League so the SP nine that won the City and State Championships last year has entered the local Semi-Pro League. Manager Carlos Carrillo is confident that his boys will repeat their league win without much trouble. • With the race for the SP Bowling championship entering its final stages, the Motive Power team still holds a two-game lead but is hotly pursued by the News Service, Machinists, Clerks, and Pipefitters. Still anybody's race. The individual big five: Spangler (190), Nelson (188), Magers (180), Hammonds (178), Carlos Carrillo (176).

TRACY: May 20 is the date for the opening of the Softball season in Tracy. Manager Clarence H. Davis has organized a team from the store department, shops, and clerical employes. In addition a team is being formed among the yardmen and others but is still in the formative stages. These two SP outfits will battle other industrial teams in the City League.

LA LEGION: SP Daylight Post 576 of Los Angeles reports that recent meetings have been well attended, with the 4088 headed by Comrade Mark Law furnishing entertainment after short business sessions. War activities forced cancellation of their plans to send a boy to Boy's State this year, and forced suspension of the school award for the time being. Everything is in readiness for the joint meeting of the four L.A. railroad legion posts to be held early in May. SP Daylight Post will act as host at this meeting.

SAN FRANCISCO: Swinging into mid-season, the SF Club reports widespread activity along many fronts. • Picture items cover "Babes in Bedlam" (next page); Girls' Basketball (this page); and the Ladies Bridge Luncheon (center page). • Manager Orin Klamroth and Director Juanita Ellis of the SP Glee Club are still calling for SP voices to practice Mondays at 5:15 PM. • Warren Higgins and Al Paulist report record entry list for Men's Handball Tour.



L. A. GET TOGETHER was in the nature of a Hard Times party attended by employees of SP, PE, LAUPT, Harbor Belt and Cardinating Companies, March 28, sponsored by Lodge No. 30 of HofRC. Purpose: stimulation of savings bond and stamp sales. Above: Prizewinners Beulah Allen, SP Clerk; Ray Summerfield, Bernadine Conry, Bottom (standing): The Judges, S. A. Curry, C. H. Thompson, G. B. Hanson; also J. B. Haines, lodge secretary. (Front): W. J. Roundtree, HofRC Div. Chairman, and his assistant, R. V. Rachford.



VERSATILE ATHLETES are those pictured above. They're from the Tucson Shops and at the moment they're smiling over winning a Southern League basketball championship just as they were smiling a few months ago over winning State semi-pro baseball championship. The scores of playoff series against El Centro were thrillers: 57-51; 48-49; 32-36. Seated: L-R: Phillip Grace, Jr., Henry Hanson, Jr., Carlos Carrillo. Standing: Ataulfo Gardes, Bobby Castillo, Eddie Gallego, Alex. McMin, capt. Hero was Sharpshooter Carrillo.

HOT AFTER TITLE in the SF Industrial League are these girls of the SP Club basketball team. Next two games decide the issue. Front: Julie McKinney, Ruth Morris, Marian Morgan, Betty Deput, Jeanne LeQuatte. Standing: Mary Homesley, Alice Gossel, Mary Nelson, Nell Arp, Barbara Hogan, Kathleen Hansell, Pat Anthony, Gertrude Cook. Not present: Alma Plum.





IN FINE SHAPE were these chorus cuties of the "Babes in Bedlam" cast when this picture was taken shortly before the musical comedy of the SP Dramatic Club of SF was to go into production. Left to right: Patsy Dunn, Rosemary DeClerq, Mary Laveaga, Kay Han-

sell, Jean Garassino, Marjorie McDonald, Barbara Boles, Jean Crowe, Isla Lee Smith, Dorothy Roddy, Violet Meszke, Helen Hadley. Other chorus members, Betty Sanford and Lillian Holbrook, were not present at the time this picture was taken.

nement. • Cliff Olsen, manager of Men's Softball, says to overlook the loss of the opening game, reports his stars will be hard to beat from here in. • Representatives' Meeting and Dinner on April 7 was the usual combination of business and fun. Good turnout. • May third was SP Night at the Shrine Circus. Ticket Chairman Joe Pine reports a heavy ticket sale.

SF Speakers: The new plan of meeting twice monthly at dinner has met with fine response from members of the Speakers' Club in SF. Recent chairmen include F. G. Clisnam, C. G. Barber, Geo. P. Smith. Recent guest speakers: Chief Yard Clerk M. O. Leonhart, Asst. Aud. Freight Accts. H. J. Kihn, DPA T. Louis Chess. Those interested in attending future meetings, call Clay Cather on Local 2689.

Stores Baseball: Two giants met when SP tangled with Bens Golden Glow in the opening baseball game of the 1942 season. Sad to relate, Ben's boys glowed too brightly for the SP'ers by the score of 5-3. The railroaders bounced back the following week to score a 2-1 win over the Bercovich nine, but again took it on the chin from Naval Reserve in an eleven-inning thriller, 7-6.

Battling Quinn: A mean man in the boxing ring is Dennis Quinn, son of Yardman C. D. Quinn of Eugene. Den-

HARD WORKERS are the SP women employees of Portland and Brooklyn pictured below gathered at the home of Marie Lowes, clerk in Master Mechanic's Office, to work on quilts, afghans. When completed, these coverings are distributed to the public schools in Portland that have been designated as air raid shelters. The ladies have received commendations for their workmanship.

"BABES IN BEDLAM" PROMISES TO BE A HIT

RECORD attendance appeared in store for the three-night presentation of "Babes in Bedlam", original three-act musical comedy to be staged by the SP Dramatic Club of SF at the Community Playhouse, May 6-8-9. The show boasts a cast of 60 employes in songs, dances and other entertainment, written, directed and produced by SP employes. Walter C. Fell, SF city passenger agent, wrote the book and Emmett Fitzpatrick, of the Bureau of News, composed the music and lyrics for the play, which centers around some very unusual goings-on at Bedlam

College in "Alto Palto," California. Larry Lewis is in charge of stage settings and W. K. Smith assists Fell in directing.

Principals include Dorothy Gross, Tom Fante, Enid De Mond, Norman Wiley, Joe Pyne, Don Coulter, Beatrice Benjamin, James McCann, Lorraine Kelliher, Anatole Bratoff and Jack Crawford. Also featured in specialties are Marjorie McDonald, Jean Garassino, Grant James Halsing, Mary Laveaga, Harold Martin, Ray Cone, Bernice Maker, Shirley Rogers.

The show also will be presented at several military encampments.

nis won the Golden Gloves contest for the State of Oregon, will represent the state in the National Amateur try-outs at Boston.

Salute to Sacto. Stores: We give the nod to Sacramento Stores for (1) the two fine new flags, purchased by them, now flying over Stores building and garage; (2) splendid spirit exhibited by Fire Warden Al Pinney and his bomb-defense squad; (3) File clerk Mable Lawrence, who just returned from a visit with her two stalwart sons, both of the U. S. Army; (4) Foreman Neal Sullivan, president of Hibernians who recently handed a check for \$375 over to Navy Relief in the name of that organization.



BIRTHDAY GREETINGS from the gals at the Supt's office in SF were given to R. E. L. Jones, head steno., in the form of a birthday cake and giant card. Pictured are Betty Moore, Marguerite Engel, Joan Geston, R. E. L. Jones, Lois Manchester, Orpha Wachter and Marjorie Loughridge.

SOME FUN in the LA Medical Department, Apr. 18, when nurses and secretaries gave a bridal shower for Carla Shoup, socy. Gifts were presented by Carol Rosenberger, Lillian Cohn, Lillian dressed as bride and groom. L-R: Carol Rosenberger, Lillian Cohn, Mrs. Shoup, Carla Shoup, Blanche Linser, Dr. Linser, Florence Brown, Helen Twitchell, Marjorie Campbell, and Mary Wood.





PORTLAND DANCE pictured above was sponsored by the Portland SP Club at Neighbors of Woodcraft Hall, April 11. A large and enthusiastic turnout spent an enjoyable social evening and incidentally gave the club softball team a good sendoff for proceeds from the dance were used to buy equipment for that organization. Hostesses were Mrs. Edith Evans and Mrs. Verna Plotts. In line with the times, door prizes awarded were war savings stamps. The winners: A. McNeil, D. Tylor, R. C. Knight, J. O'Dare, P. D. Lewis, J. L. Card, A. P. Mishler, Ed Cantoni, J. C. Layton, G. Goenyer, M. F. Hardesty, and C. A. Boles. More Club news on page 11.



EVERYBODY'S HAPPY in the picture above and with good reason. Girls from the supt's office in Bakersfield are congratulating M. L. Jennings on his promotion to superintendent of Portland Division, and they're all congratulating Leila Pyle (at Jennings' right) on her coming marriage. (See page 23.)



"GOOD LUCK, BERT" was keynote of the surprise party given B. W. Mitchell (right) when he returned to Los Angeles for a day following his promotion from asst. supt. there to supt. of San Joaquin Division. Supt. H. R. Gernreich presented him with a fine radio on behalf of his former office workers. Representatives of other departments spoke briefly, congratulating Mitchell on his appointment and extending every wish for continued success.



SOLDIERS & SAILORS are receiving attention from the SP Club of Los Angeles as the pictures at the left and below will testify. * Picture at left shows the culmination of the party given for 60 service men recently. Through arrangements made by club members, these men were taken for an extended drive through Los Angeles, Hollywood and Beverly Hills, visiting radio and moving picture studios. In the evening the club sponsored a dance, with girls from the club acting as hostesses to the service men. Many of the soldiers had never before been in Los Angeles, said outing was the best given them since entering the service. * Below: Officiating at the drawing for the lucky bond winner at the Victory Dance of April 18, LA club officers are pictured with service men guests. L-R: K. P. Ginn, publicity; B. L. "Doc" Cook, president; Sailor Frank Harrison; Martin Carr, VP; Marine Joe Ingie; E. M. Griffin, VP; and Charlie Lewis, treasurer. Prizes were \$70 in bonds, stamps.



GET ACQUAINTED NIGHT of the air raid wardens at 63 Market Street brought out the 117 wardens pictured below. They had previously met in four business sessions under the direction of Chief Air Raid Warden V. P. Dailey, but the meeting on April 21 at the new Tivoli was for sociability. Several short talks were made by various wardens and a motion picture showing the bombing of Pearl Harbor exhibited. Duty of these wardens is to supervise evacuation of the General Offices in case of blackouts and air raids. Trial evacuation of the tenth floor personnel was recently completed in three minutes.



AMONG THE VETERANS WHO RETIRE

Coast: J. P. Cullinane, car inspector at Watsonville Jct., retired March 1 after continuous service at that location since 1926. • J. M. Stanich, car inspector in SP, April 1. Stanich joined SP in 1922 and served all his railroad career on the Coast Divn. • John Musacchia joined SP in 1918 as a track laborer on the Coast Divn. and retired in this capacity, effective April 1. • Patrick King, clerk checker at Drumm Street Station, who has been in the Genl. Hospital for some months, took his retirement last February. He has had continuous service since 1906. • Annuity was approved for Michael Sugrue, trucker.

Sacramento: Edward T. Williams began service with SP in 1919, retired last April 9. All service was as switch-tender on Sacramento Division. • Annuity applications have been approved for Ed. Apostolos, section foreman; A. R. Merrithem, pumper; C. T. Newton, conductor.

Portland: Henry D. Ryan retired as locomotive fireman, March 30. He began SP service in 1906, but continuous service dates from 1917. All his service was on the Portland Divn. • Annuity applications have been approved for Wayne Arnold, B&B carpenter; Luke H. Bolander, telegrapher-clerk; Thomas E. E. Woods, brakeman.

Rio Grande: Stephen H. Rogers, locomotive engineer, retired April 4 after forty-four years' service, dating back to his start as a fireman in 1898. He was made switch engineer in 1904, road engineer in 1905. His entire railroad career was spent on the Rio Grande and Tucson divisions. (Picture, this page.) • Annuity applications have been approved for John T. Hamel, clerk; Francis A. Rehrig, brakeman.

Shasta: John H. Wagner, locomotive engineer, retired March 31. He started service as fireman in 1901 on Shasta Divn., transferred to Sacramento Divn. in 1904, was promoted to switch engineer in 1906, made road engineer in 1907. All service was on the Sacramento and Shasta Divisions. • Annuity approved for Antonio Rossetto, track laborer.

Los Angeles: Preston H. Wofford began SP service as engine watchman on

LA Divn. in 1915, was promoted to machinist in 1923 and retired in that capacity April 30. All service on LA Divn. • Annuity applications approved: Fountain A. Brown, janitor; Michael O'Donnell, yardman; I. T. Painter, yardman.

Shops: Los Angeles: Charles D. Moulton, boilermaker helper, retired Feb. 12. All service was in this capacity in the LA Shops. • Thos. E. Royse started with SP as car builder, 1913, promoted to freight carman in 1922, retired in that capacity March 28. All service in LA. • Annuity applications have been approved for Ed. Fergus, freight carman; Frank P. Knowles, boilermaker. • Sacramento: Annuity applications have been approved for John W. Armstrong, coremaker; Narcissa Gerl, blacksmith helper; Wm. M. Raugh, boilermaker; Frederick G. Toomey, sheet metal worker.

General Office: Annuity application has been approved for Miss Aurie J. Anderson, clerk, Equip. Service Accounts.

MAKE PAYDAY A BOND DAY

Promoted & New Jobs:

Operating: Following the promotion of operating officers announced in last month's *Bulletin*, R. E. Hallawell, asst. supt. of Sacramento Div. since 1940, transferred to Los Angeles in the same capacity. • He was succeeded by V. M. Peterson, former asst. manager of personnel. Peterson started as a clerk in Portland; was in the Army for a time and rejoined SP in 1919; was asst. trainmaster and trainmaster on Portland Div., went to Western Div. as trainmaster in 1932; and became asst. manager of personnel in 1940. • Effective April 10, Geo. DeYoung was appointed asst. manager of personnel with headquarters in SP. DeYoung joined SP in 1914 as station clerk on San Joaquin Div. Following short time as brakeman, he transferred to Coast Div. station service in 1916. In 1919 he became local chairman for Brotherhood of Railway Clerks, rising to general chairman of that organization, from which position his appointment was made. • As reported last month, J. F. Koenig was called into military service before he could get his feet squarely under his desk as asst. trainmaster at Portland. He is succeeded by H. J. Davis, former brakeman. • Promotions in the supt's office, Coast Div., involve Norman A. Sorenson, former transportation clerk, now division station supervisor; Morris H. McCurdy from asst. head timekeeper to general transportation clerk; Warren A. (Jack) Welch takes over as asst. head timekeeper. • C. H. Neil and T. S. Boyer were appointed to positions of asst. trainmaster at Imlay. Neil joined SP as student brakeman in 1925. Boyer was brakeman in 1930, transferred to yardman in 1939. The transfer of S. J. Bullough to Tracy resulted in promotion of Machinist L. L. Huston to night roundhouse foreman at Montello. Huston has served SP since 1917 in roundhouse capacities on Salt Lake Division. • Promotions in the Genl. Manager's office involve H. E. Eyer to general clerk, E. A. McDowell to secy. to genl. manager, W. T. Toss to secy. to asst. genl. mgr., W. Kingston to appropriations clerk, E. P. Waldmann to the clerk, W. C. Lundin to jr. appr. clerk. New faces in that office include: Christine Jensen, Kathryn Pierce, Betty Gingley, Lorene Smallfield, H. G. Hanthorn

THROTTLE TO FARM is the transition made by Engineer S. H. Rogers, shown here as he prepared to leave El Paso April 4 on last run to complete 44 years with SP and then retire to his Upper Valley cotton farm. (Picture from El Paso "Herald-Post.")

and Bob Kelly. • As the *Bulletin* neared press time these appointments were announced on Western Division: L. R. Smith to Stockton as asst. supt.; E. D. Moody to asst. supt., Oakland Pier; he is succeeded by A. S. McCann as terminal supt., West Oakland.

Accounting: Following the death of A. W. Lawrence, W. W. Willson became auditor of passenger accounts. Willson started with SP in this same office in 1909 working up through positions of head government clerk, asst. chief clerk, and special accountant until his appointment as asst. auditor in November of 1941. He is succeeded as asst. auditor of passenger accounts by former special accountant L. E. Culligan. Culligan joined SP in 1906 and has served his entire career thus far in passenger accounts with the exception of a short period in General Auditor's office. Culligan is succeeded by former special accountant Tom Cunningham, who in turn is succeeded by Herman Nelson, former asst. special accountant.

Freight Traffic: Promotions are announced for the following in Genl. Freight Office, SP, R. J. Harries, Wm. T. Aitken, E. C. Doyle, E. C. Conroy, G. G. Hughes, M. J. Gagnon, R. G. Gibbs, Wm. Hazelrigg, F. W. Loucks, D. E. Lee, W. D. Frey, R. T. Warner, F. T. Doyle, E. E. Greenwood, and F. M. Calder.

Passenger Traffic: With the announcement that G. W. Hudkins, formerly agent at Huntington Park, had joined the navy, Southern Passenger

"MIKE" KROMBECK, agent-telegrapher at Bakersfield has retired after 32 years with the SP. Wire Chief N. P. Gidley was one among the large group of friends who gathered around Krombeck on the last day at his key to present him with a gift, eat of his remembrance cake, and wish him well.



"BILL" PIERCE, flashing the personality that won him such popularity as telegraph liceman on Los Angeles Division, exhibits the fine watch from Telegraph Dept. friends and handy traveling bag from Santa Barbara "rails" presented him when he retired recently after service with SP since '05.





HARRY STROHLEIM (inset), popular chief clerk of the Corporate Accounts Bureau, Asst. General Auditor's Office, was tendered a pleasant surprise April 15 when a small group of his many General Office friends joined with his Acct. Dept. associates to observe

the 35th anniversary of his starting work with SP as a stenographer back in 1907. Asst. General Auditor P. J. Kendall (far left) extended the official greetings. Strohleim was a secretary, head clerk, and special acct. before advancing to his present position in 1929.

District reports that R. J. Mahan becomes TF&PA at Riverside. W. A. Frost becomes agent at Huntington Park. G. A. Baldwin was named relief agent. H. C. Hall was made station passenger agent at LA. B. R. Haley appointed to night military train service head clerk, and H. L. Woodward made night chief clerk Pullman reservation agency, LA.

PMT: Wyatt H. Smott, formerly at PMT Garage, Los Angeles, has been transferred to the PMT Sacramento-Williams run. PTE Driver Gordon E. Bradford has moved from Marshfield to Corvallis, Ore.

Engineering: The Chief Engineer's office says "hello" to Arthur W. Jenkins, blueprinter, Marcella Young and Frances Miller, stenographers; says farewell to Steno John E. Pedersen, who recently joined the Berkeley Police Force.

BONDS SPEED VICTORY

Died:

Accounting: A. W. Lawrence, auditor passenger accts., April 20 in Genl. Hospital after a short illness. Lawrence had continuous service from 1894, all of it, with the exception of the first six months as ticket clerk, spent in Aud. Pass. Accts. office. He became head clerk in 1906, special accountant in 1918, asst. aud. pass. accounts in 1921, and auditor passenger accounts in 1941.

Const: W. H. Fine, master car repairer, Bayshore Shops, died April 19 after an illness of a few weeks. His funeral, in Los Angeles, was attended by many officers and long time associates. Fine started with SP in 1922 as passenger car builder in LAOS after previous railroad experience. In 1933 he was made department foreman of passenger repairs, and in 1935 general foreman of the car dept. He came to Bayshore in 1938. • W. G. Colthurst, clerk SP Freight Station, March 4. • Henry Mann, yardman, SF, March 17. • Patrick Byrne, machinist helper, Bayshore, March 31. • Francisco Zanchetta, steel carman, Bayshore, March 13. • Manuel Lopez, track laborer, San Jose, as result of auto accident, March 12. • Martin L. Haworth, conductor, SF, March 27. • Hugh



PROMOTED are G. Nelson (left) Auditor of Miscel. Accts., and V. M. Petterson to asst. superintendent, Sacramento Div.

Whiteford, trucker, SF, April 3. • Harry J. Erne, machinist, April 7. • Pensioners: Joseph Brown, conductor, April 11; Howell A. McNair, agent, March 24; Frank Reilly, section foreman, April 11; John A. Sully, yardman, March 25; Oliver M. Wells, brakeman, March 20.

Western: Frank D. Smith, boiler-maker, March 22. • Harry Brannan, yardman, March 27. • Patrick Dolan, section foreman, April 5. • Pensioners: John P. Lombard, clerk, April 17; Peter A. Johnson, cabin watchman, April 12; Edward Stad, conductor, April 1; Elliott T. Wright, conductor, April 12.

Portland: Warren Abercrombie, switchman, April 12, in Genl. Hospital. • Ed. J. Johnson, machinist at Brooklyn Shops, April 11. • Wm. S. DeWitt, 63, engineer, March 29, after forty years' service with SP. • Pensioners: R. C. "Dad" Harden, well loved veteran, and for many years chief dispatcher at Marshfield. Harden retired in 1932, died March 17; M. H. Crandall, conductor, Mar. 19; E. W. Barker, carpenter, April 7.

Sacramento: William Schnoor, freight handler, April 15. • Dominic P. Catalano, boiler-maker at Roseville Roundhouse, in Genl. Hospital, April 3. • James Wm. Godding, yardman, after being struck by auto, March 31. • Pensioners: Wm. C. Flook, clerk, April 16; Wm. J. McEnerney, car foreman, April 10; John M. Wright, conductor, March 9. **Salt Lake:** E. C. Ingram, fireman, Sparks, March 31. • Herbert King,

brakeman, Ogden, April 9. • Pensioners: Chas. McBride, sec. foreman, Feb. 23.

San Joaquin: Arthur R. Dugan, machinist, March 30. • Pensioner: Fred M. Wasgatt, agent-telegrapher, March 30.

Los Angeles: Ezra B. Thayer, team track foreman, LA, March 25. • Harold J. Lange, yardman, March 28. • Henry H. Cade, conductor, April 2. • Horace A. Humelsine, yardman, April 9. • Albert E. Hillier, boiler-maker, April 17. • Pensioner: Wm. J. C. McClurkin, conductor, March 19.

Rio Grande: Pensioner: Wm. J. Fetter, section foreman, April 8.

Tucson: Robert M. Jarratt, district painter, March 21; Orlando N. Smyth, brakeman, March 31.

Shasta: Ollie D. Ward, B&B carpenter, April 10, in Genl. Hospital.

Shops: Sacramento: George Brown, drill operator, in Genl. Hospital, March 29. • G. H. Laufer, airman, March 26. • Tom B. Calhoun, carman, March 2. • Dominic Catalano, boiler-maker helper, April 3, in Genl. Hospital. • Pensioners: H. R. Holmdrup, shopman, April 9, at Sutter Hospital; Sterling Cook, blacksmith, April 5, in Los Angeles; Charles R. P. Redman, upholsterer, April 7; Napoleon Starnes, shopman, April 13; Fred G. Alcott, April 14, in Red Bluff; Wm. D. Shonefelt, dept. foreman, March 30; John Thomas Spangler, car inspector, March 19. • El Paso: Francisco J. Nava, upholsterer, April 19.

MAKE YOUR DOLLARS FIGHT

Married:

Draftsman Joe Smith, of the Chief Engineer's office, journeyed to Reno April 16, where Charlotte Gwin became Mrs. Smith. • Absence of Johnny Conden from Bay region golf courses started March 24, beginning of his married life. Bride: Mary Drake. John's a clerk in the Genl. Passenger Office, SF. • An all-railroad romance culminated in the marriage of Walter Olsen and Peggy O'Neil, April 16. Both work in Aud. Miscel. Accounts. • John P. Dodds of the same office married Alva Starnes April 25. • Leila M. Pyle joined the army by mar-



ARMY COUPLE Mr. and Mrs. Edward B. Ziegler pictured on their wedding day, April 12. The charming bride is the former Lella M. Pyle, asst. personal record clerk and *Bulletin* Correspondent in Bakersfield. Ziegler is an air corps staff sergeant.

riage when she exchanged "I do's" with Staff Sgt. Ed. B. Ziegler, April 12. Lella is asst. personal record clerk and *Bulletin* correspondent in the superintendent's office at Bakersfield. • June Tregaskis, daughter of Mr. and Mrs. L. H. Tregaskis (train baggageman, Ogden-Oakland), became the bride of Frank Hunter, Pass. Dept., Oakland, March 15. • Los Angeles reports the marriage of Yardman Carl K. Olson, Yard Clerk Gene H. Larson, Brakeman E. M. Bopp, March 10; Porter Nathan E. Wills, Stevedore Thos. N. Walton, March 5; Stevedore Wm. A. Hinson, March 22; Clerk John E. Miss, March 29; Electrician Robt. B. Thiele, April 12. • From Sacramento Shops we hear of the marriage of Machinist Anthony Gomes to Kay Superlano, April 19; Machinist Helper Joseph Bruno Costello to Josephine Peters, April 12; Clerk John Thomas to Grace Cassinelli; Brass Moulder Mico Orbe, April 12; Machinist Helper Ralph Allgood, April 9; Geo. D. Fisher to Myrtle Clough, March 29; Switchman Phillip Yoder of Salem to Miss Edith Mohr, March 15. • Telegrapher W. K. Denham of Salem to Mary Woodworth, March 29. • Section Foreman Willis F. McGee of Mohawk, Tucson Div., to Leavaine Oldham in El Centro, March 3. • Sheet Metal Worker Helper Wm. Ross Gunther to Ruth Meaders, in Yuma, April 10. • Section Stockman J. A. Monahan of Stores Dept. at Dunsmuir, to Audrey Savage, April 30. • Miss Maxine Mor-

ison, one of SP's popular telephone operators in Portland, to E. E. Strandholm, also of Portland, at Pinole on April 12. The honeymoon was in San Francisco.

BUY BONDS THE PAYROLL WAY

Born:

To Mr. and Mrs. Fred H. Siefers, a daughter, March 10. Siefers is a caboose supply man at Brooklyn Stores. • Son number two arrived at the home of Mr. and Mrs. W. E. Greene, April 2. Greene is clerk in superintendent's office, Portland. • Mr. and Mrs. James Toney recently announced the arrival of Mervic C. Toney, Papa is OS&D clerk at Oakland Freight Terminal. From down south on the Rio Grande comes word that Mr. and Mrs. H. R. Mulchahey are celebrating the arrival of a boy, Ray, born April 9. Mulchahey is asst. engineer at El Paso. • T. S. Boyer, recently promoted to asst. trainmaster at Imlay had another reason for celebrating: a new son on March 28. • From Sparks comes word of new arrivals at the homes of Mr. and Mrs. Nello Giannotti (daughter, March 18), and Mr. and Mrs. Manuel Garcia (son, March 9). Giannotti is a machinist, Garcia a boilermaker helper. • It's a baby daughter for Mr. and Mrs. Mark Salei, April 11. Salei is electrician at West Oakland. • To Mr. and Mrs. Wm. L. George, a daughter, Margaret La Verne, March 28. Father Bill works in the Auditor Passenger Accts. • J. E. Hardman, Genl. Freight Traffic, SP, cradles this column with the birth of a grandson, Kenneth Howell, weight eight



ALL RAILROAD was the marriage of June Tregaskis to Frank Hunter in Oakland, March 15. June is the daughter of Mr. and Mrs. L. H. Tregaskis, train baggageman at Oakland. Hunter works in the Information Bureau of SP's Ticket Office, Oakland.

pounds, March 28. • Sacramento Shops reports birth of sons for: Mr. and Mrs. David Lang (burner in Welding Shop), March 18; Mr. and Mrs. Roy Robison (machinist), March 20; Mr. and Mrs. Louis Colombani (shopman), March 28; Mr. and Mrs. Clyde M. Hanger (Sacto. Stores), April 8. Daughters for: Mr. and Mrs. Wm. Davis, April 10; Mr. and Mrs. Alvin Clark (machinist), April 12; Mr. and Mrs. Robert E. Tremaine (machinist), April 18; Mr. and Mrs. Henry Venard (Erecting Shops), March 15. • Greta Irene is the new baby girl in the home of Mr. and Mrs. Richard L. Rickenbacher since March 26. Dick works for PMT in supt's office, Fresno. • PMT Driver Raymond Luke of Sacramento reports that he and Mrs. Luke are celebrating the arrival of Roberts, 7 pounds strong, March 20. • Clyde Hanger and wife Jean are mighty, mighty proud of that 7-pound bundle named Lee Martin, residing at the Hanger home since April 8. Clyde is head tracer clerk at Sacramento Gen'l Stores. Another proud papa among storemen is Barney Wright celebrating arrival of Michael Lee. At the moment Barney is on leave of absence while serving with the U. S. Army. • To Mr. and Mrs. LeRoy M. Leale, a son, James Michael, Feb 15. Leale is a brakeman on the Coast Divn.

**Southern Pacific
Bulletin**

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ERLE HEATH, Editor

GEO. P. SMITH, Asst. to Editor

In the interest of and distributed free to active and retired employees. Signed contributions of news items and pictures regarding employes or activities of the railroad are invited, and should reach the editor by the 15th of the month.

"Bulletin" Correspondents—They'd like to Have You BUY BONDS!

PORTLAND DIVISION: Walter E. Lake, lease agent, Oakland Pier. Assistants: Henry Loretz, Oakland Pier; E. O. Ornelles, West Oakland; R. Rooney, Water Service Dept.; J. F. Francis and T. Vanderbilt, West Oakland; R. J. LeClert and E. R. Stevenson, Tracy; Bill P. Healy, Gen'l Freight Terminal, Oakland; A. R. Caughey, Oclton.

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LAKE DIVISION: George Greenwood, supt sec'y, Ogden. Assistants: Bruno Tassone, Sparks; D. DeGroot, Montello; Burton Howard, Elgin; G. A. Gillett and D. Buswell, Imlay.

LAND DIVISION: Howard E. Bailey, sec'y to asst superintendent, Portland. Assistants: All agents and roadmasters' clerks.

EL PASO DIVISION: J. A. Knudsen and Marty Boland, 3rd St., San Francisco. Assistants: T. J. O'Conner, San Luis Obispo; F. J. McCabe, Sonoma Junction; R. McClintock and S. W. McCarley, San Jose.

BAKERSFIELD DIVISION: Tom Billingsley and Lella Ziegler, Bakersfield. Assistants: Al Anderson, Fresno; E. W. Smith, Bakersfield round-Geo. Bennett, Mojave.

LOS ANGELES DIVISION: Walter S. Olson, supt sec'y, Los Angeles. Assistants: Jas. B. Steele, Taylor Roundhouse; Max M. Damon, L. A. Light Station; K. P. Glan, SP Club.

TUCSON DIVISION: Leroy Magers, asst chief clerk, Tucson. Assistants: Joe Quibala, Tucson; Eddie Anaya, Yuma; D. B. Dorney, Phoenix; C. Collier, Gila; Max Richards, Globe.

EL PASO DIVISION: Robt. R. Hall, head clerk, Div. Egr., El Paso. Assistants: E. U. McLean, El Paso; L. B. Armstrong, Tucuman; D. Robin, Deming; Geo. Ferguson, Douglas; J. S. Stearn, Carrizosa.

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SACRAMENTO GEN'L STORES: Fred Moseley, W. J. Lambert, R. R. Johnson.

LOS ANGELES GEN'L STORES: Carl G. Randall.

EL PASO GEN'L STORES: Ellis Cryser, general clerk.

TELEGRAPH DEPT.: Miss "Pat" Dowd, general clerk, San Francisco. Assistants: Evelyn Cutter, "BD", San Francisco; C. E. Welsh, "UM", Tucson; Fern Liston, "HU", Los Angeles; J. K. Brent, "H", Sacramento; J. W. Clark, "SW", El Paso; L. V. Hawkins, "DW", Portland.

TRAFFIC DEPT.: Dorothy Ferie Johnson, Gen'l Freight, S.F.; I. E. Jerman, Gen'l Pass., S.F.; Paul Strelight, Gen'l Freight, Portland; Chas. Mulska, Gen'l Freight, L.A.; Chas. G. Shea, Gen'l Pass., L.A.; L. E. Heimer, Dis. Pass., S. F.; Al Walling, Dis. Pass., Oakland; Frank Wisdom, Dis. Pass., L. A.; E. D. Culp, Seattle.

GENERAL OFFICES: Norman Wiley, Asst Gen'l Auditor; O. W. Hellwig, Auditor Misc. Accounts; Russell Knox, Auditor Cap. Expenditures; G. D. Frey, Aud. Disbursements; H. F. Woods, Aud. Freight Accts.; Herman Nelson, Aud. Pass. Accts.; Everett Dial, Central Timekeeping; August Cheyrias, Equipment Service; Beth G. Farilman, Law; W. C. Allen, Dining Car; E. J. Dettling, Chief Engineer; W. J. Hayes, Purchasing; A. L. Fritz, Freight Claim; Bert Ream, Operating.

PACIFIC MOTOR TRUCKING: V. L. Richeda, San Francisco. Assistants: E. R. Smith, Portland; O. M. Meisheimer, Los Angeles; Allen Hansen, Tucson.

May 16, 1942

Letters to the following, attaching a photostat of letter from Mr. H. W. Anderson, Vice President of the General Motors Corporation, giving results of the payroll allotment plan for sale of War Savings Bonds, described to Ways and Means Committee on April 16, 1942. Signed HMJr. Copies to Thompson. (HNG)

Hon. Robert L. Doughton,	Hon. Peter G. Gerry,
Hon. Raymond S. McKeough,	Hon. Joseph F. Guffey,
Hon. Knute Hill,	Hon. Prentiss M. Brown,
Hon. Arthur D. Healey,	Hon. Clyde L. Herring,
Hon. Aaron Lane Ford,	Hon. Robert A. Taft,
Hon. Allen T. Treadway,	Hon. Robert M. LaFollette, Jr.,
Hon. Frank Crowther,	Hon. William H. Smathers,
Hon. Harold Knutson,	Hon. George L. Radcliffe,
Hon. Daniel A. Reed,	Hon. Edwin C. Johnson,
Hon. Roy O. Woodruff,	Hon. James J. Davis,
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Hon. Milton H. West,	Hon. Josiah W. Bailey,
Hon. Thomas H. Cullen,	Hon. Bennett Champ Clark,
Hon. John W. Boehme, Jr.	Hon. Harry Flood Byrd
Hon. Jere Cooper,	
Hon. Wesley E. Disney,	
Hon. Frank H. Buck,	
Hon. John D. Dingell,	
Hon.	

The above list of letters were all mailed from Mr. Graves' office.

~~May 15, 1942.~~ MAY 16 1942

My dear Mr. Dingell:

You will recall that on April 16 officials of the General Motors Corporation, with representatives of the workers, described to the Ways and Means Committee a campaign about to be inaugurated for the purpose of increasing the participation of the Company's employees in the payroll allotment plan for the sale of War Savings Bonds.

I am sure that you will be interested in reading a letter which I have received this morning from Mr. E. W. Anderson, Vice President of the Corporation, describing the results of the campaign, and I take pleasure in enclosing a copy for that purpose.

Sincerely,

(Signed) H. Morgenthau, Jr.

Hon. John D. Dingell,
House of Representatives,
Washington, D. C.

EBK:ew

GENERAL MOTORS CORPORATION

BROADWAY AT 57TH STREET

NEW YORK, N.Y.

Washington Office
250 HILL BUILDING
17TH AND EYE STS. N. W.

May 15, 1942

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

My dear Mr. Secretary:

Mr. Gamble, of your office, inquired as to the result achieved from the campaign starting on April 16 to increase participation in the purchase of War Bonds.

This campaign was known as the "GENERAL MOTORS EMPLOYEES BOND DRIVE FOR VICTORY."

We are pleased to inform you that from an employe participation of 31.5 percent as of April 1, the participation of all General Motors employes now stands at 99.2 percent as a result of this drive. As a percent of the payroll, the participation of employes increased from 1.9 percent for March to 6.9 percent for April.

General Motors has ninety seven plants and units within the United States. Employes of each of these units have subscribed for and purchased War Bonds far in excess of our expectations. In eighty four of these units, 100 percent of the employes are purchasing War Bonds. In the remaining thirteen units, between 95 percent and 99.9 percent of employes are participating.

There is attached a list of General Motors plants and units and the percent of participation of each of them.

The following is a summary of the results of the drive:

	BEFORE CAMPAIGN MARCH 1942	AFTER CAMPAIGN APRIL 1942 *
Number of Employes Working (U.S.)	222,819	235,090
Total Payroll	\$51,224,330	\$54,457,053
Number of Employes Purchasing Bonds	70,395	233,197
Amount Subscribed for Purchase of Bonds	\$965,529.50	\$3,756,173
Subscription Per Employe Per Month	\$13.73	\$16.10
Bond Purchases as a Percent of Total Payroll	1.9%	6.9%
Percent of Employe Participation	31.5%	99.2%

*These are preliminary figures based upon individual employe pledges and projected on a monthly basis.

- 2 -

The bond drive was developed and directed by experienced executives of the Corporation with splendid cooperation from all employees. In the mass meetings, various representatives of employees played an active part in building up patriotic interest and enthusiasm for the entire program.

In reviewing the foregoing, consideration should be given to the short period of time since the drive started. Among the points stressed in the promotion of bond sales were the following:

1. Furnishing necessary funds for the war effort.
2. Establishing reserves to help carry employees through any post-war readjustments.
3. Constructively decreasing available purchasing power in line with diminishing supplies of consumer goods.

The employees in the plants are currently averaging 46 hours of work per week and earnings have been stabilized at high levels. Earnings were low during December, January and February as a result of the curtailment of non-defense production.

While the results are gratifying to date, the next phase of the program will be directed toward encouraging employees to increase their weekly or monthly subscriptions. The slogan will be: "NOT LESS THAN ONE BOND PER EMPLOYEE PER MONTH."

We anticipate an increase in weekly and monthly subscriptions as the war program develops and hours of work and overtime pay are increased.

I wish to take this opportunity to express our appreciation for the help and cooperation we have received from the Treasury Department in preparing this campaign and which we feel contributed materially to its success.

Very truly yours,

H. W. Anderson
H. W. Anderson
Vice President

hwa-em
encl.

★ ★ SALES STANDINGS ★ ★ 14

CONGRATULATORY FINAL STANDINGS

	% PARTICIPATION	RANK
Aeroproducts	100%	1
Allison	100%	1
Argonaut	100%	1
Brown-Lipe-Chapin	100%	1
Buick Motor	100%	1
Cadillac	100%	1
Chevrolet - Atlanta	100%	1
Chevrolet - Aviation Engine # 2	100%	1
Chevrolet - Baltimore	100%	1
Chevrolet - Bay City	100%	1
Chevrolet - Bloomfield	100%	1
Chevrolet - Experimental	100%	1
Chevrolet - Flint	100%	1
Chevrolet - Grey Iron Foundry	100%	1
Chevrolet - Indianapolis	100%	1
Chevrolet - Janesville	100%	1
Chevrolet - Kansas City	100%	1
Chevrolet - Motor & Axle	100%	1
Chevrolet - Muncie	100%	1
Chevrolet - Norwood	100%	1
Chevrolet - Oakland	100%	1
Chevrolet - Spring & Bumper	100%	1
Chevrolet - St. Louis	100%	1
Chevrolet - Tarrytown	100%	1
Chevrolet - Toledo	100%	1
Chevrolet - Transmission	100%	1
Delco Appliance	100%	1
Delco Brake	100%	1
Delco Radio	100%	1
Delco Remy - Anderson	100%	1
Delco Remy - Antioch Foundry	100%	1
Delco Remy - Muncie	100%	1
Detroit Diesel	100%	1
Detroit Transmission	100%	1
Eastern Aircraft - Baltimore	100%	1
Eastern Aircraft - Linden	100%	1
Eastern Aircraft - Tarrytown	100%	1
Eastern Aircraft - Trenton	100%	1
Electro-Motive	100%	1
Fisher - Central Development	100%	1
Fisher - Central Engineering	100%	1
Fisher - Central Plants	100%	1
Fisher - Cleveland	100%	1
Fisher - Detroit Aircraft	100%	1
Fisher - Detroit Stamping	100%	1
Fisher - Die & Machine	100%	1
Fisher - Export	100%	1
Fisher - Fleetwood	100%	1

 PLEASE ANNOUNCE TO YOUR EMPLOYEESPLEASE GIVE YOUR STORY TO YOUR NEWSPAPERS

Fisher - Garage	100%	1
Fisher - Grand Rapids Stamping	100%	1
Fisher - Lansing	100%	1
Fisher - Memphis Aircraft	100%	1
Fisher - Pontiac	100%	1
Fisher - Service	100%	1
Fisher - Tank	100%	1
Fleet Sales	100%	1
Foreign Distributors	100%	1
Frigidaire	100%	1
G. E. I. C.	100%	1
G. M. A. C.	100%	1
G. M. Building	100%	1
G. M. Institute	100%	1
G. M. Overseas	100%	1
G. M. Proving Ground	100%	1
G. M. Research	100%	1
Guide Lamp	100%	1
Harrison Radiator	100%	1
Hyatt Bearings	100%	1
Inland Mfg.	100%	1
Modern Housing	100%	1
Moraine Products	100%	1
Motors Holding	100%	1
Motors Insurance	100%	1
New Departure - Meriden	100%	1
Packard Electric	100%	1
Rochester Products	100%	1
Saginaw Malleable Iron	100%	1
Saginaw S. G. # 1	100%	1
Saginaw S. G. Machine Gun	100%	1
Southern California	100%	1
Sunlight Electric	100%	1
United Motors	100%	1
.C Spark Plug	99.99	2
New Departure - Bristol	99.97	3
Fisher - Entire	99.96	4
Fisher Tornstedt	99.9	5
Oldsmobile	99.9	5
Chevrolet - Entire	99.89	6
Chevrolet Gear & Axle	99.84	7
Chevrolet Central Office	99.79	8
New York Central Office	99.73	9
Fisher - Flint # 1	99.7	10
<u>AVERAGE ALL GENERAL MOTORS</u>	<u>99.2</u>	
Detroit Central Office	99.46	11
Delco Products	99.2	12
Eastern Aircraft - Bloomfield	98.8	13
Cleveland Diesel	98.43	14
Pontiac	98.0	15
Chevrolet - Forge	97.8	16
Buick Aviation	95.0	17

Fisher - Garage	100%	1
Fisher - Grand Rapids Stamping	100%	1
Fisher - Lansing	100%	1
Fisher - Memphis Aircraft	100%	1
Fisher - Pontiac	100%	1
Fisher - Service	100%	1
Fisher - Tank	100%	1
Fleet Sales	100%	1
Foreign Distributors	100%	1
Frigidaire	100%	1
G. E. I. C.	100%	1
G. M. A. C.	100%	1
G. M. Building	100%	1
G. M. Institute	100%	1
G. M. Overseas	100%	1
G. M. Proving Ground	100%	1
G. M. Research	100%	1
Guide Lamp	100%	1
Harrison Radiator	100%	1
Hyatt Bearings	100%	1
Inland Mfg.	100%	1
Modern Housing	100%	1
Moraine Products	100%	1
Motors Holding	100%	1
Motors Insurance	100%	1
New Departure - Loriden	100%	1
Packard Electric	100%	1
Rochester Products	100%	1
Saginaw Malleable Iron	100%	1
Saginaw S. G. # 1	100%	1
Saginaw S. G. Machine Gun	100%	1
Southern California	100%	1
Sunlight Electric	100%	1
United Motors	100%	1
A.C. Spark Plug	99.99	2
New Departure - Bristol	99.97	3
Fisher - Entire	99.96	4
Fisher Tornstedt	99.9	5
Oldsmobile	99.9	5
Chevrolet - Entire	99.89	6
Chevrolet Gear & Axle	99.84	7
Chevrolet Central Office	99.79	8
New York Central Office	99.73	9
Fisher - Flint # 1	99.7	10
<u>AVERAGE ALL GENERAL MOTORS</u>	<u>99.7</u>	
Detroit Central Office	99.46	11
Delco Products	99.2	12
Eastern Aircraft - Bloomfield	98.8	13
Cleveland Diesel	98.43	14
Pontiac	98.0	15
Chevrolet - Forge	97.8	16
Buick Aviation	95.0	17

Sales of United States Savings Bonds
 From May 1 through May 15, 1942
 Compared with sales quota for same period
 (At issue price in millions of dollars)

Date	Series X						Series Y and G						Total						
	Actual Sales		Quota		Sales		Actual Sales		Quota		Sales		Actual Sales		Quota		Sales		
	May 1	to	May 1	to	May 1	to	May 1	to	May 1	to	May 1	to	May 1	to	May 1	to	May 1	to	
1	\$ 12.7	\$ 12.7	\$ 14.0	\$ 14.0	\$ 90.75	\$ 90.75	\$ 7.3	\$ 7.3	\$ 9.0	\$ 9.0	\$ 81.15	\$ 81.15	\$ 20.0	\$ 20.0	\$ 23.0	\$ 23.0	\$ 87.05	\$ 87.05	
2	11.6	24.3	25.7	94.6	7.9	15.2	15.2	16.0	95.0	95.0	95.0	95.0	19.4	39.4	41.7	41.7	94.5	94.5	
4	22.3	46.5	47.8	97.3	10.3	25.5	25.5	29.5	86.4	86.4	86.4	86.4	32.6	72.0	77.3	77.3	93.1	93.1	
5	8.9	55.5	57.8	96.0	7.6	33.1	33.1	37.1	89.2	89.2	89.2	89.2	16.6	88.6	94.9	94.9	93.4	93.4	
6	18.4	73.8	70.5	104.7	15.6	48.8	48.8	49.8	98.0	98.0	98.0	98.0	34.0	122.6	120.3	120.3	101.9	101.9	
7	23.2	97.0	84.0	115.5	12.1	60.8	60.8	60.3	100.8	100.8	100.8	100.8	35.3	157.9	144.3	144.3	109.4	109.4	
8	17.2	114.2	98.0	116.5	6.4	67.2	67.2	69.3	97.0	97.0	97.0	97.0	23.6	181.4	167.3	167.3	108.4	108.4	
9	14.5	128.7	109.7	117.3	5.6	72.8	72.8	76.3	95.4	95.4	95.4	95.4	20.0	201.5	186.0	186.0	108.3	108.3	
11	23.3	152.0	131.8	115.3	8.1	80.8	80.8	89.8	90.0	90.0	90.0	90.0	31.3	232.8	221.6	221.6	105.1	105.1	
12	9.4	161.3	141.8	113.8	4.6	85.4	85.4	97.4	87.7	87.7	87.7	87.7	14.0	246.8	239.2	239.2	103.2	103.2	
13	15.8	177.1	154.5	114.6	9.0	94.4	94.4	110.1	85.7	85.7	85.7	85.7	24.8	271.5	264.6	264.6	102.6	102.6	
14	16.9	194.0	168.0	115.5	7.7	102.1	102.1	120.6	84.7	84.7	84.7	84.7	24.6	296.2	288.6	288.6	102.6	102.6	
15	14.9	208.9	182.0	114.8	6.8	108.9	108.9	129.6	84.0	84.0	84.0	84.0	21.7	317.9	311.6	311.6	102.0	102.0	
16			193.7					136.6							330.3				
18			215.8					150.1							365.9				
19			225.8					157.7							383.5				
20			236.5					170.3							408.6				
21			252.0					180.8							432.8				
22			266.0					189.8							455.8				
23			277.7					196.8							474.5				
25			299.8					210.3							510.1				
26			309.8					217.9							527.7				
27			322.5					230.5							553.0				
28			336.0					241.0							577.0				
29			350.0					250.0							600.0				

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

May 16, 1942.

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded and will not necessarily add to totals.

18 15

states that he
He says that Mr.
formerly with Mr.
also served with
that he is very
that this project is
in his line. He has
had comparable assign-

FROM: MR. GASTON

May 19

Mr. Mack states that he
has to have Mr. DeWitt
... He says that he
... formerly with Mr.
... also served with
... that he is very
... that this project is
... in his line. He has
... had comparable assign-

FROM: MR. GASTON

MAY 16 1942

Dear Mr. May:

I have received your letter of May 13, with regard to a survey of health supplies in the United Nations. I wish to designate Mr. John C. Driver, statistician, Procurement Division, as the representative of the Treasury Department.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Stacy May,
Director, Statistics Division,
War Production Board,
Washington, D. C.

FCR:ds

*Photo file n.m.c.**By Messenger U send 10:00**Orig. file sent to Clifton Mack
cc. Mr. Heaton's office*

WAR PRODUCTION BOARD

WASHINGTON, D. C.

IN REPLY REFER TO

May 13, 1942

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

Subject: Health Supplies Survey^{1/}

Dear Mr. Secretary:

The policy of the United States and of all other governments has been to accord to health supplies a position of importance in wartime programs equal to that of armament and of basic economic activities.

A Survey of Health Supplies in the United Nations has been inaugurated in accordance with the directive^{2/} by Mr. Lauchlin Currie, Administrative Assistant to the President, transmitted to Mr. Donald M. Nelson, Chairman, War Production Board, and to me.

Directive: The directive specifically states the following points for development in the Health Supplies Survey:

Phase "1. To reconcile available data of United States Army and British War Office experience with medical supplies and adapt existing supply tables to the major theatres of present and anticipated operations;"

^{1/} Ref.: Memoranda of March 31, 1942, April 7, 1942, April 11, 1942, and May 2, 1942, to Dr. Stacy May, Dr. Vergil Reed, Mr. M. L. McKelroy, War Production Board

^{2/} Ref.: Directive of March 17, 1942, The White House



The Hon. Henry Morgenthau
May 13, 1942 - 2

- Phase #2. To estimate military requirements of the United Nations on the basis of men under arms in each theatre;³
- Phase #3. To determine world sources of supply, production and the possibilities of expansion, with due regard to essential needs of civilian population; and³
- Phase #4. To develop immediate and long range plans for the supply of all military areas with minimum shipping.³

To comply with the provisions of the directive, a general Survey of the entire supply and requirements situation is necessary. The preliminary outline for this Survey has been organized and submitted to Mr. Currie and has been approved by him.

Identity:

Health Supplies are considered to include botanical and animal drugs, medicinal chemicals, biological products, surgical dressings, surgical instruments and equipment, and other related products. The Survey will include strategic and critical raw materials necessary for the extraction, manufacture, processing or fabrication of such health supplies.

Responsibilities:

Responsibility for the assembly of data has been assigned to Dr. John W. McDonnell, Research Adviser to the Health Supplies Branch.^{3/} His staff already has accumulated background information for this Survey and is prepared to serve as the focal point for assembly of the remainder, with the cooperation of the other agencies concerned.

With the object of minimizing duplication of effort and expediting the work, the over-all task has been sub-divided tentatively into portions which it is believed can be handled advantageously by the respective war agencies.

Cooperation will, of course, be mutual. The activities of each agency may be expected to gain in effectiveness through the existence of this clearing house for health supplies information.

^{3/} Ref.: Memorandum of April 2, 1942

The Hon. Henry Morgenthau
May 13, 1942 - 3

Organization:

With your cooperation, it is our belief that the project can be handled most expeditiously without meetings of representatives of the agencies involved. It is our intention to make such time-consuming conferences unnecessary by periodic reports on the status of the project, and by free current inter-change of views among the respective agencies.

In order that all agencies may be acquainted with the organization of the Survey, a full schedule of the suggested responsibilities of each agency is attached. This division of the work has been arrived at after considerable study, and the individual responsibilities are believed to correspond closely with the data and channels available in each agency. Comments are welcome, nevertheless, if it appears to any of the agencies that there are discrepancies in the schedule.

In order to assure proper responsibility and proper channels in both directions, it seems essential that a single representative for the purpose of the Survey be designated by each agency. This representative will be responsible for seeing that his agency's portion of the work is carried out and transmitted to the clearing house, and will serve at the same time as a medium for keeping his agency informed of the status of the project.

Will you please designate such a representative in writing this week?

Data covering the factors shown in the accompanying outline are requested by Monday, May 25, on the following highly critical items.

Agar	Digitalis
Arsphenamine	Emetine
Acid ascorbic	Ergot
Acid nicotinic (and amide)	Ipecac
Acid tannic and mtgalls	Morphine
Atabrine	Neocarsphenamine
Atropine	Opium
Belladonna	Procaine
Caffeine	Quinine
Cinchona bark	Riboflavin
Codeine	Sulfanilamide

The Hon. Henry Morgenthau
May 13, 1942 - 4

Sulfadiazine
Sulfapyridine
Sulfaguanidine
Sulfathiazole

Sulfaraphenamine
Theobromine
Thiamine hydrochloride

Requests for comparable statistics on other critical items will be made from time to time as the Survey progresses.

Very truly yours,

Stacy May
Stacy May
Director
Statistics Division

Health Supplies Section
Statistics Division
WAR PRODUCTION BOARD

May 12, 1942

HEALTH SUPPLIES SURVEY

DIVISION OF RESPONSIBILITY AMONG DEPARTMENTS AND AGENCIES

War Department

Office of the Surgeon General, Medical Department

Requisitions, orders and deliveries of health supplies for (a) United States Army; (b) United States Navy; (c) Lend-Lease Nations, by military and by civilian destination; (d) American and other Red Cross; (e) the several foreign war relief groups.

Headquarters Services of Supply, Commodities Division

1. Requirements information covering the following units in the Army: (a) Office of the Surgeon-General, for the ground force; (b) Air Corps; (c) Quartermaster Corps.
2. Bills of materials for each commodity covered. This information will provide the basis for calculating raw material requirements and for assistance in determining scarce and critical materials.

Navy Department

Bureau of Medicine and Surgery, Office of the Surgeon-General

Commodity requirements for (a) Navy on direct purchase (items not obtained by the Surgeon-General's Office of the Army); (b) Marine Corps, if separate from the Navy supplies; and (c) Coast Guard.

Federal Security Agency

Public Health Service, Office of the Surgeon-General

Requirements for (a) Marine hospitals; and (b) Public Health Service. Technical assistance of the Public Health Service.

Technical assistance of the Public Health Service will provide data on regional health problems, on epidemiology in domestic and foreign areas, and on replacement items for scarce commodities.

Office of Civilian Defense

Office of the Director

Estimates of the commodities required for civilian defense in first aid posts, emergency posts, casualty stations, and for use in base and civilian hospitals.

Treasury Department

Procurement Division (Representative from this Division)

Requirements for those agencies for which the Procurement Division purchases health supply commodities.

Narcotic Tax Unit

Supply and consumption data for narcotic items.

Alcohol Tax Unit

Supply and consumption data for alcohols.

Tariff Commission

Chemical Section

Production and consumption data of certain important commodities obtained on regular monthly schedules.

Department of Commerce

Census Bureau

Production and consumption data of certain important commodities obtained on regular monthly schedules.

Foreign Trade Statistics Division

Monthly reports of imports and exports.

Bureau of Foreign and Domestic Commerce, Drug and Chemical Division

Past consumption, and source data, both foreign and domestic, for important commodities and raw materials.

War Production Board

Health Supplies Branch

All available data contained within its files concerning production and stocks of commodities in the field.

Division of Civilian Supply

The Health and Medical Supplies Branch will determine civilian requirements upon the basis of available supplies of raw materials and finished commodities. Much of the data necessary will be available from the files of the Health Supplies Section, Statistics Division. Where domestic allocations are necessary, this group will evolve and recommend such programs.

Other Branches

The various commodity Branches of the War Production Board will provide production and other essential data concerning the materials for health supplies. These include branches handling chemicals, aluminum, copper, steel, nickel, rubber, and textiles.

Department of Agriculture

Bureau of Plant Industry

Data on cultivation and supply of botanical drugs from domestic sources.

Office of Lend-Lease Administration

The Office of the Administrator

Requirements for health supplies by Nations receiving Lend-Lease assistance, specific as to items and quantities.

Board of Economic Warfare

Office of the Director

Specific requirements for health supplies for the Central American and South American countries and the Dominion of Canada and other friendly Nations, with the exception of

of those receiving Lend-Lease aid. Determination of production, stocks and requirements data on health supplies in accordance with the "Commodity Basic Data Report" ^{4/} for all Nations other than those receiving Lend-Lease Aid.

Cooperating Agencies

Considerable general cooperation and technical assistance will be requested from the following agencies and organizations in the course of the survey:

National Research Council, Committee on Medical and Health Problems.

Office of Defense Health and Welfare Services, Health and Medical Committee

Office of Scientific Research and Development, Committee on Medical Research

Office of the Coordinator of Inter-American Affairs, Economic Warfare Division

Office of Price Administration, Price Division, Chemical Section, Drug Unit

The State Department

The Maritime Commission

Formulation of the program of development for Phases 1, 2 and 4 of the Health Supplies Survey will take place in the immediate future and a succeeding memorandum will outline the respective functions and method of cooperation.

^{4/} Copy of the proposed "Commodity Basic Data Report" for the Allied Nations, together with detailed operating instructions, will be attached to communications to interested agencies.

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA 28

TELEPHONE: REPUBLIC 7860



BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

May 16, 1942.

My dear White,

I gave you a memorandum about a fortnight ago containing figures of our estimated future financial position, and asking that in view of our probable deficit the air contracts as well as the ordnance contracts should now be taken over. You asked me on that occasion what delay there normally was between payment on the contracts and the actual export of the planes. I have consulted Air Marshal Hill on this and he now tells me that it has always been our policy to ship the goods intended for export as quickly as possible. The actual delay depends largely on the availability of shipping, but the over-all average is somewhat on the order of twenty-one days. Thus, there would be likely to be in the U.S.A., at any time during the coming months, some three weeks stock of delivered material.

As the delay in shipping is evidently, for the most part, quite short, it does not seem to me that, if later on our financial position is seriously deteriorated, it is likely that any satisfactory remedy could then be found by purchase by your Government of material coming off our contracts but not yet shipped. I feel sure that the cleanest and easiest method must be by the take-over, in some form, of our outstanding contracts, and I very much hope that you will once more review this possibility.

Yours sincerely,

F Phillips

Dr. H. D. White,
Director of Monetary Research,
United States Treasury,
Washington, D. C.

Division of
Monetary Research

TREASURY DEPARTMENT

29

INTER-OFFICE COMMUNICATION

DATE May 16, 1942

TO Secretary Morgenthau

FROM Mr. White

SUBJECT: Silver Purchase Agreements

The table below compares our silver purchases from Canada and Mexico under agreement with total silver imports from these two countries. We have bought no silver under the new Mexican agreement, and purchases under the Canadian agreement declined to zero by the end of last year. Total silver imports from Mexico have been well maintained in recent months, while imports from Canada are running somewhat lower than last year.

	FROM CANADA		FROM MEXICO	
	Imports	Treas. Purchases under Agreement	Imports	Treas. Purchases under Agreement
	(In thousands of ounces)			
1936	16,692	7,497	64,925	55,464
1937	18,642	9,759	68,179	52,545
1938	29,496 ^{1/}	14,439	96,454 ^{2/}	15,001
1939	24,018	12,136	79,947	
1940	20,550	11,672	73,536	
1941	18,844	7,131	73,749	0
1941				
Jan.-Mar.	4,501	1,427	18,581	
Apr.-June	4,789	1,952	17,524	
July-Sept.	5,499	2,852	19,749	
Oct.-Dec.	4,055	900	17,895	0
1942				
Jan.-Mar.	3,512	0	19,201	0
April	1,384	0	6,304	0

^{1/} Includes import of 6,687,000 ozs., special Treas. purchases of March, April, May 1938.

^{2/} Includes import of 35,000,000 ozs., a special Treas. purchase of December 1937.

-2-

The Canadian agreement, under which we undertake to buy up to 1,200,000 ounces a month, has been in operation since March 1936. The first Mexican agreement, with a monthly limit of 5,000,000 ounces, was in operation between January 1936 and March 1938. The second Mexican agreement, with a monthly limit of 6,000,000 ounces, has been in operation since December 1941.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION



DATE May 16, 1942

TO Secretary Morgenthau
FROM Mr. Kamarok

Subject: Of Possible Interest: Comparison of American and German Airplane Production

German and American Airplane Production

<u>Type</u>	<u>German Production December, 1941 *</u>	<u>U. S. Production March, 1942 **</u>
Pursuit	950	776
Light and medium bombers (including 2-engine naval patrol)	1040	624
Heavy bombers	<u>60</u>	<u>156</u>
 <u>Total-basic combat</u>	 2,050	 1,556
Trainers	300	1,369
Other military types (transports, observa- tion, etc.)	<u>250</u>	<u>537</u>
 GRAND TOTAL	 2,600	 3,462

* Source: U.S. War Department, TM 30-450, "Handbook on German Military Forces."

** Source: War Production Board, compiled by U.S. Treasury, Division of Research and Statistics.

Comments

In spite of all the publicity about our airplane production achievements, we have no reason for complacency.

1. The Germans still produce 500 more basic combat planes a month than we do, or 2,050, compared to 1,556.

2. According to C.O.I., the British reported some time ago that the Germans had increased their plane production in the winter of 1942 by 15 percent. The comparison between German December figures and our March figures, therefore, may actually understate our lag behind the Germans.

C
O
P
YDEPARTMENT OF STATE
WASHINGTON

May 16, 1942

In reply refer to
FD

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 260, dated May 15, 1942, from the American Consulate General, Sydney, Australia, reporting receipt from the Commonwealth Bank on May 13 of Navy bill no. 3861 of May 5, 1942, drawn by Lieutenant Patronev in the amount of \$322,800.

The Treasury may disregard the last paragraph of the telegram which concerns administration of State Department telegraphic codes.

Enclosure:

From Consulate, Sydney,
no. 260, May 15, 1942.

Copy:bj:5-16-42

C
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Y

34

ALH

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

Sydney

Dated May 15, 1942

Rec'd 7:22 a.m.

Secretary of State,

Washington.

260, May 15, 5 p.m.

"Reference is made to the Department's telegram no. 173, May 1, 11 p.m.

Received from Commonwealth Bank today".

Navy bill no. 3861 May 5, 1942, drawn by Patroney Lieutenant J. G. Scurr for \$322,800.

Referring to the Department's telegram no. 174, May 2, 3 p.m. will Department designate code group for above quotation.

PALMER .

RR

eh:copy
5-15-42

TELEGRAM SENT

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

Chungking

Dated May 16, 1942

Rec'd 11:01 a.m.

Secretary of State,
 Washington.

562, May 16, 9 a.m.

FROM ADLER FOR SECRETARY OF THE TREASURY

"TF 37

One. Miss Chumley of board secretariat escaped
 from Hong Kong at the end of March writes from Kweilin
 Taylor secretary of American Community working
 closely with Chairman Hunt and Frase active in com-
 munity affairs and in good health.

Two. Federal Reserve Bank of New York's
 statements of account to February 28 and set of
 credit and debit advices posted March 26 received
 May 12."

GLUSS

VSB

INCOMING CABLEGRAM

Date: May 16, 1942

From: Chungking.

Federal Reserve Bank of New York

#12

With regard to the two new accounts in the names of Allied Victory U. S. dollar bonds and the U. S. dollar savings certificates, we are instructed by the Ministry of Finance to ascertain your views and advice as to the possibility of investing portion or whole of these deposits in gilt edged securities such as Government bonds or Treasury bills to earn some interest. Please cable.

(signed) Central Bank of China.

(Received by telephone from Federal Reserve Bank of New York, N. Y. May 18, 1942)

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, Montevideo, Uruguay.
DATED: May 16, 1942, 4:22 p.m.
NUMBER: 390.

Reference ~~is~~ made to Department's telegram no. 220, April 16.

An important official of the Bank of the Republic has now made available to us the information given below, which is strictly confidential.

Approximately a month ago, a Buenos Aires banking group, realizing that the Government of Uruguay badly needed funds to meet the increasing deficit in the budget, offered the Government a five year ten million peso loan, the terms of which would be: With the group's funds, the Bank of the Republic to purchase and bring to Uruguay in gold bars five million dollars, the Bank on the security of the gold to lend to the group ten million pesos to be loaned to the Government, and on maturity of the loan to deliver the gold to the group.

The Bank of the Republic consulted the Central Hanover Trust Company with regard to the regulations governing the exportation of gold before completing the transaction, and refused to conclude the bargain upon being told that export licenses were not granted for gold intended for private parties.

It is

-2- #390, May 16, 2 p.m., from Montevideo.

It is the understanding of the Embassy that an export license to cover the shipment was granted. The Department may desire to take steps discreetly to ensure that the shipment is not made, even though it is informed that the Bank of the Republic does not plan to carry out the deal.

DAWSON

(Classification)

ENCLOSURE

COPY No.:

(For Record Section only)

MILITARY INTELLIGENCE DIVISION W. D. G. S.

MILITARY ATTACHÉ REPORT FINLAND.

(Country reported on)

Subject WAR DEPARTMENT BUDGET FOR 1942.

(Brief descriptive title)

I. G. No. 6420From M. A. Helsinki, Finland Report No. 523 Date May 16, 1942.

Source and degree of reliability:

Statute Book of Finland, January 9, 1942.

SUMMARY.—Here enter careful summary of report, containing substance succinctly stated; include important facts, names, places, dates, etc.

Total National Expenditures 11,069,735,000
 War Department budget: 22.04% of total expenditures 2,439,787,400

Distribution by originator

Routing space below for use in M. I. D. The section indicating the distribution will place a check mark in the lower part of the recipients' box in case one copy only is to go to him, or will indicate the number of copies in case more than one should be sent. The message center of the Intelligence Branch will draw a circle around the box of the recipient to which the particular copy is to go.

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A. C. of S. G-3	Chief IB	MA Sec.	FL Sec.	Rec. Sec.	Trans. Sec.	CIB	SSG	P. and T.	Inf. Cont.	Coord. Sec.	OLLA	Tank Center	Coord. of Inf.	
				2										
Air	BE	CE	SE	EE	WE	FE	LA	Sit.	Cont.	Dissem.	Field Pers.	ASIV	UBW	ASWA
			2							4				
CHIEFS OF ARMS AND SERVICES														
Inf.	Cav.	FA	GAC	AC	AAF	Sig.	Armd.	Ord.	QM	CWS	Med.	Engr.	Fin.	
Attached at	CG Phil.	CG Pan.	CG Haw.											

Enclosures:

War Department Budget for 1942.

The following is the War Department Budget for the fiscal year 1942 which coincides with the calendar year:

	Finnmarks:
Pay of the Army	640,345,200
Rations	340,000,000
Uniforms and equipment	115,800,000
Barracks and quarters	36,500,000
Purchase and maintenance of horses	52,700,000
Purchase and maintenance of war material and vehicles	288,000,000
Fuel and lubricants	100,000,000
Fortifications	1,800,000
Other real estate	107,400,000
Transportation, travel and per diem	60,000,000
Miscellaneous expenditures	40,050,000
Civic Guards, excepting pay and travel	10,000,000
Coast Guards (budget of the Ministry of the Interior)	27,379,900
Border Guards " " " " " " "	8,143,100
Powder Factory	31,157,300
Cartridge " "	68,732,300
Rifle " "	29,797,500
Gun " "	85,447,500
Shell Loading Factory	7,448,800
Airplane Factory	111,714,000
Shipbuilding Yard	16,924,000
Clothing Factory	4,563,900
Fuze Factory	31,881,500
Army and Air Force repair shops	18,162,600
Allowances to families of men on active service and pensions to war veterans and invalids (budget of the Ministry of Social Welfare)	81,871,000
TOTAL	2,439,787,400
Total National Expenditure	11,069,735,000
War Department budget = 22.04 % of total expenditures.	
Rate of exchange: \$1.00 to 48.85 Finnmarks.	

Notes by the M/A. As in previous budgets, the revenues of the Government factories are shown to be equal to the expenditures but from the examination of the whole budget it appears that these items should be regarded as military expenditures.

The ordinary military expenditures are not perceptibly larger than in the 1941 budget (see Report 271-6420), with the exception of pensions. It is evident that the enormous war expenditures (according to Swedish newspapers at least 2 billion Finnmarks monthly) are principally covered by means of Government loans. It is also evident that there will be supplementary budgets.

Details regarding the expenditures for the Army, Navy and Air Force are not available.

G. E. HUTHSTÄDER,
Colonel, G.S.,
Military Attache.

From: M/A. Helsinki, Finland. Report No. 523. Date: May 16, 1942.

Treasury Department
Division of Monetary Research

10

Date May 16, 1942 19

To: Secretary Morgenthau

From: Mr. Kamarck

The attached directive of the British Political Warfare Executive outlines the British Government's policy towards the German people. You might find it of interest.

PWE war aims, for Germany only, are to be given by means of two or three definitive talks explaining speeches of Churchill, Cripps and Eden. These talks are not to be an appeal to the German people but rather by way of statement of fact. The German people will be told what to expect and left to make their own choice.

Using Churchill, Cripps, and Eden as text, the Directive calls for the following line:

(a) The certain knowledge that Germany can't win is being concealed from the German masses by the Nazis.

(b) The Germans' choice is between a protracted war followed by anarchy and chaos and an action inside Germany to shorten the war and save her from anarchy.

(c) By citing relevant quotes from speeches by Churchill, Cripps and Eden, PWE plans to show the German people what their action must be, namely to destroy Hitler and his gang and to reestablish respect for internal and external law.

(d) This action must take place before, not after, the United Nations are victorious.

(e) Example of Norway or Holland is cited to those in Germany who say they can do nothing. These examples prove that civil courage without weapons can avail against the Gestapo.

(f) The United Nations are ready to welcome as Allies anyone, whatever his creed or race, who risks his life in war against Facism and National Socialism. Anyone who remains neutral we will treat as an enemy.

(g) Thus Germany can be saved from protracted war and anarchy only by Germans. The United Nations can and shall defend their liberties during and after the war; they cannot redeem Germany. Only the Germans can do that.



UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

May 16, 1942

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

Dear Henry:

The attached is from the British Political
Warfare Executive German Directive for the week end-
ing May 22.

Sincerely,

Bill
William J. Donovan

PWE war aims, for Germany only, are to be given by means of two or three definitive talks explaining speeches of Churchill, Cripps and Eden. These talks are not to be an appeal to the German people but rather by way of statement of fact. The German people will be told what to expect and left to make their own choice.

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(g) Thus Germany can be saved from protracted war and anarchy only by Germans. The United Nations can and shall defend their liberties during and after the war; they cannot redeem Germany. Only the Germans can do that.

-2-

PWE German, Italian and French Directives all call for the utmost caution in handling news of the Eastern front. PWE asks for Germany that the vital passages from Russian and German communiques be given together with a cautious interpretation based on daily advice from the War Office.



UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

May 16, 1942

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

Dear Henry:

Attached is the British Political
Warfare Executive French Directive for the
period ending May 31.

Sincerely,

WJ
William J. Donovan

Attachment

Following is the Political Warfare
French Directive for the period ending May 31,

SECRET

COORDINATOR OF INFORMATION

1. A unique attempt is made in this directive to cover fundamental objectives which are as follows:

a. To demoralize the German military and civil forces of occupation.

b. To hinder use by the enemy of French Economic resources.

c. To convince the French people, and particularly those in the unoccupied zone that the government of Laval cannot be an independent power representing France itself, and that, because the Germans know they can make it do what they want, it is fostered by them.

d. Restoration of French confidence in Britain and British policy particularly as regards post war policy.

e. To convince the French that no territorial designs on the French Empire are held by the British.

f. To maintain the morale of the French people and to prepare them for active cooperation with the allied forces of liberation.

2. Long-term tasks included in directive in order of priority as follows:

a. To treat air raid precaution measures at least twice a week for the purpose of diverting Nazi controlled anti-aircraft weapons from the Eastern Front and Germany to France. Material prepared by

Political Warfare Executive will be forwarded and this campaign will be explained in full shortly. In the main, it is meant to create a demand for more protection against RAF raids in France.

SECRET

COORDINATOR OF INFORMATION

b. At least once weekly, advice for Commando raids to be given.

c. To expose the real Nazi schemes and plans to Balkanize France.

d. Hints on scientific listening.

e. Admiralty themes for French mercantile fleet and French navy.

f. Economic exploitation of occupied countries and France by Germans.

g. Allied resources and war production, especially the United States.

h. Appeals to peasants which are intended to limit the movement of food from farms to cities.

i. Appeals to French youth.

3. The above long-term tasks were listed for the first time and, in subsequent discussions, are subject to revision. If our French section and planning board would send their views and list of long-term tasks and fundamental objectives for discussion and comparison here it would be useful.

4. In order of importance, PWE lists the following tasks for the coming fortnight:

a. By linking the following points, to convince the French people that all is not well in Germany.

1. German internal troubles, especially manpower problem.

-3-

2. Fear of RAF offensive by Germans
3. Inability of Germans to face



air warfare on all fronts.

4. German terrorism and oppression in France and all occupied countries.

5. Radio and press censorship in Europe to hide truth from France.

6. Comparison of German position in 1942 with that in 1940 (caution is given to prevent impression that an immediate crack-up in home front is at hand. This task is connected with the fundamental objective a.)

b. The myth of Laval's cleverness should be broken.

c. The socialist new order of Europe which Germans and Laval are trying to sell to French workers should be debunked. This can be done by showing the new slave labor of conquered Europe and also the German methods of treating their own working classes and by stressing Laval's personal wealth and past life. Emphasis can also be placed on the progressively better position of British and American workers.

d. French should be convinced that no designs on French Colonial possessions are held by United Nations. This is linked with the fundamental objectives d and e, which must, during the present fortnight, become tasks. Also called for is constant repetition of American and British statements on Martinique and Madagascar.

U.S. SECRET
BRITISH MOST SECRET

OPTEL No. 161.

Information received up to 0700/16.

1. NAVAL

One of H.M. Destroyers engaged two armed enemy trawlers off the Channel Islands on 14th/15th and left them sinking. She had no damage or casualties.

A destroyer depot ship and a transport in convoy to Middle East, struck mines off Cape Agulhas on the afternoon 15th. The former was in no immediate danger of sinking.

A 7,000 ton British ship was attacked by raider on 10th and abandoned a thousand miles South West of Cocos Islands.

An attack by human torpedoes was attempted at Alexandria on the 14th/15th. The enemy failed to penetrate the defences and four prisoners were taken.

2. MILITARY

BURMA: Western Front: There was no contact with the enemy in (?the Kalewa) Area up to the 12th. Our withdrawal in this area is continuing.

Eastern Front: Chungking Communiques of the 15th reported that Japanese had captured Tingyueh 50 miles West of Yungchang and were striking Westwards across the Irrawaddy from Bhamo.

3. AIR OPERATIONS

WESTERN FRONT: 15th. 8 Hurricane bombers with fighter escort attacked enemy minesweepers off the Aherbourg Peninsula. They sank one, probably sank another and damaged a third. Our fighters destroyed a German bomber and damaged two other aircraft off the East Coast.

15th/16th. Fifty bombers were sent sea mining off the East Coast of Denmark and Heligoland in good weather. Four of them are missing. Seventeen Hudsons were sent to attack two convoys totalling twenty ships off the Dutch Coast. Both were located and preliminary reports indicate that three and possibly four ships were left burning and three more were damaged. Six Hudsons are missing and three others crashed on return.

MALTA: Between 1515/14th and 1100/15th about eleven bombers and 120 fighters attacked or patrolled the Island. Our Fighters and anti-aircraft destroyed five enemy aircraft, probably destroyed one and damaged eight. We lost one Spitfire.

BURMA: 13th. Our aircraft attacked river craft near Schwegyin and the Aerodrome at Akyab.

14th. River craft on the Chinawin River were again attacked and other aircraft bombed Magwe and Myitkyina Aerodrome.

BRITISH WEST SECRET

(U.S. SECRET)

OPTEL No. 162Information received up to 7 A.M., 17th May, 1942.1. NAVAL

Reconnaissance aircraft yesterday sighted the pocket battleship LITZOW with five destroyers steering south off the Skaw.

Reference OPTEL No. 161, the destroyer depot ship has arrived at SIMONSTOWN. It is reported that there are 385 survivors from seven ships sunk in the outward HALIFAX convoy last week.

2. MILITARY

BURMA. KALEMA was occupied by the Japanese on the 14th. The withdrawal of our forces northwards continues.

LIBYA. There is increased enemy activity behind their forward positions in the area twenty to forty miles south-west of GAZALA.

RUSSIA. In the KHARKOV area, the Russian attacks are continuing against stubborn German resistance. In the CRIMEA, the Germans have made further progress.

The German Air Force has maintained an intense air effort against the Russian offensive in the KHARKOV sector during the past few days, this has resulted in a decided slackening of their attacks against the BLACK SEA ports and the CRIMEA.

3. AIR OPERATIONS

WESTERN FRONT. 15th/16th. 86 mines were laid successfully. The attack by 17 Hudsons, 11 of which were R.C.A.F., on convoys off the Dutch coast was very successful, 2 ships of 2500 tons and 1 of 4,500 tons were left burning, 7 others between 2,000 and 6,000 tons are claimed as hit and a near miss was made on a 5,000 ton ship.

16th. Our fighters carried out seven small offensive operations against minor objectives in occupied territory without making contact with enemy aircraft. They also shot down one German bomber off East Anglia and damaged another. Six Me 09 attacked shipping in FLYKUTER SOUND; anti-aircraft fire from destroyers shot down one and damaged another. 16th/17th. Fourteen aircraft were sent sea-mining off HELLIGLAND and the east coast of DENMARK. Fourteen Boauforts with torpedoes were sent to attack the FRINZ KNIGEN which was reported steaming south at high speed from TRONDHJEM, but failed to locate her. Six Hampdens laid mines in conjunction with this operation.

- 2 -

MALTA. Between eleven A.M. 15th and twelve thirty P.M. 16th fifteen bombers, escorted by over 100 fighters, attacked or reconnoitred the Island without causing serious damage. Fighters destroyed five enemy aircraft, probably destroyed three and damaged five. One Spitfire crashed on landing (pilot safe) and another was destroyed on the ground.

4. NORWAY

On the fourteenth May, the German Air Force operated ten Focke Wulfs 200 (four-engined, long range bomber) from NORWAY against the United States shipping North-East of ICELAND. There are now believed to be between forty and fifty Focke Wulfs 200 in the German Air Force.

5. GERMANY

Confirmation of the serious locomotive situation referred to in Hitler's latest speech is provided by a report that the construction and repair of locomotives and wagons in GERMANY are to be given a priority equal to those of aircraft, tanks and submarines.

AMHERST COLLEGE
PROGRAM OF THE CXXI
COMMENCEMENT



ALUMNI GYMNASIUM QUADRANGLE
SUNDAY XVII MAY
MDCCCCXXXII

ORDER OF EXERCISES

I

Prayer

Commencement Chaplain
EDWIN HILL VAN ETTEN, 1905

II

Music

The Spacious Firmament Joseph Haydn
AMHERST COLLEGE CHOIR

III

Address

LAURENCE BRADFORD PACKARD
Anson D. Morse Professor of History

IV

Music

Periti autem fulgebunt ut fulgor aetherus Felix Mendelssohn
AMHERST COLLEGE CHOIR

ORDER OF DEGREE
V
Conferring of the Degree Bachelor of Arts

RITE

Alexander Alexander, Jr.	<i>Garden City, New York</i>
Craig Gordon Allen	<i>Crestwood, New York</i>
Mark Banfield Baker	<i>Rochester, New York</i>
John Mason Betts	<i>Evanston, Illinois</i>
Robert Caldwell Black	<i>New York, New York</i>
Clinton Hamlin Blake, Jr.	<i>Great Barrington, Massachusetts</i>
Robert Eldredge Blood, Jr.	<i>New Hampton, New Hampshire</i>
John Jacob Blumberg	<i>Elizabeth, New Jersey</i>
William Leland Bonnett	<i>Brooklyn, New York</i>
John Oscar Bower, Jr.	<i>Wyncote, Pennsylvania</i>
Robert Barrett Bravo	<i>Washington, D. C.</i>
David Broadbent	<i>Providence, Rhode Island</i>
Edmund Alden Brown	<i>Plainfield, New Jersey</i>
William Cooper Browning	<i>Philadelphia, Pennsylvania</i>
Clarence Jay Buckman, Jr.	<i>Langhorne, Pennsylvania</i>
Douglas Parker Butler	<i>Worcester, Massachusetts</i>
Henry Louis Butterworth, Jr.	<i>Worcester, Massachusetts</i>
Richard Wadsworth Case	<i>Longmeadow, Massachusetts</i>
James George Chapman	<i>Greenwich, Connecticut</i>
Robert Gooddell Church, Jr.	<i>Meriden, Connecticut</i>
Alden Gould Clayton	<i>Providence, Rhode Island</i>
Eric Marbe Cohn	<i>New York, New York</i>
Jay Binswanger Cohn	<i>New York, New York</i>
Thomas Richeson Collins, Jr.	<i>Clayton, Missouri</i>
George Lloyd Cowan, III	<i>Edgewater Park, New Jersey</i>
Kenneth Raymond Crittenden	<i>Glen Ridge, New Jersey</i>
Merriam Davis	<i>Windsor, Connecticut</i>
Thomas Robert Davis	<i>Bronxville, New York</i>
Allen John deCastro, Jr.	<i>South Norwalk, Connecticut</i>
Wayne Elliot Dorman	<i>Washington, D. C.</i>
Jurgen Henry Doscher, Jr.	<i>Sweetwater, Texas</i>
Frederic Curtiss Eastman	<i>Framingham Centre, Massachusetts</i>
James Fairclough	<i>White Plains, New York</i>
Richard Everett Fallow	<i>West Hartford, Connecticut</i>

John Dennett Fernald	<i>West Newton, Massachusetts</i>
Everett Gladding Fuller	<i>Woodbury, New Jersey</i>
Robert John Gilfert	<i>Teaneck, New Jersey</i>
Randolph Gilman	<i>Bryn Mawr, Pennsylvania</i>
Edwin Howard Gilson	<i>Wellesley Hills, Massachusetts</i>
William Henry Goelitz, Jr.	<i>Oak Park, Illinois</i>
Dandridge Murdaugh Gray	<i>Bronxville, New York</i>
Robert Kidder Green	<i>Pawling, New York</i>
William Henry Greene	<i>Syracuse, New York</i>
Edward Emery Gregg	<i>Pelham, New York</i>
Charles Michel Griffith	<i>Pittsburgh, Pennsylvania</i>
George Gregory Grim, Jr.	<i>Hillside, New Jersey</i>
Howard Jolivet Gross	<i>Newton Highlands, Massachusetts</i>
William Edward Harper, Jr.	<i>Manhasset, New York</i>
Thomas Southworth Harrison	<i>Indianapolis, Indiana</i>
Burton Henry Harwood, Jr.	<i>South Glastonbury, Connecticut</i>
Albert Herman Hastorf, III	<i>Westfield, New Jersey</i>
John Tower Heald	<i>South Weymouth, Massachusetts</i>
Edmond Hardesty Heisler	<i>Wynnewood, Pennsylvania</i>
Robert Lincoln Hicks	<i>Swampscott, Massachusetts</i>
William Curtis Holdsworth	<i>Amherst, Massachusetts</i>
James Braddock Hurd	<i>Barrington, Illinois</i>
Robert Edmund Johnson	<i>Oak Park, Illinois</i>
Porter Keach Johnston	<i>Dallas, Texas</i>
Eric Arthur Jones	<i>Seneca Falls, New York</i>
William Nicholas Jones	<i>Teaneck, New Jersey</i>
Wilmer Deaver Kehne	<i>Frederick, Maryland</i>
Willard Kitts	<i>Honolulu, T. H.</i>
Edward Joseph Kneeland	<i>Holyoke, Massachusetts</i>
James Lay Knight	<i>Warsaw, Missouri</i>
Theodore Woods Lacey	<i>Arlington, Massachusetts</i>
Robert Shields Law	<i>Brooklyn, New York</i>
Frank John Leahy	<i>Pelham, New York</i>
Alexander Cooper Leonard	<i>Bennington, Vermont</i>
Harry Alexander McDonald, Jr.	<i>Detroit, Michigan</i>
Robert Knox McKechnie	<i>Cleveland Heights, Ohio</i>
Mano McLaughlin	<i>Milwaukee, Wisconsin</i>
Robert Drummond McMullin	<i>Waban, Massachusetts</i>
Willard Charles McNitt, Jr.	<i>Winnetka, Illinois</i>
Bradford Talmadge Main	<i>New Haven, Connecticut</i>
Richard Robinson Major	<i>Bronxville, New York</i>

the common enemy is received with special grat.

Herbert Putnam Mason, Jr.
Gordon Campbell Menzies
Edward Grosvenor Merrill
Alan David Miller
George Henry Millington
Thomas Edward Mulroy
Charles Babcock Nevins
Richard Joseph Newman
Richard Boynton Page
Arthur Walden Palmer, Jr.
William Henry Patch
Ward Harris Patton, Jr.
Theodore Tuttle Peck
Robert Thomas Pfeifer
Harlan Buddington Phillips
Franklin Hopton Preston
Charles Vincent Ramsey
John Carson Rather
Arthur Marshall Raymond
William Ely Ripley
William Hexamer Rodgers
Ralph Eugene Rollins, Jr.
John Robert Rowley
Harold James Savage
Perry Alden Sawyer
Clinton Robert Scharff, Jr.
Irving Lawrence Segal
William Robert Shera
Henry Harlow Skinner, Jr.
Trygve Bjorn Sletteland
Obed Finch Slingerland
Howard Persifor Smith, IV
William Johnston Smythe
Alan Wilson Steadman
Thomas Ashley Stebbins
Franklin Stockbridge
George Arthur Stuart
Grosvenor Pierce Taylor
Franklin Charles Thomas, Jr.
Paul Farr Thomas
Mark Lawrence Thomsen

Plattsburg, New York
Syracuse, New York
Warwick, New York
New Rochelle, New York
Philadelphia, Pennsylvania
Marblehead, Massachusetts
Winnetka, Illinois
Yonkers, New York
Weston, Massachusetts
Haverford, Pennsylvania
Jenkintown, Pennsylvania
Minneapolis, Minnesota
Shaker Heights, Ohio
Philadelphia, Pennsylvania
Mount Vernon, New York
Binghamton, New York
Glen Rock, New Jersey
Brooklyn, New York
Hingham, Massachusetts
Shaker Heights, Ohio
Merion Station, Pennsylvania
La Jolla, California
Narberth, Pennsylvania
Westfield, New Jersey
Hackensack, New Jersey
Detroit, Michigan
Worcester, Massachusetts
Scarsdale, New York
Yakima, Washington
Madison, Wisconsin
Albany, New York
Lancaster, Pennsylvania
Amherst, Massachusetts
Greenfield, Massachusetts
Deerfield, Massachusetts
Baltimore, Maryland
Baldwinville, Massachusetts
Greenfield, Massachusetts
Martinsburg, West Virginia
El Paso, Texas
Cleveland, Ohio

Homer Frank Trautmann
William Evert Traver, II
William Sutton Webber, 3rd
James Hervey Wells
Homer Orson White, Jr.
James Platt White, Jr.
William Homer Whorf
Thomas Clinton Wickenden
Richard Purdy Wilbur
Lawrence Edward Willard, Jr.
William Powell Williams

James Kermott Alexander
French
John Townsend Burgess
Economics
John Jonas Chester, III
American Studies
Miner Dunham Cary, Jr.
Philosophy
Perry Woodruff Davison
Physics
Bruce Charlesworth Dein
Political Science
David Plumb Eastburn
Music
Richard Woodbury Farwell
Economics
Raymond Dante Gozzi
English
Albert Fox Houghton
History
Allen Hathaway Howland
Economics
Donald William Kittelberger
Economics
John Hugh Liedtke, II
Philosophy

Manhasset, New York
Wellesley Hills, Massachusetts
Gloucester, Massachusetts
Batavia, New York
Glenolden, Pennsylvania
Winchester, Massachusetts
Winchester, Massachusetts
Short Hills, New Jersey
North Caldwell, New Jersey
Saco, Maine
Saint Louis, Missouri

CUM LAUDE

Englewood, New Jersey
Belleville, New Jersey
Columbus, Ohio
Northport, New York
Texas City, Texas
Honesdale, Pennsylvania
Doylestown, Pennsylvania
Winnetka, Illinois
Mount Vernon, New York
Milwaukee, Wisconsin
Walpole, Massachusetts
Queens Village, New York
Tulsa, Oklahoma

the common enemy is received with special grati

Mitchell Stanley Matuszko <i>Chemistry</i>	<i>Hadley, Massachusetts</i>
John Hollister Riskey <i>Fine Arts</i>	<i>Waterville, Maine</i>
Gerrit Hubbard Roelofs <i>English</i>	<i>East Aurora, New York</i>
Albin Joseph Sigda <i>French</i>	<i>Holyoke, Massachusetts</i>
Henry Goodwin Storrs <i>Biology</i>	<i>West Chester, Pennsylvania</i>
Harrison Greenwood Taylor, Jr. <i>Economics</i>	<i>Worcester, Massachusetts</i>
Rufus Johnston Wisor, Jr. <i>History</i>	<i>Shaker Heights, Ohio</i>

MAGNA CUM LAUDE

Theodore Spaulding Bacon, Jr. <i>History</i>	<i>Springfield, Massachusetts</i>
Robert French Belding <i>Mathematics</i>	<i>Northampton, Massachusetts</i>
William Hugo Bergstrom <i>Biology</i>	<i>Binghamton, New York</i>
George Crawford Buck <i>German</i>	<i>Meriden, Connecticut</i>
Robert James Good <i>Chemistry</i>	<i>Lincoln, Nebraska</i>
John Leslie Green <i>History</i>	<i>Clayton, Missouri</i>
Eric Pratt Hamp <i>Latin</i>	<i>East Orange, New Jersey</i>
Ralph Lyman Harding, Jr. <i>History</i>	<i>Shaker Heights, Ohio</i>
Carl Frederick Johnson <i>History</i>	<i>Springfield, Massachusetts</i>
Mitchell A. Kohn, Jr. <i>Biology</i>	<i>Schenectady, New York</i>
John Abbott Lindsay <i>Fine Arts</i>	<i>Andover, Massachusetts</i>

Irvin Chaffee Plough <i>Biology</i>	<i>Amherst, Massachusetts</i>
John Hutchins Reber <i>Philosophy</i>	<i>Sinking Spring, Pennsylvania</i>
Sherborne Baston Simonds <i>Biology</i>	<i>Worcester, Massachusetts</i>
Donald Laurence Thomsen, Jr. <i>Mathematics</i>	<i>Brookfield Center, Connecticut</i>
Richard Storer Ward <i>Chemistry</i>	<i>Templeton, Massachusetts</i>
Thomas William Wilcox <i>English</i>	<i>Evanston, Illinois</i>

SUMMA CUM LAUDE

Elbert Bartlett Harvey <i>History</i>	<i>Chestnut Hill, Massachusetts</i>
Thomas Lynn Johnson <i>Chemistry</i>	<i>Chatham, New Jersey</i>
James Turner Kaul, Jr. <i>English</i>	<i>Newport, Rhode Island</i>

VI

Conferring of the Degree Bachelor of Arts
HONORIS CAUSA

Frank Lusk Babbott, Jr.	<i>Bernardsville, New Jersey</i>
Austin Dudley Barrett	<i>Kew Gardens, New York</i>
Eric Kenneth Marks	<i>New York, New York</i>
Samuel Reid Russell, Jr.	<i>Wilmington, Delaware</i>
William Peabody Simons	<i>Longmeadow, Massachusetts</i>

the common enemy is received with special grati

VII

Conferring of the Degree Master of Arts

ROBERT THURLOW HOOD

B.A., Amherst, 1940

WILLIAM GERRISH METCALF

B.A., Oberlin, 1940

GERALD MILLER

B.A., Oberlin, 1940

JOHN VINCENT OSMUN

B.S., Massachusetts State College, 1940

VIII

Awarding of Medals for Eminent Service

GEORGE WALTER WITNEY, ex-1912

SAMUEL BOWLES KING, 1902

IX

Conferring of Honorary Degrees

Master of Arts

WILLIAM TECUMSBH SHERMAN JACKSON, 1892

Doctor of Humane Letters

CHARLES WOOLSEY COLE, 1927

ORDWAY TEAD, 1912

ROBERT WASHBURN MAYNARD, 1902

Doctor of Divinity

THEODORE MEYER GREENE, 1918

Doctor of Laws

JOHN JAY McCLOY, 1916

LUTHER ELY SMITH, 1894

HENRY MORGENTHAU, JR.
Secretary of the Treasury

X

Music

The Star Spangled Banner Francis Scott Key
AMHERST COLLEGE CHOIR AND AUDIENCE

XI

Benediction

Commencement Chaplain
EDWIN HILL VAN ETEN, 1905

8

The audience is requested to remain standing while the Trustees,
Faculty, Invited Guests, and Graduating Class leave the quadrangle.

the common enemy is received with special grati

MINISTRY OF FINANCE

Chungking, May 17, 1942.

Mr. Henry Morgenthau Jr.,
Secretary of the Treasury,
Washington, D.C.,
U. S. A.

Dear Mr. Morgenthau,

I acknowledge with pleasure and thanks the receipt of your letter of March 21, a copy of which, received by telegraph, was forwarded to me through the courtesy of Ambassador Gauss on March 25.

Before your kind message came, I had sent you, through the American Embassy, an appreciative telegram upon the conclusion of our negotiations on financial aid to China. It would therefore appear that our messages came across each other on the ethereal highway.

I would like to take this occasion to express to you once more my deep appreciation of your friendship for and faith in our people and Government, because without your foresight and cooperation during the discussions the Loan would not have been consummated so expeditiously.


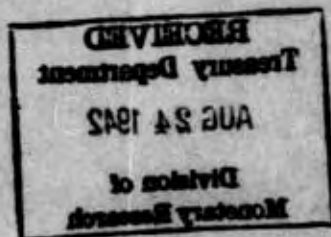
Your confirmation that the financial assistance given by the United States to China is one example of the United Nations' good faith in fulfilling their pledge to pool their resources to defeat the common enemy is received with special gratification.

MINISTRY OF FINANCE

- 2 -

Perhaps it would be superfluous for me to assure you and through you the American Government that the past record of our Government in adhering to the aims and intent of Agreements entered into with the U.S. Treasury, to which you have so kindly referred, will be fully maintained with respect to this new Loan Agreement. America has proved herself China's friend in need and I have every reason to believe that America's confidence in China will be vindicated.

Yours sincerely,


H. H. Kung

May 18, 1942
4:55 p.m.

HMJr: Hello. Are you feeling better?

General
Watson: Hello there. E.M.W. speaking.

HMJr: Yes, are you feeling better?

W: Is this H.M., Jr.? Yes, I am, really.

HMJr: Did the doctor find you all right?

W: The doctor said I was okay.....

HMJr: Good.

W:outside of my general debility.

HMJr: Yes.

W: Now, look here, I just wanted to check. I'm telling the Army any time one of these Secret Service men applies, that the Army should consider it on its merit and take him in if they wanted to. Is that right?

HMJr: That's right.

W: Good.

HMJr: Did you see the letter I wrote to the President?

W: No, but I haven't seen that - it's what I was trying to get - but I heard the Chief here of our section told me, and I just wanted to verify it.

HMJr: Well, I didn't - what evidently happened was that there were four or five men.....

W: Yes, I know.

HMJr:that wanted to go in, and the Chief talked to some Captain in the Army - I don't know who looks after you now that - Walter Smith isn't there any more, you know.

- 2 -

W: Yes.

HMJr: And evidently - I don't know whether they wanted desk jobs or not, but I got this impression, which may not be correct, that what Wilson says, if they want to fight, all right; but if they just want to get desk jobs, why he thinks ~~they~~ they ought to stay in the - to look after the President.

W: Yeah.

HMJr: But the President called me himself, and I told Wilson that if anybody wants to go into the Army, let them go.

W: Regardless of whether it was desk or field.

HMJr: Yes, inasmuch as that's the way the President evidently feels.

W: Good. That's all right.

HMJr: What?

W: That's all right.

HMJr: Because the President said to let these five go.

W: Good. I knew about that.

HMJr: That makes fourteen now.

W: Yes.

HMJr: But I just feel that if the President feels that way and that each - it's up to the Army to decide whether they want it or not.

W: Surely.

HMJr: Okay?

W: Fine.

HMJr: Thank you.

W: Good-bye. Thank you.

May 18, 1942
5:25 p.m.

Mrs. Dorothy
Roosevelt: Hello, Mr. Secretary.

HMJr: How do you do.

R: How are you?

HMJr: I'm all right, thank you.

R: I expect to be in Washington Thursday. I
wondered if there was a chance of seeing you.

HMJr: Surely.

R: What would be a convenient time?

HMJr: Now, let me just see. Thursday, Mrs. Roosevelt?
Thursday - what - let me just - no, I - in the
afternoon?

R: Yeah, any time.

HMJr: Three o'clock?

R: Fine.

HMJr: Three o'clock Thursday.

R: In your office.

HMJr: In my office.

R: That's fine. Thank you so much.

HMJr: Thank you.

R: All right.

May 18, 1942
5:58 p.m.

John
Pehle:

Yes, sir.

HMJr:

I was - good evening. I wanted to get Ed, but he's left. I was curious to know what progress you were making with the APC.

P:

Well, we haven't made any progress.

HMJr:

Really?

P:

Homer Jones, who was supposed to get in touch with me, didn't do it.....

HMJr:

Yeah.

P:

.....and I asked Ed today whether I ought to get in touch with him, and he thought not. I understand Markham called last week.....

HMJr:

Yeah.

P:

.....and said something about the APC still wasn't clear as to why it couldn't - the Executive Order couldn't divide up the functions. Now we've discussed that with them several times, and I think they ought to know by now why it's impossible to do that.

HMJr:

Ed thought that you shouldn't?

P:

What?

HMJr:

Shouldn't get in touch with Jones.

P:

Well, Jones is supposed to get in touch with me, and I'm sure he knew that.

HMJr:

Well, should I call Crowley and tell him?

P:

Well, I assume that he's up to date, Mr. Secretary.

HMJr:

Well, I don't - I don't think that that should - I'd just as lief call up Crowley and tell him

- 2 -

that you're waiting there.

P: Well, you don't need to do that. I'll be glad to call Jones myself and say, "I understood we were to get together and I haven't heard from you, and how about it."

HMJr: Well - and tell him that Mr. Crowley and I are meeting.....

P: All right.

HMJr:tomorrow at three-thirty.

P: I'll do that right away.

HMJr: We're meeting tomorrow at three-thirty.

P: Now I'll remind him of that.

HMJr: See? And the thing was to have been settled.

P: That's right.

HMJr: Oh, I think that Ed advised badly. I think that not having heard from him - who said that he would get in touch with you?

P: I suppose Leo did.

HMJr: Well, anyway.....

P: The message that I got from Ed was that Homer Jones was to get in touch with me.

HMJr: Well, I don't know - all this finagling.....

P: (Laughs) But I'll be glad to call him right away.

HMJr: If I hadn't heard from the man, I'd have called him up right away. You call him up, will you?

P: Certainly.

HMJr: And if he's gone, call him up the first thing in the morning, and say that Mr. Crowley and I

- 3 -

are getting together tomorrow at three-thirty,
what about it.

P: All right, I'll do that.

HMJr: See?

P: Yes, sir.

HMJr: Please.

P: Right.

May 18, 1942,

Supreme Court of the United States
Washington, D. C.

Dear Doctor Henry:

As an old professor I am
entitled to academic prejudices -
at least I have them! One of
the deepest, is a bias against
the adulteration of honorary
degrees. And so I greatly

rejoice that in conferring
 a Doctorate on you, Quaker,
 my own Esteemed Alma Mater,
 was true to the best standard
 in awarding her Honor -
 in making public a demonstration
 of pride and gratitude for
 your courageous and high-
 minded and excellent public
 choice.

Truly sincerely
 Fred [Name]

OFFICE OF PRICE ADMINISTRATION
WASHINGTON, D. C.

LEON HENDERSON
ADMINISTRATOR

May 18, 1942

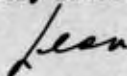
Hon. Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Henry:

Dave Ginsburg told me of his conversation with you regarding the reporting of my Ways and Means testimony. I enclose the comparison of newspaper reports which you requested.

However, I raise the question most intently as to whether any resurrection of this matter would be of help. I believe most strongly that it would not and I trust you will tell the President of my opinion. For my part it would certainly suit our purposes if the whole matter were allowed to drop.

Very sincerely,



Administrator

FOR DEFENSE



MAIL ROOM
RECORDED & INDEXED
MAY 20 1942
SECRETARY'S CORRESPONDENCE SECTION

MEMORANDUM ON PRESS TREATMENT OF LEON HENDERSON'S
TESTIMONY BEFORE THE HOUSE WAYS AND MEANS
COMMITTEE ON MAY 11, 1942, AND TREATMENT OF
CORRECTIVE STATEMENT ISSUED THE FOLLOWING DAY:

Representative
A Papers Examined - May 12 and May 13:

New York Times
New York Herald Tribune
Chicago Sun
Philadelphia Record
Baltimore Sun
Washington Times-Herald
New York Journal of Commerce
Wall Street Journal

- o - o - o - o - o - o - o -

Summary - Only one newspaper of those examined - the Wall Street Journal - had a completely accurate account of Mr. Henderson's May 11 testimony, accurately headlined. One other - the Baltimore Sun - did not touch upon the subject of wages.

The two major press associations, the Associated Press and the United Press, had well-balanced stories, accurately qualifying the reports (via committee members) of what Mr. Henderson said. Headlines, however, gave emphasis to the "wage freeze".

All but one of the seven other papers examined, carried prominently head-lined accounts on the first page (Philadelphia Record gave it page 9) playing up the "Wage Freezing" angle.

Mr. Henderson's statement of the following day, giving an *in* accurate presentation of his position, ~~was mentioned~~ ^{could not be located} at all ~~in~~ ⁱⁿ four of the nine papers. In two others it was buried under a small heading in the inside pages with a minimum of space - about 2 inches. Only two papers - the New York Journal of Commerce and the Baltimore Sun (which was accurate on the first day) - gave any substantial treatment of the second-day stay.

Paper by Paper, the treatment on each day was as follows:

NEW YORK TIMES - May 12
Page One, Column Three - Four-Bank head:

Henderson Urges
Wages Be Frozen
To Avoid Inflation

House Committee Members
Say He Advocated Step,
Warning Situation Is
Dangerous

Also Asks Forced Savings, etc.

Story - by Henry N. Dorris - fairly well qualified, but went beyond other papers in intimating, according to committee members, that he would "go to President Roosevelt to insist that wage controls be added to his present powers to fix commodity prices." Account of Mr. Henderson's testimony and press conference accurate in RP account carried on P. 12 without headline.

NEW YORK TIMES - May 13

Arthur Krock on Page 12 under 2-col. head "Henderson and Wages" refers in passing to Mr. Henderson's statement, but confines story chiefly to editorializing on President Roosevelt and Bernard Baruch's formula, etc.

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NEW YORK HERALD TRIBUNE - May 12

Prominent Headline, Page 1, Col. 1, says:

Wage Ceiling Is Advocated
by Henderson

He Also Calls for Forced Savings***etc.

- 0-0-0-0-

Story makes flat statement bearing out headline without qualification until third paragraph. Story runs full column and run-over.

NEW YORK HERALD TRIBUNE - May 13

No news story could be found on Mr. Henderson's statement. Leading editorial entitled "Leon the Leaper" congratulates Mr. Henderson on belated discovery of the need for wage freezing.

- 0 - 0 - 0 - 0 -

CHICAGO DAILY TRIBUNE - May 12

Eight-Column Page One Streamer head in Boldface Type-

FREEZE PAY, HENDERSON ASKS

Story by Willard Evans qualified so as to freeze all wages that are not sub-standard.

-0-0-0-0-0-0-0-

CHICAGO DAILY TRIBUNE - May 13

Mr. Henderson's corrective ~~statement~~ statement not located.

- 0 - 0 - 0 - 0 -

CHICAGO SUN - May 12

Page One, Column One - Large Black Head:

Henderson Proposes
Drastic Levy; Freezing
of All Wages and Salaries
Advisable, House Told

Story by Cecil Dickson not qualified as to source until third paragraph

CHICAGO SUN - May 13

Two-inch United Press summary of Mr. Henderson's statement carried near bottom of Page Four with small headline.

- 0 - 0 - 0 - 0 -

PHILADELPHIA RECORD - May 12

(The only standard newspaper examined without a Page One Story)

On Page 9 under a Black Head at top of the column:

Salary Freezing;
Stiff Tax Urged
by Henderson

Used story of United Press, which was well qualified as to source, i.e., "according to committee members...."

PHILADELPHIA RECORD - May 13

Buried under a small head, ^{on page 6} is a 2-inch piece referring to Mr. Henderson's correcting statement.

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BALTIMORE SUN - May 12

Page One, Column Three -

Cites Danger of
Inflation; Asks
Tax Hike.

Story, by Frank Kent Jr., is accurate and wages are not mentioned at all.

BALTIMORE SUN - May 13

Gives prominent play to Mr. Henderson's corrective statement using virtually the full substance.

WASHINGTON TIMES-HERALD - May 12

Page One, Column Three - Black Headline:

Henderson for Forced Saving Plan
OPA Also Favors Wage Freezing

Story, by Virginia Paisley, poorly qualified as to source until third paragraph. (This same story under three-column black head on "Pay Freezing and Compulsory Saving" appeared in New York Daily News)

WASHINGTON TIMES-HERALD - May 13

No story on Mr. Henderson's corrective statement could be located.

-* 0 - 0 - 0 - 0 - 0 -

JOURNAL OF COMMERCE & COMMERCIAL (New York) - May 12

Two-Column Large Head on Page One

OPA Head Asks Wage Freezing;
Wider Tax Base

Story unqualified as to source.

JOURNAL OF COMMERCE & COMMERCIAL (New York) - May 13

Prominent Head at top of Page 6

Henderson for Rise in
Sub-Standard Pay

AP story carried in full

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WALL STREET JOURNAL - May 12

Three-column headline on Page 2

Henderson Asks Stabilization of Wages; Farm
Prices; Backs Cut in Personal Tax Exemptions

OPA Head Opposes Sales Levy
As Adding to Difficulties
Of Rationing

Story the most accurate of any examined; well qualified where the single reference is made to wage freezing.

WALL STREET JOURNAL - May 13

No news story on Mr. Henderson's corrective statement, but leading editorial comments caustically on "Not Grasping the Nettle".

MAY 15 1942

Honorable Leon Henderson,
Administrator,
Office of Price Administration,
Washington, D. C.

My dear Mr. Henderson:

I have your letter of May 14, 1942, carrying the symbols R2:2:WSS, together with copy of a communication addressed by your office to the Postmaster General, both regarding the desirability of issuing gasoline ration coupon books as an adjunct to the sale of the internal revenue stamps for evidencing payment of the Federal tax on the use of motor vehicles which becomes due July 1, 1942.

As the result of discussions by representatives of the Bureau of Internal Revenue with representatives of your office during the past several weeks, steps have been taken whereby the use tax stamps will be serially numbered. June 10 has been tentatively set as the date on which the use tax stamps for the fiscal year 1943 will go on sale in the post offices and in the offices of the Collectors of Internal Revenue.

I am not officially informed of the results of your endeavors to secure the aid of the Post Office Department in issuing the gasoline coupon books incident to the sale of the use tax stamps. In any event, there seems to be no obstacle in the way of tying in the serial number of the stamp with the gasoline coupon book issued to a motor vehicle owner and the Bureau of Internal Revenue is prepared to cooperate with you in every reasonable way toward a successful solution of your problem.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

*Pls file H.M.C.
File to Thompson*

OFFICE OF PRICE ADMINISTRATION
WASHINGTON, D. C.



LEON HENDERSON
Administrator

Temporary Building "S"

MAY 1 1942
Refer to R2:2:455

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

My dear Mr. Morgenthau:

During the last several weeks representatives of the Fuel Rationing Branch of this office have had a series of discussions with representatives of the Bureau of Internal Revenue concerning the joint issuance, through the post offices, of the motor vehicle use tax stamps and the basic gasoline rationing coupon books which are to go into effect July 1, 1942.

It is my understanding that as a result of these discussions representatives of the Bureau of Internal Revenue are of the opinion that such a joint issuance would have material advantages for the enforcement of the use tax stamp collection, since no motor vehicle owner could obtain a gasoline ration coupon book without first purchasing a use tax stamp. The serial number of the use tax stamp would be placed on the gasoline ration coupon book as a means of identification.

The proposal for joint issuance during an initial registration period in June has also been presented to the Post Office Department, and there is enclosed herewith a copy of the formal request which has been made to the Postmaster General, Frank C. Walker.

This letter is to request your approval of the proposed joint issuance of the use tax stamp with the basic gasoline rationing coupons.

Very truly yours,

Leon Henderson

Leon Henderson
Administrator

FOR DEFENSE



BUY
UNITED STATES
SAVINGS
BONDS
AND STAMPS

Temporary Building "S"

Refer to: R2:2:WWS

The Honorable
Frank C. Walker
Postmaster General
Post Office Department
Washington, D. C.

Dear Mr. Walker:

The permanent plan for gasoline rationing is scheduled to go into effect on July 1, 1942. We have considered several methods for the distribution of the basic gasoline ration coupon book. We have found that the school system is not available for use as a distribution system, and we have discovered that other alternatives, such as distribution through state motor vehicle offices, are impractical.

After a series of conferences between representatives of your office, the Bureau of Internal Revenue and the Fuel Rationing Branch of this office, we are convinced that the most satisfactory method for the distribution of the basic gasoline ration coupon books is through the post offices at the time the motor vehicle use tax stamp is sold to the owner during an initial gasoline rationing registration period from June 10 to July 1. This method provides a sufficient number of local distribution points in each county throughout the rationed area; it permits the gasoline consumer to acquire his coupon book and his use tax stamp in one visit; and it aids in the collection of the revenues from the sale of the use tax stamp.

This letter is to request the Post Office Department to assist us in this important part of the war program.

For your information, the procedure required for this method of distribution would include the following steps:

The Honorable
Frank ...

1. The office of vice administration would issue the forms and other materials to the motor accounting post office designated by the post office department.
2. The post office department would redistribute the forms and other materials to local post offices.
3. Applicants for a valid motor vehicle license would present to the post office clerk a registration card on which they would indicate their name and address, the license number of the motor vehicle and the number of days of permit to drive, and send the post office clerk a duplicate of the registration card and serial number of the use tax stamp purchased by the applicant. A duplicate of these cards would be retained in the post office lobby and a duplicate of each stamp filed with the applicant before presentation at the clerk's.
4. The post office clerk would add the information on the card with the state motor vehicle registration certificate received by the applicant.
5. The post office clerk would write on the face of the coupon book the requested descriptive material (the license number, type of car, license number and serial number of the use tax stamp).
6. The post office clerk would stamp the reverse side of the state registration card with a post office date stamp and return to the applicant the stamped state registration card with the coupon book and the use tax stamp. The registration cards would be sent in unassembled packages to designated receiving points of the office of vice administration.

Although I realize that this is an additional task on the post office department, which is already carrying its full share of the war burden, I believe that your organization can provide the most effective and efficient means of making this distribution.

Very truly yours,

Leon Henderson
Administrator

TREASURY BILLS

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
.....	100	100	100	100
.....	100	100	100	100
.....	100	100	100	100
.....	100	100	100	100
.....	100	100	100	100
.....	100	100	100	100
.....	100	100	100	100
.....	100	100	100	100
.....	100	100	100	100
.....	100	100	100	100

TREASURY BILLS

	<u>May 20</u>	<u>May 13</u>	<u>May 6</u>	<u>April 29</u>
Amount offered	\$250 M	\$250 M	\$150 M	\$150 M
Bids tendered	567	546	355	375
Low rate	0 <u>3</u> / ₁₀₀	0 <u>2</u> / ₁₀₀	.245%	0 <u>1</u> / ₁₀₀
High rate372%	.376%	.372	.356%
Average rate365%	.368	.358	.335
Amount in New York	\$101 M	\$ 92 M	\$ 63 M	\$ 90 M
Amount in Chicago	71	101	58	29
Amount in San Francisco	15	6	2	4
Amount in balance of country	63	51	27	27

1/ \$50,000 bid at 100.000; \$5,000 bid at 99.980 , next low rate 0.198%
2/ \$5,000 bid at 100.000; \$10,000 at 99.985, next low rate 0.245%
3/ \$98,000 bid at 100.000 and lower; next low rate 0.237%

May 18, 1942

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

May 18, 1942

TO Secretary Morgenthau
FROM Mr. Vincent F. Callahan

Recently you indicated a desire to see the newspaper results which occurred over the country in connection with the launching of the Quota drive the first of this month.

Mr. Kuhn suggested that we get together the clippings carrying this material which have already come in and send them to your house so that, when you had a few moments, you would have the opportunity to look through some of them.

The bundle of clippings we are sending to you represent those that have already been sent in from eight points over the country.

Similar clippings are being collected for us at thirty-four points in all, so this collection represents only a partial showing. It will, however, give you an indication of the way newspapers throughout the United States used our initial material on the Quota drive.

Vincent F. Callahan

May 18, 1942

TO: HAROLD N. GRAVES *LG*
SUBJECT: PROGRESS REPORT FROM WAR SAVINGS STAFF

QUOTA CAMPAIGN

War Bond quotas for the month of June have already been sent to the field and will be given to the newspapers on May 25 for release in morning papers June 1. State quota figures for June will be released in the afternoon papers on May 25.

PAYROLL SAVINGS

The Payroll War Savings Plan has now been adopted by 76,330 firms throughout the country. Of the 30,400,000 employees of private concerns, 19,986,685 now have the plan available to them. In addition, a total of 1,471,862 or 33 per cent of the 4,400,000 employees of Federal, State and Local Governments may now purchase Bonds through the Payroll Savings Plan.

5/18/42
Burke

PAYROLL SAVINGS (Continued)

General Motors Corporation reported that as of May 15 more than 99 per cent of its 236,000 employees were investing almost 7 per cent of their wages in War Bonds through the company's Payroll Plan.

PLEDGE CAMPAIGN

News and radio bureaus for the Greater New York Pledge Campaign have been set up and arrangements have been made with the W.P.A. Writers Project, the New York Chapter of the American Newspaper Guild, and with the Press Photographers Association to furnish volunteer professional personnel in promoting the Campaign.

A group of reporters and photographers will cover every one of the 109 districts in the five boroughs on a volunteer basis.

To aid the Campaign photo coverage, the Press Photographers Association of New York, and photographers of New York newspapers and News Photo services will donate their time. In addition, the Photographers Association has volunteered to arrange for the use of newspaper and news photo services' facilities for processing negatives and prints on a gratis basis.

PLEDGE CAMPAIGN (Continued)

Radio promotion of the Greater New York Campaign will start with an All Star Show featuring famous personalities of stage and screen, probably on a statewide hook-up with all 14 New York City radio stations participating.

Numerous appearances by Minute Men are being scheduled on all stations. Special interviews, religious programs, dramatic sketches and spot announcements are being prepared. Each station in the Greater New York area is assigning a member of its staff to serve as liaison officer between the station and the War Savings Pledge Committee.

NEWSPAPER CARRIER SALES

With sales of 3,678,002 ten-cent Stamps reported since May 7 by the newspaper carrier agents of 880 newspapers, sales by the carriers to date total 279,786,878, in ten-cent stamps, or their equivalent in Bonds or Stamps of larger denominations.

VICTORY HOUSE

With daily feature purchases by famous actresses and actors attracting large crowds, the Victory House in Los Angeles, California, continues to average War Stamp sales of \$ 3,000 daily, and to date has generated the sale of more than \$ 4,000,000 in War Bonds.

Victory House in Allentown, Pennsylvania, reports sales of War Bonds and Stamps of \$114,000 since its inauguration six weeks ago.

RALLIES

Kate Smith sold \$78,000 worth of War Bonds in one hour at a special booth set up in Rockefeller Center in New York City. In addition she purchased \$50,000 herself.

CHICAGO "CHEZ PAREE"

Management of the "Chez Paree" Night Club in Chicago reported \$1,252,300 in actual cash through the sale of at least \$1000 bonds to each person attending a special party on Sunday, May 17. The management invited personal friends and provided dinner and entertainment featuring Danny Kay's orchestra. A miniature United States Treasury Department was set up on the floor, cash accepted and Bonds issued.

SPECIAL

An interesting example of the way in which War Savings Stamps may be used as tips for waiters, porters, taxi cab drivers, etc., was reported this week by C. P. MacGregor, a New York radio executive. His "Tips for Victory" cards carry Stamps of various denominations.

PRESS

A series of seven self-explanatory attachments shows typical results made in publicizing special articles by "name" writers in newspapers; the use of Quota slogans, War Bond

PRESS (Continued)

copy and special covers in various types of magazines; use of Minute Man insignia on all major race track programs; and typical use of the feature "What You Buy with War Bonds" in more than 2500 newspapers. Also attached is a booklet showing samples of editorial cartoons on the Quota Campaign. A scrapbook on the use of War Savings material by movie and radio fan magazines with a combined circulation of 8,000,000 readers is also attached.

RELIGIOUS PRESS

Reprints of War Bond editorials appearing in the GRACE EVANGELIST OF ST. LOUIS, CATHOLIC STANDARD and TIMES of PHILADELPHIA, THE ALBANY LOCAL EVANGELIST, and THE NEW YORK TEMPLE EMANUEL MESSENGER were sent out this week to 750 religious publications.

FOREIGN LANGUAGE PRESS

Special War Bond material in mat form was sent to 1,000 foreign language publications in connection with "I Am An American Day".

Typical example of use of the Secretary's letter on the Quota Campaign by foreign language papers is attached.

LABOR PRESS

Fifty-four chapters of the American Newspaper Guild are now cooperating with the War Savings Program and have appointed members to serve on a volunteer basis as local press representatives. Copies of current issues of the GUILD REPORTER and EDITOR AND PUBLISHER, newspaper trade magazines, with articles outlining these activities, are attached.

RADIO

Mrs. Morgenthau was scheduled as a guest speaker on the Fred Allen broadcast over the nationwide CBS Network on Sunday, May 17, from 9 to 10 P.M., EWT, in connection with "I Am An American Day". The program also featured Paul Robeson in "The Battle Hymn".

Special Bond and Stamp announcements featuring "I Am An American Day" copy were sent to all radio stations.

The "Roll Call of the Nation" program was broadcast 407 times by 455 of the nation's stations.

"Voices of the People", featuring Bonds and Stamps and quota copy, was broadcast 23,346 times by 392 radio stations.

"Women's Part in the War Bond Quota", a round-table discussion, will be conducted by Mrs. Henry Morgenthau, Jr. on Thursday, May 21, from 10:30 to 11:00 P.M., EWT, over the coast-to-coast NBC Network. Those who will take part in the

RADIO (Continued)

program discussion are: Jan Struther, author; Edna Woolman Chase, Editor, Vogue Magazine; Luise Rainer, actress; Mrs. Jeanett Simpson, factory war worker; Mrs. Clarence Hewitt, war worker's wife; Mrs. Philip Jones, farm wife and member of a typical American family.

One of the programs in the Treasury Star Parade Series entitled, "Education For Death", has been voted a certificate of merit by the Women's Press Club of New York.

The Payroll Savings Plan has now been installed by 478 radio stations, of which 380 report one-hundred per cent employee participation.

BUSINESS PUBLICATIONS

A total of 362 business publications, with a combined circulation of 3,405,719, advised they are using our latest advertising release.

FARM PUBLICATIONS

The second in a series of public advertising releases for farm publication copy, "Winning the War Begins on the Farm", (proof attached) also went to 47 audited farm publications with an approximate aggregate circulation of 18,000,000 farm readers.

LABOR PUBLICATIONS

The fourth advertising release for labor publications entitled "A Call to Action!" went to a list of 460 labor publications. Proof is attached.

Sales of United States Savings Bonds
From May 1 through May 16, 1942
Compared with Sales Quota for Same Period
(At issue Price in millions of dollars)

Date	Series E				Series F and G				Total			
	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales
	May 1	to	May 1	to Date	May 1	to	May 1	to Date	May 1	to	May 1	to Date
	Daily	Date	Date	as % of Quota	Daily	Date	Date	as % of Quota	Daily	Date	Date	as % of Quota
1	\$ 12.7	\$ 12.7	\$ 14.0	90.7%	\$ 7.3	\$ 7.3	\$ 9.0	81.1%	\$ 20.0	\$ 20.0	\$ 23.0	87.0%
2	11.6	24.3	25.7	94.6	7.9	15.2	16.0	95.0	19.4	39.4	41.7	94.5
4	22.3	46.5	47.8	97.3	10.3	25.5	29.5	86.4	32.6	72.0	77.3	93.1
5	8.9	55.5	57.8	96.0	7.6	33.1	37.1	89.2	16.6	88.6	94.9	93.4
6	18.4	73.8	70.5	104.7	15.6	48.8	49.8	98.0	34.0	122.6	120.3	101.9
7	23.2	97.0	84.0	115.5	12.1	60.8	60.3	100.8	35.3	157.9	144.3	109.4
8	17.2	114.2	98.0	116.5	6.4	67.2	69.3	97.0	23.6	181.4	167.3	108.4
9	14.5	128.7	109.7	117.3	5.6	72.8	76.3	95.4	20.0	201.5	186.0	108.3
11	23.3	152.0	131.8	115.3	8.1	80.8	89.8	90.0	31.3	232.8	221.6	105.1
12	9.4	161.3	141.8	113.8	4.6	85.4	97.4	87.7	14.0	246.8	239.2	103.2
13	15.8	177.1	154.5	114.6	9.0	94.4	110.1	85.7	24.8	271.5	264.6	102.6
14	16.9	194.0	168.0	115.5	7.7	102.1	120.6	84.7	24.6	296.2	288.6	102.6
15	14.9	208.9	182.0	114.8	6.8	108.9	129.6	84.0	21.7	317.9	311.6	102.0
16	14.3	223.2	193.7	115.2	5.2	114.1	136.6	83.5	19.5	337.4	330.3	102.1
18			215.8				150.1				365.9	
19			225.8				157.7				383.5	
20			238.5				170.3				408.8	
21			252.0				180.8				432.8	
22			266.0				189.8				455.8	
23			277.7				196.8				474.5	
25			299.8				210.3				510.1	
26			309.8				217.9				527.7	
27			322.5				230.5				553.0	
28			336.0				241.0				577.0	
29			350.0				250.0				600.0	

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

May 18, 1942.

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded to nearest hundred thousand and will not necessarily add to totals.

MAY 18 1942

Dear Walter:

Thank you for sending me the quotation from Flate, contained in your letter of May 13, 1942.

Apparently many things have changed in the last 2300 years, including our ideas about the income tax. Flate seems to have considered an income tax unjust to the just and mere than just to the unjust. I don't know what contrast he had in mind--possibly some ancestor of the sales tax. In any event, the income tax seems today to be the best available tax from the combined standpoint of revenue and equity and we are recommending that it be substantially increased. I hope Flate was wrong!

One quotation for another--you may be interested in reading Anatole France on the sales tax. Enclosed is a quotation from Penguin Island, page 47, Book II, Chapter IV, of the Modern Library edition.

Cordially yours,

(Signed) Henry

Mr. Walter H. Rothchild,
422 Fulton Street,
Brooklyn, New York.

Enclosure

*File n.m.c.
Copies to Thompson*

REP:mrw
5/18/42

WALTER N. ROTHSCHILD
422 FULTON STREET
BROOKLYN, N. Y.

May 13, 1942

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

Dear Henry,

I thought you would be interested, in case
you have never run across it, in a quotation from
Plato, in the period 427-347 B.C., which reads:

"When there is an income tax, the just
man will pay more, and the unjust less,
on the same amount of income".

With kind regards,

Cordially yours,

Walter Rothschild

WNR:LT

THE FIRST ASSEMBLY OF THE ESTATES
OF PENQUINTIA

"Bullech, my son," said old Keal, "we ought to make a census of the Pengulins and inscribe each of their names in a book."

"It is a most urgent matter," answered Bullech, "there can be no good government without it."

Forthwith, the apostle^{with}, with the help of twelve monks, proceeded to make a census of the people.

And old Keal then said:

"Now that we keep a register of all the inhabitants, we ought, Bullech, my son, to levy a just tax so as to provide for public expenses and the maintenance of the Abbey. Each ought to contribute according to his means. For this reason, my son, call together the Elders of Ales, and in agreement with them we shall establish the tax."

The Elders, being called together, assembled to the number of thirty under the great eyemore in the courtyard of the wooden monastery. They were the first Estates of Penguintia. Three-fourths of them were substantial peasants of Surrille and Clange. Greatank, as the noblest of the Pengulins, sat upon the highest stone.

The venerable Keal took his place in the midst of his monks and uttered these words:

"Children, the Lord whom he pleases grants riches to men and he takes them away from them. Now I have called you together to levy contributions from the people so as to provide for public expenses and the maintenance of the monks. I consider that these contributions ought to be in proportion to the wealth of each. Therefore he who has a hundred oxen will give ten; he who has ten will give one."

Then the holy man had spoken, Morio, a labourer at Ails-on-the-Clange, one of the richest of the Pengulins, rose up and said:

"O Father Keal, I think it right that each should contribute to the public expenses and to the support of the Church. For my part I am ready to give up all that I possess in the interest of my brother Pengulins, and if it were necessary I would even cheerfully part with my shirt. All the elders of the people are ready, like me, to sacrifice their goods, and no one can doubt their absolute devotion to their country and their creed. We have, then, only to consider the public interest and to do what it requires. Now, father, what it requires, what it demands, is not to ask much from those who possess much, for then the rich would be less rich and the poor still poorer. The poor live on the wealth of the rich and that is the reason why that wealth is sacred. Do not touch it,

- 2 -

to do so would be an uncalled for evil. You will get no great profit by taking from the rich, for they are very few in number; on the contrary you will strip yourself of all your resources and plunge the country into misery. Whereas if you ask a little from each inhabitant without regard to his wealth, you will collect enough for the public necessities and you will have no need to enquire into each citizen's resources, a thing that would be regarded by all as a most vexatious measure. By taxing all equally and easily you will spare the poor, for you will leave them the wealth of the rich. And how could you possibly proportion taxes to wealth? Yesterday I had two hundred oxen, to-day I have sixty, tomorrow I shall have a hundred. Clunic has three cows, but they are thin; Nicclu has only two, but they are fat. Which is the richer, Clunic or Nicclu? The signs of opulence are deceitful. What is certain is that everyone eats and drinks. Tax people according to what they consume. That would be wisdom and it would be justice."

Thus spoke Moric amid the applause of the Elders.

"I ask that this speech be graven on bronze," cried the monk, Bulloch. "It is spoken for the future; in fifteen hundred years the best of the Penguins will not speak otherwise."

The Elders were still applauding when Greatauk, his hand on the pommel of his sword, made this brief declaration:

"Being noble, I shall not contribute; for to contribute is ignoble. It is for the rabble to pay."

After this warning the Elders separated in silence.

As in Rome, a new census was taken every five years; and by this means it was observed that the population increased rapidly. Although children died in marvellous abundance and plagues and famines came with perfect regularity to devastate entire villages, new Penguins, in continually greater numbers, contributed by their private misery to the public prosperity.

(From Penguin Island, by Anatole France, Book II, Chapter IV,
Page 47)

- 2 -

to do so would be an uncalled for evil. You will get no great profit by taking from the rich, for they are very few in number; on the contrary you will strip yourself of all your resources and plunge the country into misery. Whereas if you ask a little from each inhabitant without regard to his wealth, you will collect enough for the public necessities and you will have no need to enquire into each citizen's resources, a thing that would be regarded by all as a most vexatious measure. By taxing all equally and easily you will spare the poor, for you will leave them the wealth of the rich. And how could you possibly proportion taxes to wealth? Yesterday I had two hundred oxen, to-day I have sixty, tomorrow I shall have a hundred. Clunic has three cows, but they are thin; Nicolu has only two, but they are fat. Which is the richer, Clunic or Nicolu? The signs of opulence are deceitful. What is certain is that everyone eats and drinks. Tax people according to what they consume. That would be wisdom and it would be justice."

Thus spoke Meric amid the applause of the Elders.

"I ask that this speech be graven on bronze," cried the monk, Bulloch. "It is spoken for the future; in fifteen hundred years the best of the Penguins will not speak otherwise."

The Elders were still applauding when Grentauk, his hand on the pommel of his sword, made this brief declaration:

"Being noble, I shall not contribute; for to contribute is ignoble. It is for the rabble to pay."

After this warning the Elders separated in silence.

As in Rome, a new census was taken every five years; and by this means it was observed that the population increased rapidly. Although children died in marvellous abundance and plagues and famines came with perfect regularity to devastate entire villages, new Penguins, in continually greater numbers, contributed by their private misery to the public prosperity.

(From Penguin Island, by Anatole France, Book II, Chapter IV, Page 47)

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Commissioner Helvering says nothing in this requires the Secretary's approval. The memo was sent to the Secretary as a matter of information only.



TREASURY DEPARTMENT
WASHINGTON

May 18, 1942

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

55000 6-1172 C-26
87

Memorandum for the Secretary:

In accordance with the provisions of R. A. No. 1014, dated September 14, 1939, paragraph 12, the case of Joseph M. Schenck for the years 1937 to 1941 ^{is being} ~~has been~~ excepted from the decentralization procedure for the reasons stated in an order to Deputy Commissioner Mooney, a copy of which is attached hereto.

Mr. Schenck's income tax cases for the years 1935 and 1936, as well as a gift tax case, which cases are pending before the United States Board of Tax Appeals, Dockets #108218 and #89242, have previously been excepted from the decentralization procedure with your approval. The taxpayer, through his duly authorized representatives, has requested that prompt field investigations be made of his 1938, 1939, 1940 and 1941 returns in order that his Federal tax liability for 1935 to 1941, inclusive, may be determined at an early date.

*Ms. Kelly
anything in connection with this matter?*

- 2 -

Memorandum for the Secretary.

Mr. Schenek's 1937 return was examined in connection with the field investigation made for the years 1935 and 1936 and this year is receiving consideration at the present time in the Income Tax Unit in Washington. Field investigations will be ordered promptly for the years 1938 to 1941, inclusive, in the offices of the Internal Revenue Agents in Charge of the Los Angeles Division and the Upper New York Division, some of the returns for these years having been filed in Los Angeles and others in New York.

Considering all the circumstances surrounding the case of Mr. Schenek, it is believed that the Government's interests will be best served by having his case for the years 1935 to 1941, inclusive, managed under one supervision.


Commissioner.

Attached:
Copy of order to
Deputy Commissioner Mooney.

APR 15 1941
DIVISION OF INVESTIGATION
U. S. DEPARTMENT OF TREASURY

IT:R:EAJ
JL-11346

MAY 18 1942

Memorandum for Deputy Commissioner Mooney:

In accordance with the provisions of R. A. No. 1014, dated September 14, 1939, you are advised that the case of Joseph M. Schenk for the years 1937 to 1941, inclusive, has been excepted from the decentralization procedure.

The taxpayer's representative in a recent letter has stated that Mr. Schenk desires to effect an early settlement with the Bureau of his liability for Federal taxes for all years 1935 to 1941, inclusive.

Mr. Schenk's income tax case for the years 1935 and 1936, as well as a gift tax case, have previously been excepted from the decentralization procedure. These cases are pending before the United States Board of Tax Appeals, Dockets #103215 and #89242. A field investigation for the year 1937 was completed concurrently with the years 1935 and 1936 and the case for this year is now under consideration in the Income Tax Unit in Washington. Field investigations by the Los Angeles and Upper New York Divisions for the years 1938 to 1941, inclusive, will be ordered promptly. Some of the returns for these years were filed in Los Angeles and others in New York. The issues occurring in the years 1935 and 1936 and the action taken by the Government as to such years affect 1937 and subsequent years also.

Since this case for 1935 and 1936 is pending on appeal before the Board of Tax Appeals, the year 1937 is receiving consideration in Washington in connection with the field investigation already made, the years 1938, 1939, 1940 and 1941 are to be made the subject of field investigations in two widely separated field divisions, and as the action already taken for 1935 and 1936 will have its effect on subsequent years, it is concluded that the Government's interests will be best served by having Mr. Schenk's case for 1935 to 1941, inclusive, managed under one supervision.

(Signed) Guy T. Halvering

Commissioner.

May 18, 1942.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

The Office of Scientific Research and Development asks for the continuous services of two Secret Service agents to safeguard personnel and protective devices at the Radiation Laboratory at the Massachusetts Institute of Technology at Boston where some extremely secret research is under way. They will reimburse us. The men can be provided from the Boston office. I recommend that the request be approved.

O.K. HM Jr

HEG:pm

D. Gaston

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE May 18, 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending May 16, 1942.

Summary

(1) Retail trade continues at a somewhat slower pace, which has probably been due in part to the imminence of retail price ceilings, effective today. The actual volume of department store sales in the early part of May fell below year-earlier levels. Dollar sales ran only 6 to 8 percent above year-earlier levels, while prices were up about 19 percent.

(2) The general price level has shown the first recession since early in February. The BLS all-commodity index in the week ended May 9 declined 0.1 percent to 98.6 -- a figure 31.5 percent above the pre-war level of August 1939. Basic commodity prices on the whole have shown little change recently.

(3) The cost of living continued upward in April, prior to the influence of the price ceiling order. The BLS cost-of-living index in that month rose 0.7 percent over the previous month, and stood 16.7 percent above the pre-war level of June 1939. Clothing costs led the rise, showing a gain of 2.7 percent.

(4) The output of steel ingots last week rose to the highest level on record as a result of a 1-point rise in the operating rate to 99.6 percent of capacity. However, demand for steel continues to run ahead of production, with orders carrying ratings of A-10 or higher amounting to 117 percent of capacity. Direct and vital indirect war requirements are aggregating nearly 99 percent of the industry's maximum output.

(5) Due to heavy military requirements, particularly for cantonment and warehouse construction, the delivery of softwood construction lumber to civilian users, by nearly all mills, has been banned for 60 days. The lumber will go to the Army, Navy and Maritime Commission. Larger supplies of raw materials for current war needs should become available as a result of last week's reported major policy decision to virtually eliminate longer range expansion of war plant capacity.

- - - - -

- 2 -

General price control developments

The first week of wholesale trade under the general wholesale price ceiling was marked by a series of OPA rulings which have partially allayed the confusion in the trade over administration of the ceiling order. As the regulation for retail prices becomes effective today, announcement of additional orders and adjustment procedures are expected. In some lines, noticeably in woolen goods, retail sales are reported to have dwindled considerably, and wholesale sales to have halted, pending further instructions concerning the pricing of seasonal textiles and goods sold under Government contracts.

OPA rulings issued last week included the following:

- (1) Retail ceilings on specified seasonal goods shall be determined by applying last season's percentage mark-up to a cost figure which cannot exceed the highest manufacturer's price in March.
- (2) Retailers whose margins are lowered, or even eliminated, on articles not making up a substantial portion of their total volume, must absorb the difference or seek relief from their suppliers.
- (3) Retail prices established under fair trade contracts, where there is any conflict between existing State fair trade laws and the general price order, are to be subject to the order.

Cost of living rises in April

Although living costs as of April 15 (prior to the ceiling order) rose to a new war-time high, the advance may not have carried average retail prices above the high point of March, on which the price ceiling is based. (See Chart 1.) In such case, living costs may show relatively little decline from the April level after the ceiling becomes effective. Nevertheless, costs of certain items will be lowered, and chief among these will be many food and clothing items.

The BLS cost-of-living index for mid-April rose 0.7 percent above that of March, and was 16.7 percent higher than the pre-war level of June 1939. Clothing prices advanced

sharply for the third successive month, and their nearly vertical rise has practically caught up with the advance in food costs. Clothing costs increased 2.7 percent during the month, and food costs 0.5 percent. Rent, fuel, and light costs were unchanged, but other costs increased to some extent.

Some retail food prices due for reduction

Retail prices for selected foods in 51 cities monthly in 1940, 1941, and through mid-April 1942, are shown in Chart 2. The chart has been brought more nearly up to date with estimates of prices as of April 28, made on the basis of confidential information supplied by the Bureau of Labor Statistics for 19 cities. These indicate a marked general rise during the latter part of April. Of the selected foods shown separately, prices for pork chops, round steak, and bread are subject to the general ceiling order. Butter and egg prices -- not under ceilings -- are likely to rise, since the Department of Agriculture is supporting wholesale prices of butter at a minimum of 36 cents a pound for the rest of the year, and had earlier announced a rising scale of fixed buying prices for dried eggs.

Wholesale commodity prices hesitate

The BLS all-commodity index receded very slightly to 98.6 in the week ended May 9, immediately before the general price regulation became effective in wholesale commodity markets. This was 31.5 percent above the level of the pre-war month of August 1939.

Basic commodity prices last week continued to follow an irregular course, with little net change. (See Chart 3.) The BLS price index of foodstuffs advanced to a new high, but the index of industrial raw materials declined somewhat. The rise in foodstuffs prices was featured by advances in prices for hogs and steers, which were buoyed by Government purchases of pork and by livestock producers' withholding of offerings.

Cottonseed oil prices advanced as a result of an adjustment of the OPA ceiling. Wheat and corn prices were somewhat lower, but barley advanced to a new war-time high. Butter prices declined as Government buyers stayed out of the market.

Price ceilings and futures trading

The effect of price control on futures trading was demonstrated again last week with the announcement of the closing of the New York Cocoa Exchange, following liquidation of existing

- 4 -

contracts. Since the ceiling was placed on cocoa prices, trading on the Exchange has consisted chiefly of exchange of futures for actuals, gradually eliminating most of the open contracts. The Cocoa Exchange was the tenth commodity exchange to close as a result of the war. The others were those dealing in silk, rubber, copper, tin, lead, zinc, hides, sugar, and coffee.

Pressure on sugar supplies lightened in East

A sharp decline in demand for refined sugar has occurred recently, as sugar hoarded by householders and industries is coming into use under rationing. As a result, refined sugar is being moved by rail from the South into warehouses in the deficit area in the North, and the OPA has ordered beet sugar offerings restricted to its normal western territory.

Cuban planters, as well as planters in this country, are reported hesitant about planting for a large 1943 crop because of uncertainty as to United States requirements, which appear to have been lowered by rationing and by curtailment of the alcohol program from high-test molasses.

Lag in retail trade continues

Department store sales have continued to lag recently, probably due in part to the effects of the maximum price regulations which go into effect on retail prices today. Thus in the week ended May 9 the gain over year-earlier levels narrowed to 6 percent from 8 percent in the previous week. (See Chart 4.) Furthermore, the figures mentioned contrast markedly with the cumulative sales gain of 20 percent shown thus far in 1942.

The unit volume of department store sales in recent weeks has actually fallen noticeably below year-earlier levels, since retail prices of typical department store items on May 1 were 18.7 percent above those of a year-earlier, thus much more than accounting for the recent moderate gains in dollar sales. Retail prices on May 1, as measured by the Fairchild index, were 0.8 percent higher than a month earlier. All of the major groups comprising the index showed gains during the month, with an advance of 1.3 percent in men's wear leading the rise.

Preliminary reports from the New York area indicate that department store sales improved slightly last week, with more favorable weather conditions tending to offset the restraining influences of gasoline rationing and the imminence of

- 5 -

retail price ceilings. Dun and Bradstreet's nation-wide weekly survey of retail trade showed that average dollar sales last week were approximately equal to year-earlier levels, thus indicating a rather noticeable decline in actual volume.

Steel output at new high

As a result of a 1 point rise in operations to 99.6 percent of capacity, the tonnage of steel ingots scheduled for production last week was the highest on record. (See Chart 5.) Although an operating rate of 99.9 percent was reached in the weeks ended May 19 and June 23, 1941, the industry's capacity at that time was lower. Steel operations during the current week are scheduled at 99.2 percent of capacity.

Steel ingot production in April fell moderately below the previous month's record output, but it was more than 5 percent greater than in April 1941. In the face of some earlier predictions of an actual decline in this year's steel output, aggregate production in the first 4 months of 1942 exceeded year-earlier levels by more than 4 percent. Shipments of steel plates in April rose about 2 percent to a new high, and Maritime Commission requirements are reported to have been met for the second consecutive month. Nevertheless, it was indicated that a permanent solution to the troublesome steel plate problem would not be had until additional plate mill capacity was in production.

War needs absorb nearly all steel output

Despite the attainment of virtual capacity production by the steel industry, demand for steel is still well above production, and WPB officials indicated last week that further restrictions will be imposed on consumption. Thus it was stated that demand during the current quarter carrying ratings of A-10 or higher amounts to 117 percent of the industry's capacity. Direct war requirements of the Army, Navy, Maritime Commission and Lend-lease amount to nearly 67 percent of total capacity. In addition, allocation programs for mines, railroads, exports, etc., account for another 14 percent, while new construction vitally essential to the war effort, such as for rubber, steel and aluminum plants, is taking 18 percent of capacity. Thus direct and vital indirect war requirements alone are currently aggregating nearly 99 percent of the steel industry's total capacity.

Plant expansion program to be cut

The shortage of raw materials, the dire need for more ships, and the belief that war developments may reach a climax in the near future, have apparently resulted in a major shift in emphasis in the conduct of the war production program. A spokesman for the WPB at the end of last week is reported to have stated that virtually all contracts for war plants which cannot be completed and in production by mid-1943 would be canceled. This move would tie in with the reported desire of the WPB to concentrate available supplies on the production of arms and munitions rather than on the plants in which they would be made in the more distant future. It was further indicated that, while construction will be pushed on projects like synthetic rubber and aviation gasoline plants, the scope of steel plant expansion, for example, would be cut down considerably.

Scrap dealers licensed

An improvement in the flow of steel scrap to mills has contributed to the recent rise in steel output. Nevertheless, in order to secure greater control over the scrap industry, the OPA recently ordered the licensing of all dealers in scrap, waste and salvage materials, effective May 20. The licensing will apply not only to dealers in iron and steel scrap but also to those handling other scrap materials for which maximum prices have been established, such as aluminum and zinc scrap, waste paper, scrap rubber, etc.

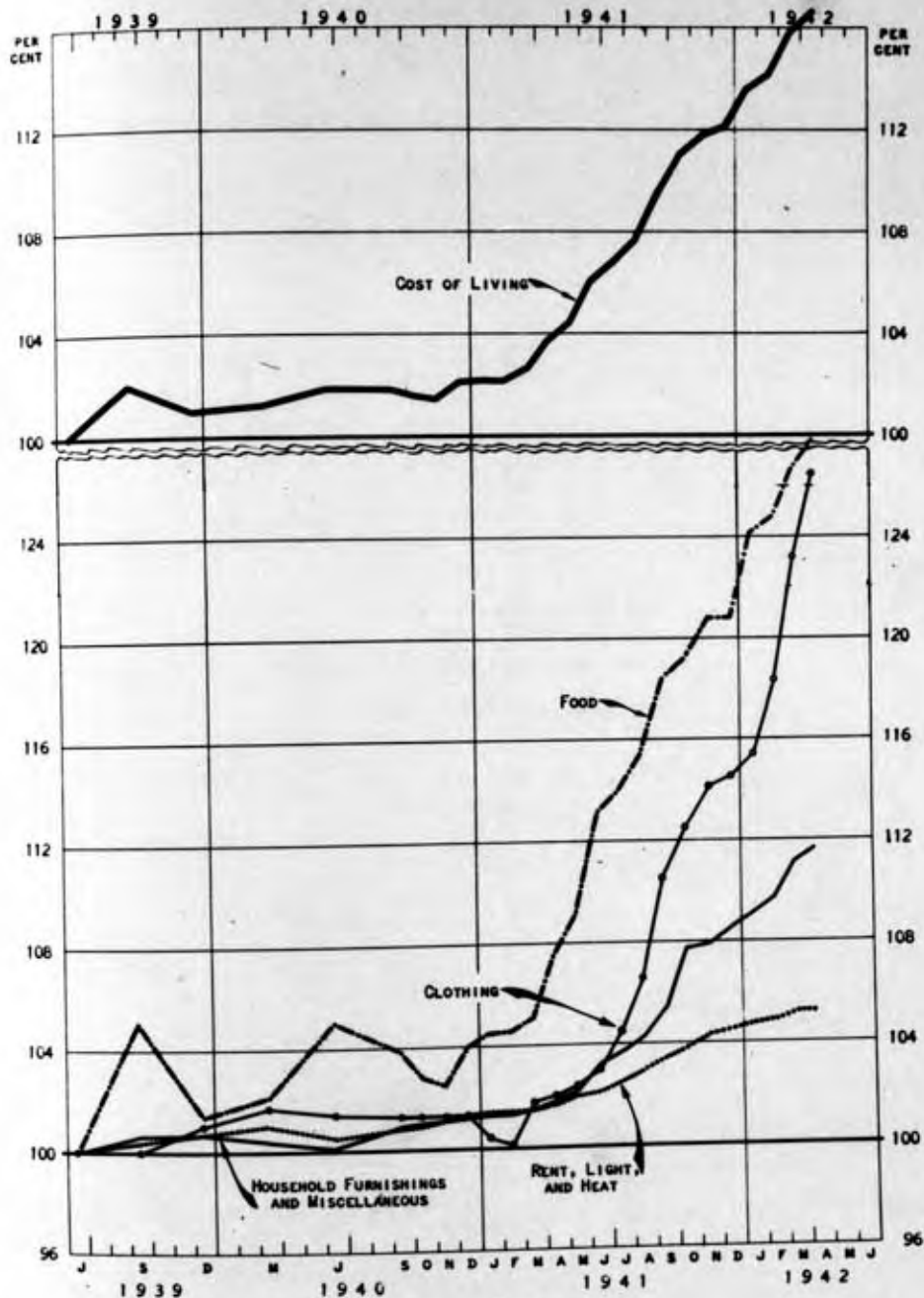
In issuing the order, Price Administrator Henderson indicated that evasions of price schedules have presented difficult problems and that a more comprehensive enforcement technique was deemed necessary. Considerable significance would appear to attach to this move, since OPA will thus be able to force the hand of violators of price regulations by revoking their licenses.

Construction lumber deliveries restricted

Due to heavy military construction requirements, the WPB last week banned for 60 days the sale and delivery of softwood construction lumber for civilian uses by all but the smallest mills. Delivery from mills will be made during this period only to the Army, Navy and Maritime Commission. The apparent purpose of the move is to enable the Army to obtain urgently needed lumber for the erection of cantonments and warehouses.

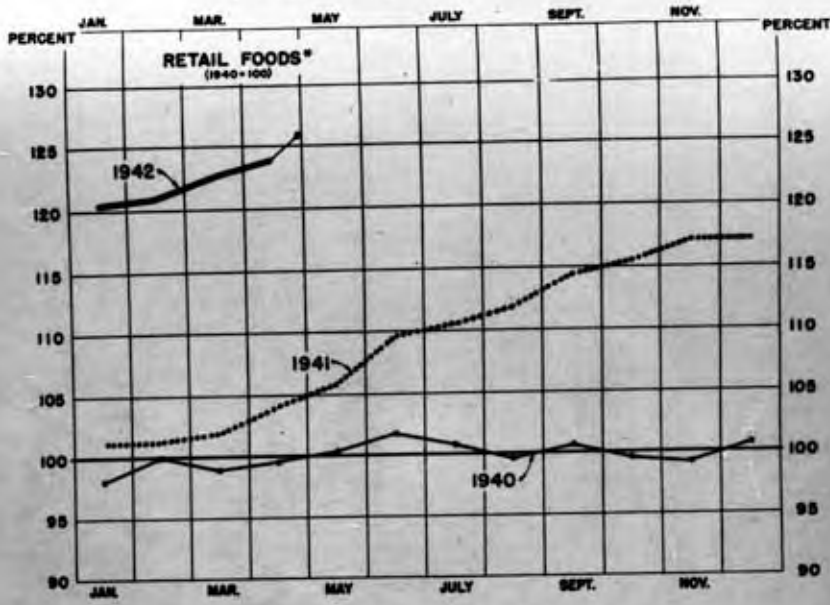
COST OF LIVING AND SELECTED ITEMS

JUNE 1939 = 100

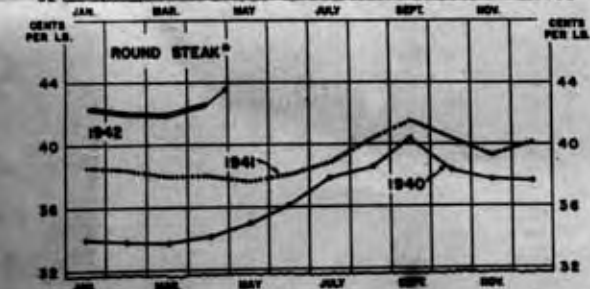
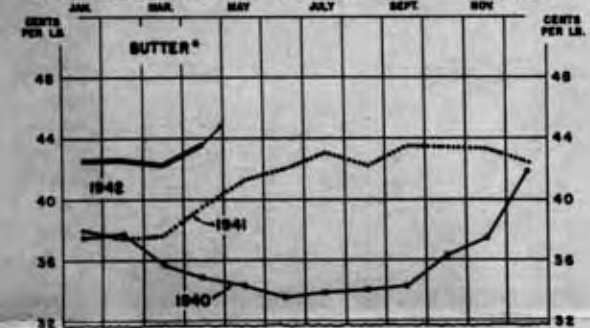
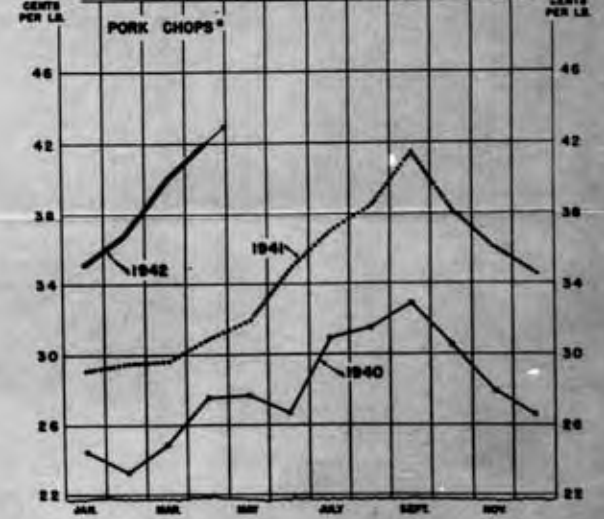
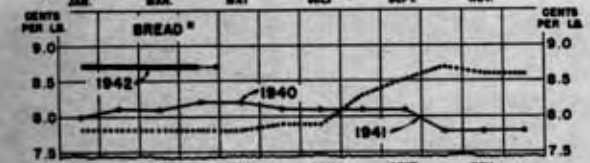
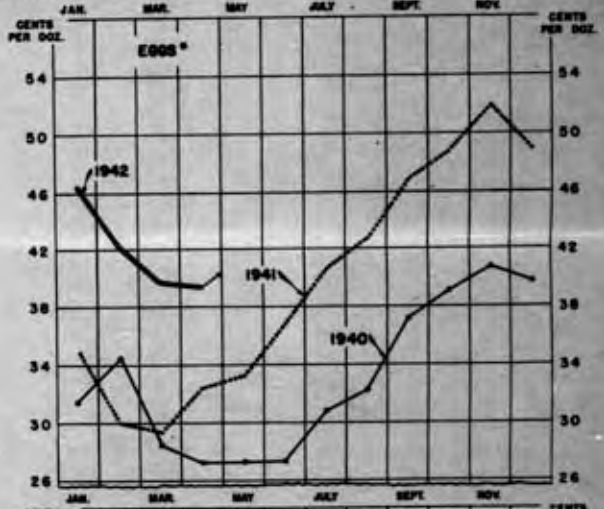
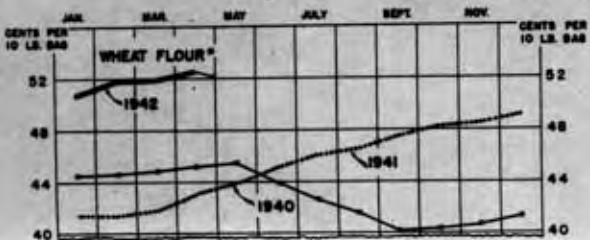


SOURCE: B.L.S.

FOOD PRICES, RETAIL



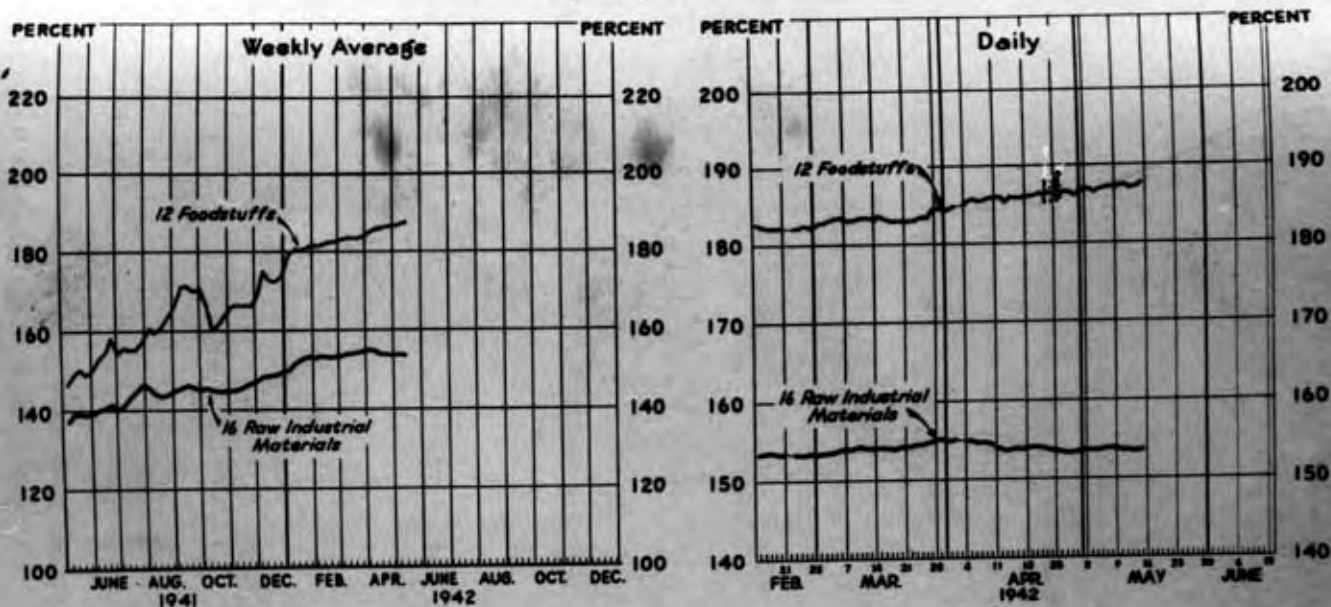
Selected Basic Foods



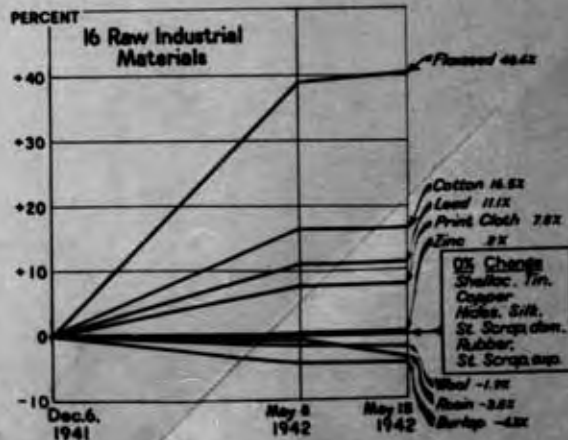
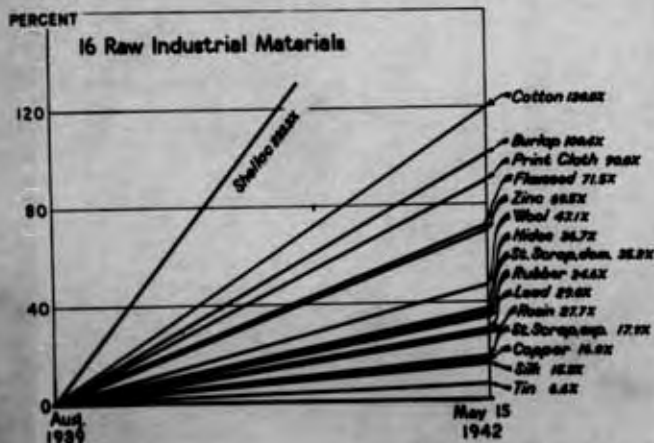
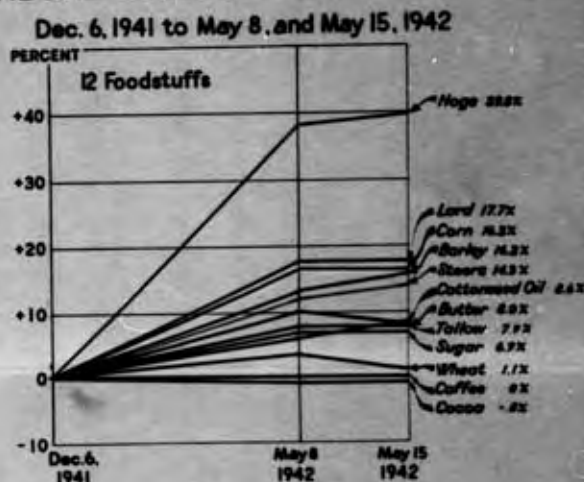
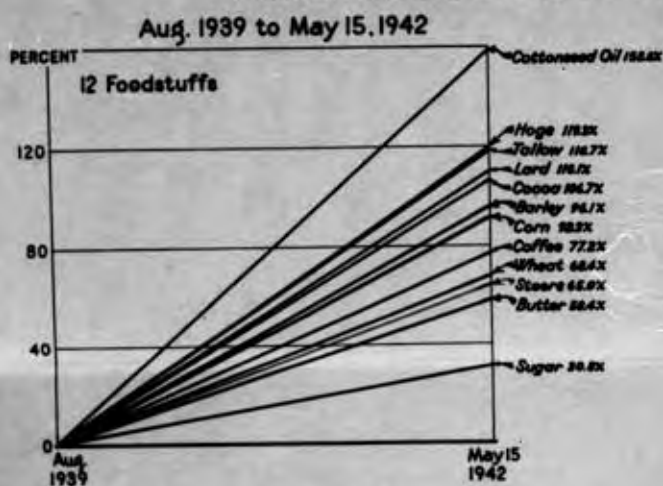
Note: Latest figures are for April 26, Estimated
* In 51 Cites, S.L.S.

MOVEMENT OF BASIC COMMODITY PRICES

AUGUST 1939 = 100



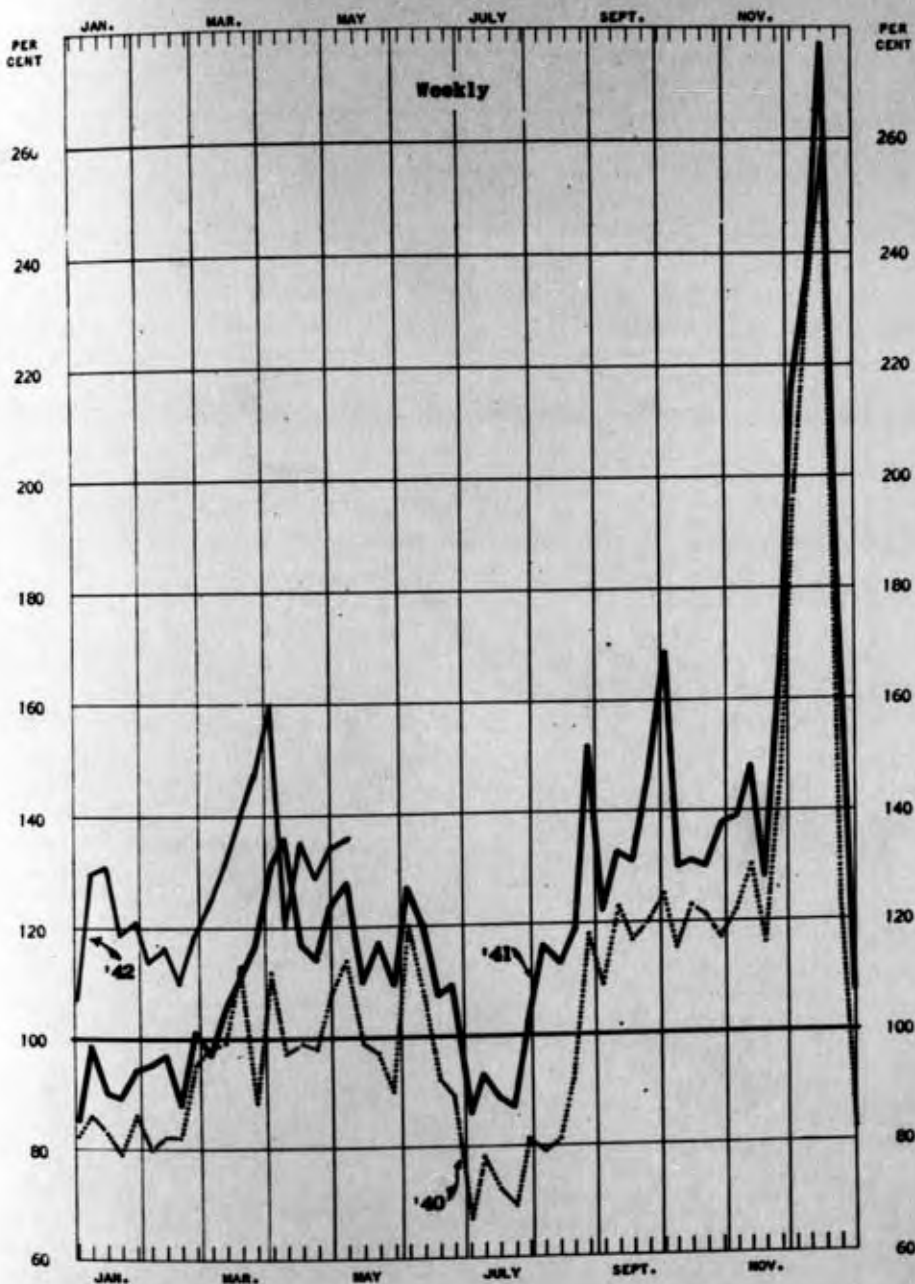
PERCENTAGE CHANGE FOR INDIVIDUAL COMMODITIES*

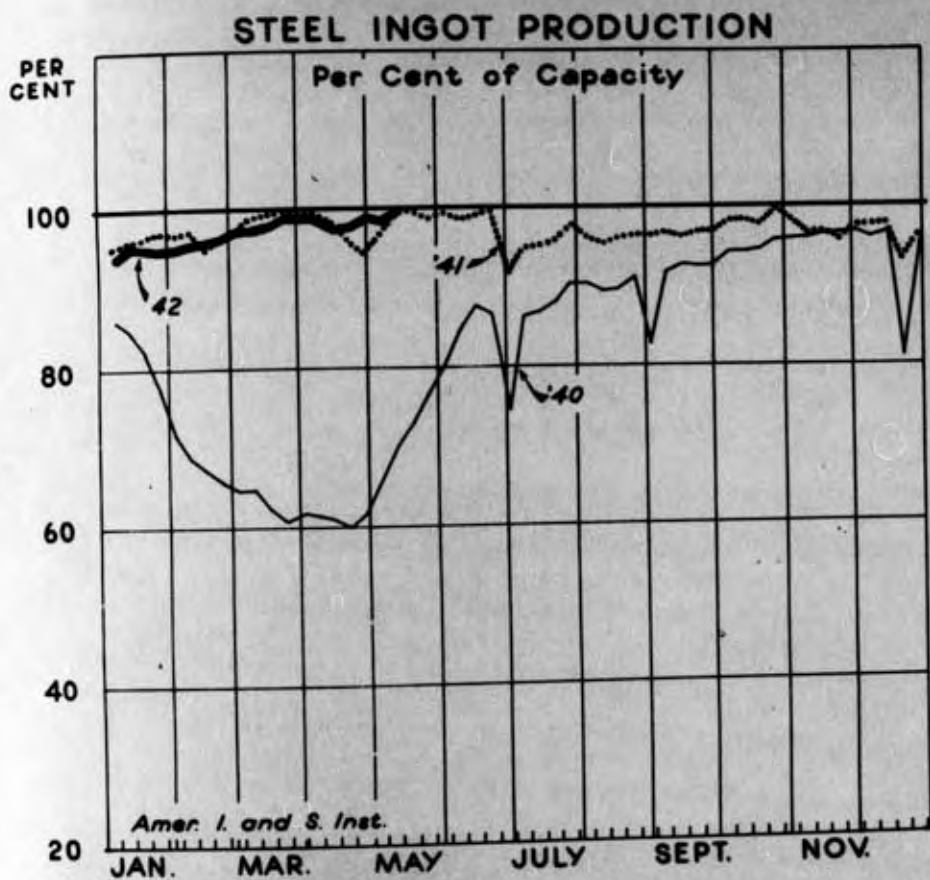


*Black lines indicate commodities under price ceilings

DEPARTMENT STORE SALES

1935 - '39 = 100, UNADJUSTED





[Handwritten signature]

May 18, 1942

For the Secretary

Attached is a copy of a letter just received from our District Chief Examiner in Dallas.

[Handwritten signature]
Upm

TREASURY DEPARTMENT

Office of
Comptroller of the Currency

Y
venth Federal Reserve
District

May 15, 1942

Comptroller of the Currency
Washington, D. C.

Attention: Mr. C. B. Upham

Sir:

This has further reference to our telephone conversation of May 13, relative to oil production loans carried by national banks in this district.

My information is that the Railroad Commission of Texas has authorized six days' production for the first half of the current month, and while no order has been announced by the commission, it is believed that another six days of production will be authorized for the last half of the month, making a total of twelve days' production for the entire month.

My information also is that storage facilities are running about to capacity in some localities and pipe lines have materially reduced the amount of oil that they will receive. In some cases the pipe lines are now taking only about forty per cent of that normally permitted to run. Under these conditions, it is evident that oil production loans now carried cannot be paid out at the rate anticipated when the loans were made, and in many cases, will have to be rewritten on different payment terms. Banks in Dallas, Fort Worth, Houston, and San Antonio, where the principal portion of the oil production loans in this state are carried, have been contacted, and without exception, they fully realize existing conditions and are going along willingly and without complaint with the loans they now have, but are making no new loans of this character of any consequence. Information along this line is that no borrower is to be pressed on account of restrictions in production and use, when otherwise the loans are considered good.

You may feel fully assured that the national bank examiners in this district are not taking any unreasonable position relative to oil production loans on account of present restrictions. The banks and the bank examiners have a full understanding of the situation and I am thoroughly convinced there is no cause for any criticism of either.

Very truly yours,

(Signed) W. A. Sandlin

W. A. Sandlin
Chief National Bank Examiner.

WAS:b

DEPARTMENT OF AGRICULTURE
WASHINGTON

A handwritten signature in cursive script, appearing to read "Claude".

May 18, 1942

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

There is attached a copy of a letter which I have just
sent Senator James M. Mead relative to the establish-
ment of mobile labor camps. This letter was sent in
reply to two requests received by Senator Mead indi-
cating the great need for these camps in New York State
in 1942. After our discussion yesterday I thought you
would be interested in this letter.

Sincerely yours,

Claude

Secretary

Enclosure

Honorable James M. Mead
United States Senate

Dear Senator Mead:

Thank you for sending us the letters you received from Mr. John E. Johnson, Chairman of the Genesee County Agricultural Defense Committee, LeRoy, New York, and Mr. Charles Parker, Chairman of the County War Board of Niagara County, Lockport, New York, about the need for facilities to house migrant farm laborers in these sections of New York State.

A serious farm labor shortage is expected in many parts of New York during the coming crop season, due both to industries in nearby communities absorbing much of the labor usually available for this purpose and to the increase in farm production called for under the Food for Victory Campaign which is now being stressed throughout the Country.

The Farm Security Administration, in cooperation with other agencies and groups, made a study of this situation, and as a result that Administration expects to be able to provide five Mobile Migratory Labor Camps to operate in the State of New York during the coming crop season where the need appears greatest. It is expected that Niagara and Genesee Counties will each be served by a camp.

As you know, provision for construction and operation of Migratory Labor Camps was stricken from the Agricultural Bill in the House of Representatives contrary to the recommendation of the President. It is hoped that before final passage of the Agricultural Appropriations Bill this situation will be remedied.

Sincerely yours,

Secretary

Enclosures

RECEIVED
10 APR
BWS WVA 12 W 11 30
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE



THE SECRETARY OF COMMERCE
WASHINGTON

*Mr. Allen 106
This meeting
with Mr
Sullivan*

May 18, 1942

Dear Henry:

In accordance with the President's suggestion made in his letter of May 16th, copy of which is enclosed, I am calling a meeting of this committee and the Executive Committee of the Governors' Conference in my office at the Department of Commerce, Wednesday, May 20th, at 10 A. M. Your presence will be greatly appreciated.

Sincerely yours,

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

COPY

THE WHITE HOUSE
Washington

May 16, 1942

My dear Mr. Secretary:

As you know, divergent State laws and regulations are impeding many phases of the war effort. These impediments to full production were discussed at your conference last week between representatives of the State governments and Federal war agencies. Specific solutions must be developed.

The Council of State Governments has suggested that I appoint a committee from the war agencies to meet with the Executive Committee of the Governor's Conference and formulate these solutions.

I am appointing you chairman of the committee from the Federal Government. Other members are the Secretary of the Treasury, the Attorney General, the Under Secretary of War, the Assistant Secretary of the Navy, the Chairman of the War Production Board, the Director of the Office of Price Administration, the Director of the Office of Defense Transportation, and the Chairman of the War Manpower Commission.

I suggest that you communicate at once with Mr. Frank Bane, Executive Director of the Council of State Governments, and arrange a meeting of your committee with the Executive Committee of the Governors' Conference early next week.

Sincerely yours,

/s/ Franklin D. Roosevelt

The Honorable

The Secretary of Commerce

RECEIVED
MAY 17 1942
U.S. DEPARTMENT OF COMMERCE
WASHINGTON, D.C.

MAY 18 1942

Dear Harold:

I have your letter of May 15, 1942, calling attention to pending legislation providing for the establishment of a Columbia Power Administration.

I am glad to have your full explanation of this matter and I am having the bill studied by representatives of this Department and hope to give you a report on the proposed legislation within the course of the next few days.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable,

The Secretary of the Interior.

DWB:cc 5-18-42

THE SECRETARY OF THE INTERIOR
WASHINGTON

109

MAY 15 1942

Dear Henry:

For almost two years I have sought to secure legislation that would enable the Bonneville Power Administration to provide the necessary leadership in the program for acquiring utility properties in the Northwest and setting up a coordinated public development. The culmination of this effort has been the recent introduction in the two houses of Congress of amendments to the Bonneville Act, H. R. 6889, H. R. 6890, and S. 2480, all of which are identical bills providing for the establishment of a Columbia Power Administration. They are largely the work of Senator Bone of Washington. I believe that it is of great importance that this legislation become law during this session of the Congress.

For many years a vigorous popular movement in that region has been attempting to effect these acquisitions. The huge Federal investment in the Columbia River dams, together with the expressions of Congress in the Bonneville Act respecting the disposition of the power from that project, has given that movement new impetus. The Northwest is a public power area and the continued existence of private utilities in the region is an unpopular and uneconomical anachronism. The smooth transition from private to public ownership of utility properties is a vital concern to the owners of those properties, to the public agencies that seek to distribute electricity, to the consumers, and to the Government. Even if the welfare of all of the Groups involved were not a matter of concern to the Federal Government, its heavy investment in power in the region and its role of principal producer and wholesaler of energy would make the Government necessarily a party of interest in the matter of these acquisitions.

The war has magnified the importance of the acquisitions. No scheme of operation under diversified ownership will effect the degree of coordination of the electrical facilities of this heavily electrified region necessary to achieve the greatest output of power and energy with the least expenditure of critical materials. Every kilowatt of power in this country is important to the war, but in the Northwest every kilowatt is crucial. The region is a storehouse of critical war materials that can only be unlocked through the availability of large quantities of electric energy. About 95% of the electricity being generated at the Federal facilities in the region is being put directly into industries essential to the war. The only alternative to legislation permitting Bonneville to effect immediately an acquisition program that is inevitable in this area would be to resort to emergency expedients

that would either be ineffective or would be many times more expensive to the Government than the orderly acquisition procedure provided in the proposed legislation. That is the reason, I am sure, that the President, who has kept closely in touch with this matter for a number of years, wrote to Senator Bone with respect to his bill as follows:

"I am glad to see that you have introduced a bill in the Senate which will authorize the acquisition by public bodies of the utility properties in the Northwest without increasing the indebtedness of the Federal Treasury, and provide an orderly means for returning to the Federal Government its investment in the power facilities at Bonneville and Grand Coulee. Both aspects of your bill are important in connection with the prosecution of the war. It will be helpful to the Federal Treasury to have the finances of Bonneville and Grand Coulee placed on a self-sustaining basis; and it is of great importance to our production program that the Bonneville-Grand Coulee power system, which is now almost entirely devoted to the manufacture of materials of war, should be augmented by the acquisition of other utility properties in the Northwest. Your bill will mean more airplanes, more ships and more raw materials and implements of war."

The prospects for securing this legislation are exceedingly favorable, particularly since the President has indicated that it will have the support of the Administration. Of course there will be the inevitable opposition and it can be counted upon to seize every opportunity to divide those who favor the measure. For that reason I hope that it will be possible for all the agencies of the Federal Government that report on the bill to favor its enactment and to suggest as few modifications in language as may be consistent with securing workable provisions. The bill does not embody all of the features that I would like to have had included. It is in a very real sense a compromise. But because the end sought is of such great importance and I am convinced that the provisions as they now stand have a real chance for enactment, I am willing to forego any betterments upon which I might otherwise have insisted.

The fiscal provisions seem particularly advantageous at this time because they set up the Government's Northwest power program on a business-like, pay-as-you-go basis. These features of the bill are substantially those worked out by conferences with representatives of various agencies of the Government and embodied in the draft of legislation prepared by the Bureau of the Budget and introduced last November by Congressman Hill as H. R. 6076. Officials of your Department were particularly helpful in working on this matter. The provision for the issuance of revenue bonds rather than obligations fully guaranteed by the Treasury is a new one in this bill. This

exception to the procedure contained in earlier drafts resulted from conferences that Senator Bone had with colleagues in the Senate and with members of the House. It was generally felt that the Congress would be unwilling to pass the bill unless provision were made to finance the acquisitions without increasing the indebtedness of the Treasury. The revenue bond provisions of the bill accomplish this end. I am certain that the bill can not pass unless this feature is retained.

I am aware that the Federal Government has not heretofore resorted to revenue bond financing in circumstances such as these, and I understand that there may be considerations against the widespread use of this method. However, none of these considerations obtains with respect to the issuance of revenue bonds for financing the acquisitions contemplated in the current legislation.

The use of revenue bond financing, especially in connection with public power programs, has a great deal of precedent in state and municipal practice. The record of revenue bonds issued for this type of enterprise is, I believe, unblemished by default. Interest rates on such bonds have been low, indeed, in many instances, lower than rates paid by the same governmental bodies on their general obligation bonds. Revenue bonds have maintained relatively stable values when other municipal securities have fluctuated. In the Northwest, particularly, the history of this type of financing is a long and honorable one. Mr. Foley, your general counsel, wrote some excellent articles on the subject of revenue bond financing as a result of his experience with these securities in the Public Works program.

The revenue bonds contemplated by the proposed legislation would be issued against acquired facilities that would enhance the value of the Government's power properties. They would be supported by earnings many times in excess of their debt charges. Of course, each of the acquisitions, under the terms of the bills as well as under prudent administrative practice, must stand on its own feet. However, the bonds that would be issued to acquire electrical facilities in the Northwest would be amply secured not only by the income derived from the use of the properties that they would represent but also by the tremendous income producing value of the Federal facilities in the area. Any discussion of the possibility of a default would be purely theoretical. The Bonneville Power Administration is now deriving about \$500,000 per month from its sales of power. Before the end of this year its income from power sales will be on the basis of \$1,000,000 per month. Its operation and maintenance costs will be in the neighborhood of \$2,000,000 per year. This heavy cushion makes the security of the proposed bonds already a case of supererogation without the imposition of further guarantees by the Treasury.

It is contemplated in the bills that the system-wide acquisitions of utility properties would be accompanied by the resale of the distribution properties to local bodies and cooperatives. Incidentally, these local agencies would issue revenue bonds against the properties that they acquired. Only the major generating stations and transmission facilities would be retained by the Columbia Power Administration and integrated with its constructed system. The Administration as well as the local public agencies would thereby secure necessary properties without having to pay heavy severance damages that would be imposed by piecemeal acquisitions. The bonds to be issued against the facilities retained by the Administration would represent only a fraction of the price of the purchased properties. The distribution facilities that would be sold to local groups would provide customers and increased revenues for the Federal system.

Subsequent to the introduction of the Columbia Power bills we have had direct evidence of the soundness of the revenue bond proposal. A number of representatives of recognized banking groups, including The First Boston Corporation, Lehman Bros., Blyth & Co., Inc., and Halsey, Stuart & Co., Inc., have sought out Senator Bone and members of my staff to discuss the marketing of these bonds. Moreover, eminent bond counsel have been consulted in this matter and have indicated that the bill would provide an appropriate basis for the issuance and sale of revenue bonds. It is generally believed that they could be sold to bear interest rates commensurate with those paid by the United States on its general obligations.

In the circumstances, I hope that the practical considerations that I have outlined may prevail and that your Department will be able to render a favorable report on the Columbia Power bills now before the Senate Commerce Committee and the Rivers and Harbors Committee of the House. Joint hearings on the bills may be expected in the next few weeks.

If I or members of my staff can be helpful to you in going into this matter more fully, please do not hesitate to call upon me.

Sincerely yours,

(Sgd.) HAROLD L. ICKES

Secretary of the Interior.

Hon. Henry Morgenthau, Jr.,

Secretary of the Treasury.

RECEIVED
 MAR 19 1938
 U.S. DEPARTMENT OF THE INTERIOR
 DIVISION OF LAND

M. S. T.
113

STRICTLY CONFIDENTIAL

May 18, 1942.

MEMORANDUM

FROM: Interdepartmental Committee on Investigations Pursuant to Public No. 135.
TO: Executive heads of departments, agencies, and independent establishments.
SUBJECT: Membership in the Communist Party or German-American Bund as ground for dismissal from Federal employment.

NOTE: The following memorandum prepared for the Interdepartmental Committee is being made available to executive heads for use in administration under Public No. 135.

1. The question has been raised whether the membership of a Federal employee in the Communist Party or the German-American Bund is ground for his dismissal.

If the Party and the Bund advocate "the overthrow of the Government of the United States by force or violence," or advocate the "overthrow of our constitutional form of government in the United States," the answer must be in the affirmative. The first test appears in the recent appropriation acts (see paragraph 4, below); the second appears in the Hatch Act (see paragraph 5, below).

Whether or not a showing is made as to the advocacy of force or violence, it would seem that a member of the Party or the Bund is by reason of that fact alone subject to removal from Federal employment under section 652 of title 5 of the United States Code, which provides for removal "for such cause as will promote the efficiency of said service."

(OVER)

2. The Intention of Congress. It has long been the clear intention of Congress to outlaw and condemn subversive elements -- which Congress regards as being most plainly exemplified by Communists and Bundists. This intention is reflected in the Federal employment statutes, and definitely expressed in certain other legislation. Two statutes make specific mention of the Communist Party and the German-American Bund. The first is the Selective Service Act of September 16, 1940, 50 U.S.C.A. App. sec. 308 (1). Congress there inserted an express statement of its policy that whenever there is a vacancy in any employment because of the induction into the armed services of an employee, "such vacancy shall not be filled by any person who is a member of the Communist Party or the German-American Bund." The second statute is the Emergency Relief Appropriation Act, June 16, 1940, 54 Stat. 611, 620. It is there provided that no person belonging to the Communist Party or the Nazi Bund Organization "shall be given employment or continued in employment on any work project prosecuted under the appropriations contained in this joint resolution." The same act calls for an affidavit from certain individuals that the affiant is not a Communist and not a member of any Nazi Bund Organization.

Mention may be made also of the recent amendment to the Foreign Agents Registration Act (Public Law 532, April 29, 1942). That act contains general language concerning membership in an organization which advocates the overthrow of our form of Government by force or violence. In the debate in Congress, it was urged that express mention be made of the Communist Party and the German-American Bund. Because of the international political situation, such language was omitted. Yet most speakers emphasized that the act, as passed, was intended to cover and does cover

- 3 -

membership in the organizations just named. It was simply deemed politic to avoid any specific labels. See Cong. Rec. v. 88, p. 827.

There can be no doubt that Congress regards the dismissal of Communists and Bundists from the Federal service as not only desirable but mandatory.

3. Removal under section 652. The Civil Service Act provides that civil service employees may be removed only "for such cause as will promote the efficiency of said service." Act of August 24, 1912, 37 Stat. 555, 5 U. S. C., sec. 652. This section has recently been invoked by the Secretary of Labor in removing an employee who was affiliated with the Communist Party and whose employment was therefore felt to be inimical to the efficient operation of her Department. See Matter of Miller (opinion of August 1, 1941). The Secretary of Labor, after reviewing the evidence, relied solely on section 652. She found that the employee was a leader in organizations dominated by Communists; that the employee had solicited another person to join the Party; that the employee, if not a Party member, at least accepted the Party's discipline; that the employee's usefulness as a government worker had been impaired; and that the employee's retention would undermine the confidence of the public in the employing Bureau.

The Miller case is clear precedent for the dismissal of Communists and Bundists from the Federal service.

Even stricter controls apply to employees of the War and Navy Departments, of the Coast Guard, and of their field services. Section 652 extends no protection to such employees, and they can be dismissed whenever their immediate removal is "in the opinion of the Secretary concerned,

(OVER)

warranted by the demands of national security." Act of June 28, 1940, 54 Stat. 676, sec. 6. The same result is achieved with regard to employees of the Military Establishment by the act of July 2, 1940, 54 Stat. 713, 5 U. S. C. 653. All this seems to do is spell out in broad terms still greater discretionary power in limited instances without detracting from the broad interpretation of section 652 employed by the Secretary of Labor.

4. The Appropriation Acts. Another approach to the problem appears in the recent appropriation acts. Those acts provide that no funds are to be allocated to pay any salary or other expense otherwise authorized "to any person who advocates, or who is a member of an organization that advocates, the overthrow of the government of the United States by force or violence." A partial list of acts using substantially the quoted language is as follows:

- Public Law 13, March 17, 1941, Sec. 3, Title 3;
- " 23, March 27, 1941, Sec. 4;
- " 28, April 5, 1941;
- " 29, April 5, 1941, Sec. 3, Title 3;
- " 71, May 23, 1941, Sec. 4;
- " 88, May 31, 1941, Sec. 305;
- " 135, June 28, 1941, Sec. 504, Title 5;
- " 136, June 28, 1941, Sec. 7;
- " 139, June 30, 1941, Sec. 10;
- " 143, July 1, 1941, Sec. 12 (b);
- " 144, July 1, 1941, Sec. 3;
- " 145, July 1, 1941, Sec. 5;
- " 146, July 1, 1941, Sec. 704;
- " 148, July 1, 1941, Sec. 10;
- " 150, July 3, 1941, Sec. 303;
- " 282, October 28, 1941, Sec. 301;
- " 353, December 17, 1941, Sec. 502;
- " 422, January 30, 1942, Sec. 301;
- " 441, February 7, 1942, Sec. 112;
- " 463, February 21, 1942, Sec. 301;
- " 474, March 5, 1942, Sec. 401;
- " 495, March 10, 1942, Sec. 305.

All of these acts impose criminal penalties on persons of the proscribed class who accept Federal employment and derive wages therefrom. The subversive employee must also restore to the United States the wages he has wrongfully obtained. See 18 U. S. C. secs. 80, 81, 83; 28 U. S. C. secs. 279, 280; 31 U. S. C. sec. 231.

Whether the Communist Party advocates the overthrow of the Government by force or violence is a point which has been much mooted. At one time the Party almost certainly did so. In 1938, or perhaps earlier, the Party line is said to have changed and violence is said to have been repudiated.

The Bridges case is relevant. An effort was made to deport Bridges because of his connection with the Communist Party. In December 1939, Dean Landis ruled that Bridges on the evidence was not then a member of the Communist Party and accordingly recommended against deportation. On September 29, 1941, Judge Sears found that Bridges had been a member of the Communist Party and held that sufficient ground existed for his deportation, the statute having been amended to make past membership in subversive organizations a basis of deportation. Judge Sears held that the Communist Party was still advocating overthrow of our Government by force and violence. On January 6, 1942, the Board of Immigration Appeals overruled Judge Sears as to Bridges' connection with the Communist Party, but said nothing as to the Party or its aims.

The case law on the subject relates chiefly to the period prior to 1938, and hence is not decisive if in fact the aims of the Party have changed. Dean Landis points this out in his Bridges opinion and adds, at page 7:

" * * * Not only is there the possibility that the characteristics and objectives of the Communist Party of

(OVER)

the United States of America have changed, but it is possible, in the light of changing economic and political conditions, to view the type of radical advocacy indulged in by that party as now so indefinitely related to force or violence as to cast doubt upon its appropriate inclusion within the ban of the statute. See Antolish v. Paul, 283 Fed. 957, 959."

In the deportation cases, the courts have found almost uniformly that the Party has advocated the use of force and violence and have held in consequence that membership in the Party was in itself grounds for deportation. These cases arose under the deportation statutes now contained in the act of October 14, 1940, 54 Stat. 1141, 8 U. S. C. sec. 705, et seq., and the act of June 28, 1940, 54 Stat. 673, 8 U. S. C. sec. 137. The chief difference of opinion in the decisions relates to questions which are not relevant to our inquiry, i.e., whether or not an individual member has in fact subscribed to the aims of the Party, and as to the time of his membership. The latter point is the only one on which the Supreme Court has ruled in this field. See Kessler v. Strecker, 307 U. S. 22 (1939), where the Court avoided our problem by refusing to pass upon the adequacy of the evidence concerning the purposes and aims of the Communist Party. The Circuit Courts in the past have generally agreed that the Communists urge the use of force and violence. In some cases, the individual under scrutiny conceded that the Communist Party did advocate force and violence, but his contention was that the evidence did not establish him as a member. There follows a selected list of cases in which it was held, or stated in dictum, or tacitly assumed, that the Communist Party did advocate force and violence:

- United States ex rel. Kettunen v. Reimer, 79 F. (2) 315 (C.C.A. 2, 1935)
- United States ex rel. Ohm v. Perkins, 79 F. (2) 533 (C.C.A. 2, 1935);
- United States ex rel. Yokinen v. Commissioner, 57 F. (2) 707 (C.C.A. 7, 1932);
- Berkman v. Tillinghast, 58 F. (2) 621 (C.C.A. 1, 1932);

Wolck v. Weidin, 58 F. (2) 928 (C.C.A. 9, 1932);
 Jurgans v. Seaman, 25 F. (2) 35 (C.C.A. 8, 1928);
 Kemotsu v. Nagle, 44 F. (2) 953;
 United States v. Tapolcsanyi, 40 F. (2) 255 (C.C.A. 3, 1930);
 United States ex rel. Vojewvic v. Curran, 11 F. (2) 683 (C.C.A. 2, 1926);
 Kjar v. Doak, 61 F. (2) 566 (C.C.A. 7, 1932);
 Vilarino v. Garrity, 50 F. (2) 582 (C.C.A. 9, 1931);
 Murdoch v. Clark, 53 F. (2) 155 (C.C.A. 1, 1931);
 Branch v. Cahill, 88 F. (2) 545 (C.C.A. 9, 1937);
 United States ex rel. Fernandes v. Commissioner, 65 F. (2) 593
 (C.C.A. 2, 1933).

Compare:

United States ex rel. Vajtauer v. Commissioner, 273 U. S. 103 (1927)
 (discussion of evidence);
 Strecker v. Kessler, 95 F. (2) 976 (C.C.A. 1, 1938), (membership in
 Party not per se cause for deportation),
 affirmed on other grounds, 307 U. S. 22 (1939).

5. The Hatch Act; "Overthrow." The Hatch Political Activity Act
 of August 2, 1939, makes it unlawful for any Federal employee "to have
 membership in any political party or organization which advocates the
 overthrow of our constitutional form of government in the United States."
 53 Stat. 1147, as amended July 19, 1940, 54 Stat. 767 (18 U.S.C.A. sec.
 61 (i)). It provides further that any person violating this prohibition
 is to be immediately removed from the employment rolls. There is no men-
 tion of "force and violence." The Hatch Act thus differs from the various
 appropriation acts just discussed—a difference which may simplify our
 problem. Some contend that the Communists do not now advocate the use of
 force or violence; yet few would deny that the Party is striving to replace
 "our constitutional form of government" with something entirely different.
 Compare Chafee, Free Speech in the United States (1941) p. 222.

Yet the Hatch Act does present certain difficulties of interpretation.
 What, exactly, is meant by the words "overthrow of our constitutional form
 of government"? Many political parties advocate peaceable changes.

(OVER)

Numerous constitutional amendments have been effected in the last few years. If "overthrow" means more than change, it may return us to the old test of force and violence.

Similar remarks may be made concerning the application of the Hatch Act to the German-American Bund, though here we have the additional fact that the Bund can probably be regarded as essentially an enemy group.

6. Summary. There appear to be three bases for removing from Federal employment rolls all members of the Communist Party and German-American Bund: First, under the broad powers contained in section 652 of the Civil Service Act; second, under the Hatch Act, without need of establishing the advocacy of force; third, by virtue of the various appropriation acts, though here the advocacy of the use of force and violence must be shown.

If an administrator decides to take action in a particular case, the use of section 652 would seem to involve fewer difficulties of fact and law than the second and third alternatives mentioned above.

MAY 18 1942

My dear Mr. President:

I am enclosing report on our exports
to some selected countries for the period
ending April 30, 1942.

Faithfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President,
The White House.

Enclosure.

By Messenger *Yeack 9:45*
5/19/42

HDW:msh
5/16/42

Ret. to Secy's office

May 14, 1942

Exports to Russia, Free China, Burma and other
blocked countries, as reported to the Treasury
Department during the ten-day period ending
April 30, 1942

1. Exports to Russia

Exports to Russia as reported during the ten-day period ending April 30, 1942 amounted to nearly \$51,000,000 as compared with approximately \$67,000,000 during the previous ten-day period. Motor trucks and land planes were the two principal items. (See Appendix G.)

2. Exports to Free China and Burma

Exports to Free China during the period under review amounted to about \$2,827,000, of which military equipment accounted for more than ninety percent. (See Appendix D.)

No exports to Burma were reported.

3. Exports to France

No exports to France were reported during the period under review.

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A. Most important were exports to Switzerland and Sweden amounting to \$223,000 and \$155,000, respectively.

ISF/efs
5/16/42

SUMMARY OF UNITED STATES
DOMESTIC EXPORTS TO SELECTED COUNTRIES
AS REPORTED TO THE TREASURY DEPARTMENT
FROM EXPORT DECLARATIONS RECEIVED
DURING THE PERIOD INDICATED 1/

July 28, 1941 to April 30, 1942.

(In thousands of dollars)

	July 28 to May 31	Period ended April 30	Period ended April 30	Total Domestic Exports
U. S. S. R.	\$330,831	\$65,680	\$80,988	\$448,609
Free China	65,531	5,335	2,827	73,693
Burma 2/	11,567	639	-	12,206
France 3/	6	-	-	6
Occupied France	2	-	-	2
Unoccupied France	28	-	-	28
Spain	2,848	4	5/	2,852
Switzerland	7,690	2,093	223	10,006
Sweden	17,472	19	155	17,646
Portugal	8,408	256	21	8,795
French North Africa 4/	6,283	5/	-	6,283

Treasury Department, Division of Monetary Research

May 12, 1942.

- 1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular period. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.
- 2/ From September 11, 1941 to date -- it is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.
- 3/ Includes both Occupied and Unoccupied France through week ending October 4, 1941. Occupied and Unoccupied France separated thereafter.
- 4/ Includes Morocco, Algeria, and Tunisia.
- 5/ Less than \$500.

JMW:rl 5/12/42

APPENDIX B

SECRET
120Exports from the U. S. to Free China, Burma and
U.S.S.R. as reported to the Treasury Department
July 25, 1941 - April 30, 1942
(Thousands of Dollars)

	Exports to Free China	Exports to Burma $\frac{1}{2}$	Exports to U.S.S.R.
July 25 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	309		655
Aug. 18 - Aug. 23	2		2,735
Aug. 25 - Aug. 30	1		1,025
Sept. 2 - Sept. 6	204		4,280
Sept. 8 - Sept. 13	2,281	$\frac{2}{1}$	5,217
Sept. 15 - Sept. 20	3,622	$\frac{1}{1}$	752
Sept. 22 - Sept. 27	110		2,333
Sept. 29 - Oct. 4	1,225	449	323
Oct. 6 - Oct. 11	5,312	604	6,845
Oct. 13 - Oct. 18	5	1,157	1,224
Oct. 20 - Oct. 25	269	75	5,283
Oct. 27 - Nov. 1	4,772	403	4,404
Nov. 3 - Nov. 8	1,672	58	4,522
Nov. 10 - Nov. 15	2,851	342	2,677
Nov. 17 - Nov. 22	1,228	88	3,521
Nov. 24 - Nov. 29	3,239	1,021	2,436
Dec. 1 - Dec. 6	791	1,364	3,609
Dec. 8 - Dec. 13	2,337	64	12,040
Dec. 15 - Dec. 20	111	18	4,280
Dec. 22 - Dec. 27	1	8	1,229
Dec. 29 - Jan. 3	35	196	3,223
Jan. 5 - Jan. 10	51	2	8,247
Jan. 12 - Jan. 17	1,695	1,073	5,874
Jan. 19 - Jan. 24	-	447	3,885
Jan. 26 - Jan. 31	6,938	-	9,608
Feb. 1 - Feb. 10 $\frac{1}{2}$	4,889	223	13,315
Feb. 10 - Feb. 20 $\frac{1}{2}$	4,853	1,054	26,174
Feb. 20 - Feb. 28 $\frac{1}{2}$	2,921	583	28,119
Mar. 1 - Mar. 10	2,879	-	32,202
Mar. 10 - Mar. 20	8,058	23	28,522
Mar. 20 - Mar. 31 $\frac{1}{2}$	2	2	42,835
Apr. 1 - Apr. 10	4,836	447	51,694
Apr. 11 - Apr. 20	5,375	639	66,906
Apr. 21 - Apr. 30	2,827	-	59,958
Total	876,296	11,083	644,180

- These figures are in part taken from copies of shipping manifests.
 Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
 It is presumed that a large percentage of exports to Burma are destined for Free China.
 Beginning with February 1 figures will be given for 10-day period instead of week except where otherwise indicated.
 -day period.
 -day period.

Treasury Department, Division of Monetary Research

May 14, 1942

ISF/efs 5/14/42

Regraded Unclassified

APPENDIX 9

Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the ten-day period ending
April 30, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 50,958
Principal Items:	
Motor trucks	6,424
Landplanes - bombardment	4,800
Dried egg products	3,037
Lard	2,275
Landplanes - pursuit, interceptor and fighter	1,930
Sausage, canned	1,841
Other aircraft parts and accessories	1,792
Military tanks - medium	1,761
Iron and steel sheets and strips	1,757
Pork, canned	1,633
Explosive shells and projectiles	1,231
Military tanks - light	1,223
Copper wire, insulated	965
Aircraft engines	962
Armor plate	844
Tires and inner tubes	754
Steel bars	721
Aircraft engine parts and accessories	689
Diesel marine engines	655
Relief supplies - clothing	629
Pork, pickled or salted	626
Metallic cartridges	592

Treasury Department, Division of Monetary Research May 14, 1942

ISF/efs
5/14/42

APPENDIX D

Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the ten-day period ending
April 30, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 2,827
Principal Items:	
Military equipment	2,653
Road rollers	84
Auto replacement parts	44
Medicinal chemicals	16
Vitamines and vitasterols, n.e.s.	10
Photographic apparatus and supplies	10

Treasury Department, Division of Monetary Research May 14, 1942

ISF/efs
5/14/42

MAY 18 1942

My dear Mr. Secretary:

I am enclosing copy of report on our exports to some selected countries for the period ending April 30, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable,
The Secretary of State,
Washington, D. C.

Enclosure.

T.M.C.

By Messenger

*Yeach 9:45
5/19/42*

5/15/42
EDW:msh

Ret. to Secy's Office

MAY 18 1942

My dear Colonel Donovan:

I am enclosing copy of report on our experts to some selected countries for the period ending April 30, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Colonel William J. Donovan,
Coordinator of Information,
Old National Institute of Health Building,
25th and E Streets, N. W.,
Washington, D. C.

Enclosure.

By Messenger

Yard 9:45
5/19/42

HDW:msh
5/15/42

Ret. to Secy's office

MAY 18 1942

My dear Mr. Perkins:

I am enclosing five copies of the report on our exports to some selected countries for the period ending April 30, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Milo Perkins,
Executive Director,
Board of Economic Warfare,
Room 3710,
Department of Commerce Building,
Washington, D. C.

Enclosures.

By Messenger

*Yeach 9:45
5/19/42*

HDW:msh
5/15/42

Return to Secy's office

MAY 18 1942

Dear Mr. Chen:

I wish to congratulate you on the excellent address which you made to the United States on May 6th under the auspices of the Chinese-American Institute of Cultural Relations.

The confidence which you expressed in the American people is, I am sure, not misplaced, and may I say that we, on our part, have the utmost faith that the Chinese people and their Government, as in the past, will do their utmost to help defeat the common foe.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. K. P. Chen,
Chairman, Stabilization
Board of China,
Chungking, China.

127/ofs
5/19/42

n.m.c.
Copies to Dr. W. H. L. H. H.

Return to Secy's office.

OFFICIAL LISTENING POST
of

BOARD OF INFORMATION

REPUBLIC OF CHINA

The following was transmitted by the Chinese International Broadcasting Station XGOY, Chungking, China. Recorded and transcribed by Dr. Charles E. Stuart, 461 East Main Street, Venture, California.

May 6, 1942 — 1430 G.M.T. — 9635 K.C.

Note: The following is a transcript of the speech given by Mr. K. P. Chen, a prominent alumnus of the University of Pennsylvania. He is well known in Washington Government circles. Mr. Chen is now Chairman of the Chinese Currency Stabilization Board and was former head of the Chinese Foreign Trade Commission. While in Washington he negotiated the first American Loan to China at war. Mr. Chen speaks under the auspices of the Chinese-American Institute of Cultural Relations.

My American friends: I am glad of this opportunity which the Sino-American Cultural Association has given me to speak to my friends in America. First of all as an alumnus of the University of Pennsylvania I wish to bring greetings to my Alma Mater from all graduates of the University now in this country. I also wish to take advantage of this opportunity to say "helle" to all the friends which I have made during my many visits to America.

Ever since my student days over thirty years ago I have enjoyed the most satisfactory personal as well as business relations with my many friends in America first in my school days at the Wharton School of the University of Pennsylvania and subsequently through long experience in banking and business. I have learned to admire American business efficiency and ways of life and often dreamed of the immense possibilities of Sino-American cooperation in the advancement of common ideals.

In recent years my experience gained through the two financial missions which I took to the United States on behalf of my government and work of the currency Stabilization Board convinced me of the existence of a long standing common interest which underlies the traditional friendship

between the two countries.

Now, since the eventful day on December 7th our traditional friendship has ripened into an alliance. Not only a common interest but a common destiny now binds us together, a common ideal inspires us and all our common actions lead to the attainment of the common objective of defeating the Axis.

As I stand here speaking^{ing} to you, my friends, I can vividly visualize to myself the millions and millions of men and women in the United States mobilized for war production. I can see them busily working day and night in factories, in shipyards and in the numberless offices that have lately sprung up in response to war needs and requirements.

I can see how millions of the flowering manhood of America are pouring into training camps to emerge again as fliers and expeditionary forces destined sooner or later for some distant parts of the world to fight the cause of liberty.

I can see your determined looks and your burning zeal. I want to salute you all. Friends, I want you to realize, as no doubt you do, that free peoples of the entire world are looking up to you, to every one of you, for the great part you are playing and are bound to play in delivering the crushing blow to the aggressors and for even the greater task of remaking this world to our liking.

I am speaking to you from Chungking, the spot from which the Chinese people have for nearly five years directed their struggle against the Japanese aggressor. I need not tell you the devastations we have borne, the sacrifices we have made in defense of our freedom. Right at this moment fiercest battles are being waged in Burma where our main link with the outside world and chief route of communications with America and other democracies is at stake.

I know you understand fully the gravity of the situation and there is no need for me to remind you of it. If I take this opportunity to

mention it, it is because I want you to know that however overwhelming are the odds we are determined to fight on until we win. I wish to give special emphasis to the fact and to assure you that though temporarily out numbered and short of equipment we are determined to match our flesh and blood against the bombs and shells of the enemy so that every minute we thus help to gain may be used by you in the manufacturing of arms, of tanks, of bombers and of battleships.

It is truly heartening to read reports from the United States that you are making satisfactory progress in your war production. We people here have an implicit faith in American efficiency. We thoroughly realize that the reason you have not been able to produce more than you do now is because the enemy had the clear advantage of a head start and the fact that they had this head start is because aggressors are always better prepared than their peaceful neighbors, just as bandits are sure to be armed while the houses which they go to rob are usually unarmed.

We know that although you are not well prepared, because you never aim to attack others, once you are attacked, once the bandit is in your yard and once your mind is made up to beat back the attack and capture the bandit we know that you mean business. We know that once your mind is made up you mean business. Without fear of exaggeration we can say this war is the biggest business that human beings have ever engaged in. I think that we all share the feeling that unless we make this business a success we will not be able to pursue any other business in peace and happiness.

This war is a war of life and death, a war in which all that makes life decent and worthwhile living is at stake. The rest of free mankind and contingents of your own soldiers are fighting tenaciously on all fronts, are all confident that you will soon bring forth the production which will turn the tide of this titanic struggle.

+

We have faith in America's mastery of war economy and technique. The challenge to turn out as many goods as fast as possible was answered by the American industrial machine with its customary energy, initiative and ingenuity. The prerequisite of victory is getting the right goods to right places. The triumph of American war production is already assured. We in China no less confidently await the triumph of American war distribution.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 18, 1942

TO Secretary Morgenthau
 FROM Mr. Kamarck
 Subject: Shipment of Planes to British Forces

1. In the week ending May 12, 1942, a total of 118 planes of all types (112 combat planes) were shipped to British forces.

2. The Royal Air Force squadrons in the United Kingdom have now received over 1,000 combat planes in 1942 from the United States.

3. The proportion of American plane production going to the British forces might be of interest. In the first three months of 1942, the British received one-quarter of our total combat plane production. They took a greater proportion of our pursuit planes (31 percent of total production) than of any other type. Heavy bombers were least favored; only four percent of our heavy bombers went to the British. The detailed table follows:

<u>Type</u>	<u>Percent of total American production Jan. 1, 1942- March 31, 1942, shipped to British forces</u>
Pursuit	31 percent
Light and medium bombers	23 "
Naval patrol bombers	19 "
Trainers	6 "
Heavy bombers	4 "
Total combat types (excluding trainers)	25 "

Table A - Shipments by Area

	Week Ending May 12, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
<u>To the United Kingdom</u>			
Light and medium bombers	22	248	1,419
Heavy bombers	3	50	154
Naval patrol bombers	0	8	110
Pursuit	44	686	997
Army Cooperation	12	71	102
Trainers	0	0	24
Total to the United Kingdom	81	1,073	2,806
<u>To the Middle East</u>			
Light and medium bombers	0	192	522
Heavy bombers	0	0	5
Pursuit	11	205	1,058
Army Cooperation	0	12	12
Trainers	0	8	150
Total to the Middle East	11	417	1,742
<u>To the Canadian Forces</u>			
Light and medium bombers	0	35	203
Heavy bombers	0	1	1
Naval patrol bombers	0	23	31
Pursuit	0	30	72
Trainers	6	323	1,564
Total to the Canadian Forces	6	412	1,871
<u>To the British Pacific Forces</u>			
Light and medium bombers	0	121	216
Naval patrol bombers	0	0	27
Pursuit	20	175	343
Trainers	0	0	105
Total to Pacific Forces	20	296	691
<u>To the British Indian Forces</u>			
Pursuit	0	40	40
Total to Indian Forces	0	40	40
<u>Totals</u>			
Light and medium bombers	22	606	2,360
Heavy bombers	3	51	160
Naval patrol bombers	0	31	168
Pursuit	75	1,136	2,505
Army Cooperation	12	83	114
Trainers	6	331	1,843
Grand Total	118	2,238	7,150

Table B - Shipments by Types

	Week Ending May 12, 1942	Total shipped in 1942 to date	Total shipped since Jan. 1, 1941
Bell Airacobra	0	314	468
Boeing B-17	1	12	32
Boston III	0	10	34
Brewster Buffalo	0	0	168
Cessna Crane I-A (AT-17)	5	45	45
T-50	0	86	700
Consolidated Catalina	0	31	168
Liberator	2	39	128
Curtiss Kittyhawk	31	414	796
Tomahawk	0	0	544
Douglas Boston I, II, and III	0	0	492
Fairchild 24 R-9	12	73	95
Glenn Martin Baltimore	0	195	263
Maryland	0	0	150
Grumman Martlet II	0	46	87
Lockheed Hudson	8	277	1,247
Lightning	0	3	3
Ventura I	0	12	12
Ventura Bomber	14	106	106
North American B-25B	0	6	6
Harvard II	1	52	949
Mustang	44	359	439
Pitcairn Autogiro	0	0	5
Stearman PT-27	0	148	149
Vought-Sikorsky Chesapeake	0	0	50
Vultee Stinson O-49	0	10	14
Grand Total - All Types	118	2,238	7,150

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Table C - Plane Shipments to the British by Weeks

Week Ended	Light and medium bombers	Heavy bombers	Naval patrol bombers	Pursuit	Army Cooperation	Trainers	Totals
Weekly average of shipments in 1941	36	2	3	28	1	30	100
January 6, 1942	24	0	5	30	4	9	72
January 13, 1942	3	0	2	58	0	42	105
January 20, 1942	8	0	0	14	0	60	82
January 27, 1942	24	0	1	100	5	13	143
February 3, 1942	9	0	3	10	4	4	30
February 10, 1942	33	0	3	59	0	4	99
February 17, 1942	12	0	2	41	7	0	62
February 24, 1942	33	0	2	86	7	1	129
March 3, 1942	26	0	1	80	6	0	113
March 10, 1942	29	2	0	78	1	0	110
March 17, 1942	34	1	0	94	8	0	137
March 24, 1942	94	9	12	79	0	84	278
March 31, 1942	49	1	0	58	4	10	122
April 7, 1942	69	2	0	8	4	5	88
April 14, 1942	55	7	0	86	6	29	183
April 21, 1942	55	11	0	43	15	34	158
April 28, 1942	35	10	0	39	0	26	110
May 5, 1942	14	2	0	98	0	4	118
May 12, 1942	22	3	0	75	12	6	118
Total shipments since Jan. 1, 1941 to date *	2,360	160	168	2,505	114	1,843	7,150

* These totals include shipments of planes made in 1942 prior to March 17, which are not included in the weekly totals.

May 18, 1942

Memorandum on the Telephone Conversation
between Mr. White and Mr. Acheson

Mr. White called Mr. Acheson and stated that the rate on Swiss francs for non-commercial purposes has been rising; that the Swiss are determined to prevent the Swiss banks from providing francs for non-commercial purposes at the official rate; and that we are now unable to secure a supply of Swiss francs from the Bank of Portugal.

Under the circumstances, Mr. White felt that there were only two ways of securing the Swiss francs we need and of keeping the Swiss franc rate from rising:

1. By special bargaining arrangements along the line of the recent license for the transfer of \$3.2 million from Switzerland to Spain.
2. An agreement with the Swiss to provide Swiss francs for non-commercial purposes on the same terms as for commercial purposes.

Mr. White indicated that an agreement would be superior for our purposes and that to secure such an agreement we must be ready to substitute special license requirements for the present general license requirements in connection with Switzerland.

Mr. Acheson replied that on Friday Mr. Noel Hall, the British Minister, had spoken to him on the same subject and that he had suggested that we work out a complete agreement with the Swiss on financial and commercial matters. Mr. Acheson asked Mr. White to join him in a discussion of this question with Mr. Hall and Mr. Stopford.

Mr. White stated that the problem was not an urgent one in the sense of requiring a decision within a few days. However, our policy on the question should be considered broadly. He added that it would be highly desirable to have our policy and the British policy on such financial arrangements in harmony. In that way we can present a common front.

- 2 -

Division of Monetary
Research

Mr. Acheson suggested that the meeting be held at 4:00 o'clock Wednesday, May 20th, in his office. It was tentatively agreed that the time would be held open for this meeting unless Mr. Acheson's office notified Mr. White to the contrary.

Mr. Acheson then entered into a discussion of the problem of lend-lease in reverse. He will send to Mr. White a memorandum of the meetings at the Treasury which Mr. White will examine. The Secretary can then call the group together and, after agreement, put the question up to the President.

One point that must be considered is whether remaining payments falling due after June 1st on contracts entered into by the British before lend-lease can be taken over. There is no question of reimbursing the British for past payments. Presumably, the goods covered by the payments falling due after June 1st will be made available to the Joint Munitions Board.

On lend-lease in reverse, it has been agreed that these arrangements should cover all supplies originating locally or employed locally. Separate agreements on the question can be entered into with the United Kingdom and the Crown colonies, and with Australia. New Zealand has indicated that it wishes the same sort of agreement. India will present a special problem. For the time being, South Africa is out of the picture.

MEMORANDUM TO THE FILES

May 18, 1942.

Subject: Central Bank Conference in accordance with Rio Resolution VI.

In accordance with Mr. White's instructions, Mr. Southard phoned Mr. Collado on May 16 to ask him for further information concerning the Central Bank Conference proposed under Resolution VI at the Rio Conference. Mr. Southard said it was our understanding (a) that the conference relates entirely to freezing control problems and (b) the Treasury Department will be the responsible agency in United States.

Mr. Collado assured Mr. Southard that the Treasury Department's understanding is correct with reference to both points. He said Mr. White would recall that considerable work had been put on Resolution V - the freezing control resolution - at Rio, but that Resolution VI got less attention. In Mr. Collado's opinion the substance of Resolution VI should have been included in an extra article in Resolution V. Collado said that he had not wanted a conference called on the subject but that the Peruvian who was head of the committee had insisted on a separate resolution and wanted it primarily a Central Bank resolution because he himself was a Central Bank official and because in Peru the Central Bank administers freezing control. Mr. Collado complained that this was another one of the resolutions muffed by Wayne Taylor.

Mr. Collado assured Mr. Southard that the State Department has not written the Federal Reserve Board in connection with Resolution VI and that it concerns the Federal Reserve people only insofar as the Treasury Department wants it to.

Requests have been sent by the Economic and Financial Advisory Committee to the other countries for their suggestions as to the agenda of the conference. Replies are coming in and will be circulated in mimeographed form shortly.

Mr. Collado thinks that the conference will probably follow the pattern of the Maritime conference called under the auspices of the Advisory Committee last year. At that conference Sumner Welles, as Chairman of the Committee, was temporary chairman of the conference but a maritime man was named permanent chairman. There were two United States members who equally shared United States responsibility. In the case of the proposed conference on Resolution VI, Mr. Collado suggests that possibly a State and a Treasury representative would be selected. Speaking only for himself, he would think that they would either share responsibility or that the Treasury man might be named the senior, but he made it clear that he had not heard either Mr. Welles or Mr. Berle express an opinion on this matter.

das

MEMORANDUM TO THE FILES

May 18, 1942.

Subject: Bolivian Stabilization Agreement.

Having received a satisfactory reply from the Banco Central of Bolivia to our questionnaire, Mr. White arranged a meeting with the Bolivian Ambassador on May 14. Prior to this meeting Mr. Southard telephoned Mr. Livesey to notify him of it and to find out whether the State Department had any new views on the matter of the proposed stabilization agreement. Mr. Livesey said that the Standard Oil payment of \$1.7 million was made to Bolivia on April 26 and that there was, therefore, less pressure on us to complete the negotiations for the agreement. The current problem in the State Department with reference to Bolivia relates to the tin contract negotiated by Defense Materials. The higher price for tin was granted to Bolivia by United States in order to encourage production of additional tin. The State Department is currently engaged in trying to get some sort of statement from the Bolivian Government that it will take no step through taxes or otherwise which would take away from the tin producers the price increase and consequently nullify its effect. The present proposal, Mr. Livesey explained, is to get the Bolivian Ambassador to write a letter along those lines. It is hoped by the State Department that the consultation provision in the stabilization agreement will provide added protection against any appreciation of the boliviano or any other change in the Bolivian foreign exchange policy which would have the effect of reducing the boliviano income of tin producers. Mr. Southard assured Mr. Livesey that there would be ample opportunity at the meeting for this State Department problem to be presented.

At the meeting on May 14 (covered in a memorandum from Mr. deBeers to Mr. White) the Bolivian Ambassador was told that a draft agreement would be handed to him sometime during the following week. After the Bolivian Ambassador left the meeting, the above problem was discussed (see Mr. deBeers' memorandum) with the result that Mr. Livesey agreed to see what could be done to add to the note being drafted for the Bolivian Ambassador's signature some reference to modifications in exchange control in addition to the present reference to taxes.

On May 16, Mr. Livesey informed Mr. Southard by telephone that Defense Materials would insert a reference to exchange control in the note which it is hoped the Bolivian Ambassador will agree to sign. He suggested that the Treasury wait until State gets a reaction from Bolivian Ambassador to this draft note before we hand our draft stabilization agreement to the Ambassador. Mr. Southard assured Mr. Livesey that we would wait on this matter until we heard from the State Department. Mr. Southard then informed Mr. Bernard Bernstein that there was less need for haste in the Bolivian matter.

Jus

Treasury Department
Division of Monetary Research

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Date..... May 18 19 42

To: Miss Chauncey

From: Mr. White

Please call to the attention
of the Secretary.

RECEIVE OFFICIAL CORRESPONDENCE TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

May 18, 1942

In reply refer to
FD

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram 2710, dated May 16, 1942, from the American Embassy, London, England, transmitting a message for the Secretary of the Treasury from Mr. Harriman.

Enclosure:

From Embassy, London,
no. 2710, May 16, 1942.

RECEIVED SECTION

MAY 19 1942

RECEIVED SECTION
MAY 19 1942
DEPARTMENT OF STATE

FOR DEFENSE



ISH

PLAIN

London

Dated May 16, 1942

Rec'd 3:25 p.m.

Secretary of State,
Washington,

2710 sixteenth.

PERSONAL FOR SECRETARY MORGENTHAU FROM HARRIMAN

William H. Schubert returning after six weeks assisting Appleby on agriculture and food studies. He has had also opportunity to talk to many people and believe you will find his observations on a number of other matters of interest to you. He is planning to call on you on his return.

WINANT

DD

RECEIVED

MAY 16 1942

RECEIVED

MAY 16 1942

Rio de Janeiro, Brazil, May 18, 1942

No. 7344

Subject: Telegram Received by the Financial Attache of the French Embassy of Rio de Janeiro from the Finance Minister of the Vichy Government

STRICTLY CONFIDENTIAL

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to report that the Financial Attache of the French Embassy has received the following telegram from the Finance Minister of the Vichy Government:

"With regard to the sum of approximately four million francs and 6,000 Pounds Sterling which Brazilian Government has deposited with the Bank of Brasil (instead of French banks as agreed) in respect of interest on Federal loans, please do the following: a) ask what is the milreis value of these deposits; b) ask that interest due on August 1940 be also paid; c) ask that transfer of these sums be assured by Brazilian Government (as per decree of March 8, 1940) eventually through free currencies (escudos or Swiss francs); d) ask that these sums may be ascribed to ERA, in case transfer is refused.

"With regard to Bahia Docks & Port Bonds, 5.1/2%, President of Bondholders Society wishes to know milreis value of half-year payments not yet transferred. Please obtain this information from Mr. Pilon, 15 Rua Senador Paulo Egydio, Sao Paulo (Bondholders' agent). Furthermore, please request permission of Brazilian authorities to apply these milreis to the benefit of ERA.

"Dourado Railway Bonds: Liquidator has no information as to milreis value of payments due after last payment. Kindly ask the company itself, 3 Rua Boa Vista, Sao Paulo."

ERA is the Empresa Brasileira de Aguas (see my Despatch No. 7286 of May 11, 1942).

The Financial Attache of the French Embassy has replied as follows:

"Contemplated conversion of French loans with guaranteed exchange (4% - 1925 and 4.1/2%-1937) will affect some Brazilian holders. One of them, with

- 2 -

2-1/2 million francs worth of 1937, suggests bonds be handed in to French Embassy here for annulation, since it is impossible to send safely to France. Value in francs of fresh bonds would be credited him in France. Please instruct what answer I am to give."

Respectfully yours,
For the Ambassador;

John F. Simmons,
Counselor of Embassy.

File No. 7344

WEF:ms

A true copy of
the signed original. (1) ms

Copy:bj:6-12-42

Treasury Department 144 ✓
Division of Monetary Research

Date.....May 20.....19 42

To: Miss Chauncey

From: Mr. Southard

This is a copy of the new Cuban Law on the basis of which the Secretary will probably sign a gold purchase contract with the Cuban Government. I do not believe it need be brought especially to his attention but I think it should go in his files.

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145

DEPARTMENT OF STATE
WASHINGTON

May 18, 1942

In reply refer to
FD 837.5151/145

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of despatch no. 3954, dated May 5, 1942, from the American Embassy, Habana, Cuba, concerning the enactment of legislation authorizing the Cuban Government to issue additional silver certificates and to adopt other fiscal measures.

Enclosure:

From Embassy, Habana,
no. 3954, May 5, 1942.

Copy:bj:5-19-42

No. 3954

Habana, May 5, 1942

AIR MAIL

Subject: (Enactment of legislation authorizing
(the Cuban Government to issue addi-
(tional silver certificates and to
(adopt other fiscal measures

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

Supplementing the Embassy's air mail despatch No. 3439 of February 10, 1942, file No. 851.5, enclosing a copy and translation of a Presidential message to Congress recommending the enactment of legislation which would authorize the Government to issue additional amounts of silver certificates to be backed by gold bullion, dollars or dollar exchange, and to adopt other fiscal measures, I have the honor to report that the legislative measure recommended by the President, which had been approved by the Senate on February 28, was passed by the House on April 30 and signed by the President on May 2, 1942. There is enclosed a copy and translation of this law (No. 5) as promulgated in OFFICIAL GAZETTE No. 266 of May 4, 1942, the text of which does not substantially differ from that proposed by President Batista in his aforementioned message.

According to the Embassy's information, arrangements have already been made with the Bureau of Printing and Engraving for the printing of silver certificates of various denominations in two lots of 25,000,000 and 23,000,000 pesos (face value), respectively, which the Cuban Government proposes to issue under the authority granted it by the present law. An additional 58,000,000 pesos in silver certificates are to be printed later to be used mainly for the purpose of replacing mutilated and worn-out certificates already in circulation. Negotiations between the Cuban Government for the purchase of the gold coverage for the new silver certificate issues have, it is understood, already been initiated.

It might be added that the above law was opposed in the House by the Autentico and ABC members of the Opposition who allege that the bill had been reported out of the Finance and Appropriations Committee without regard to prescribed congressional procedure and who reportedly propose to institute unconstitutionality proceedings against the law on the ground that it was not approved by two-thirds of the members of Congress. They apparently have in mind Article 253 of the Cuban Constitution under which the Government may not negotiate loans unless approved by two-thirds each of the members of the Cuban Senate and the House. There

-2-

appears to be some doubt, however, that the foregoing provision of the Cuban Constitution applies in this particular instance. At any rate, usually well-informed Treasury sources do not believe that such an appeal, if actually filed, would be upheld by the Supreme Court.

Respectfully yours,

Ellis O. Briggs
Charge d'Affaires ad interim

Enclosures:

1. Clipping from the OFFICIAL GAZETTE No. 266, May 4, 1942
2. Translation thereof

File No. 581.5
AFN/hmc

Copy:bj:5-19-42

Translation

(From OFFICIAL GAZETTE OF the Republic of Cuba,
No. 266, May 4, 1942)

LAW NO. 5

Article I. Article 180 of the Code of Commerce will be amended to read as follows:

"Banks will maintain in their vaults in legal tender currency, as reserves, at least one-fourth of the amount of the deposits of all kinds which they hold.

"The Executive at any moment may reduce the amount of the reserves in national currency set forth in the preceding paragraph but it in no case may be less than 12-1/2 per cent of the amount of the deposits. The President of the Republic will also periodically and in accordance with the market requirements, fix the proportion of the several kinds of legal tender currencies which must compose that reserve."

Article II. The Executive is authorized to issue silver certificates to be guaranteed by the gold, dollars or dollar exchange in the possession of or purchased by the Treasury General of the Republic.

The guarantee in dollars or in dollar exchange shall include the obligation of the Government of substituting the guarantee as soon as possible, in order that it may be definitely established in the manner set forth in the following article.

Article III. The guarantee of the certificates issued in accordance with this law is fixed as follows: For each silver peso placed in circulation in the form of a certificate there will be deposited in the Treasury General of the Republic in accordance with the formalities established in Presidential Decree No. 161 of January 26, 1935, an amount of gold equivalent to at least 98/100 of the gold content of the peso, of the weight and fineness established by Article I of Decree-Law No. 410 of August 10, 1934, \$0.98 in United States currency or in dollar exchange.

The gold guarantee of this issue may also, as long as the circumstances warrant, be partially or wholly deposited with the Treasury of the United States or with a Federal Reserve Bank of said Republic and in that event, there will be delivered to the commission established by the above mentioned Decree No. 161 of January 26, 1935, a certificate issued by the aforementioned entities certifying to the existence of the deposit and that the same may not be withdrawn without the presentation of that certificate.

Article IV. Upon presentation and delivery of any certificate to be issued under this law, the Treasury General of the Republic will deliver to the bearer in Cuban metal money an amount equal to the nominal value of the certificate presented for conversion.

Article V. The President of the Republic is authorized to negotiate with the appropriate entity for the engraving and printing of the new silver certificates of the same denominations and designs previously authorized in the amount which is believed necessary for the strictest compliance with the present law. He may also negotiate for the printing of silver certificates in 500 peso and 1,000 peso denominations with such designs as he believes appropriate.

Article VI. The Executive is also authorized to purchase at the rate of 35 pesos [dollars] per troy ounce, hold [conserve] or sell gold, as well as dollars or dollar exchange, and to negotiate loans with national or foreign banking entities for the purpose of implementing such operations, and may give in guarantee for such loans the gold or dollars held by the Republic. The proceeds from the loans authorized by this law will be destined exclusively to the purchase of gold, dollars or dollar exchange and said loans must be paid within a period not exceeding 120 days. The Executive is also authorized to pay for the gold purchases a commission not exceeding 1/2 of 1 per cent.

Article VII. While the engraving and printing of the certificates referred to in Article II of this law is taking place, the Executive is authorized to place in circulation the engraved and printed but unissued silver certificates which may be in the Treasury General of the Republic under the custody of the commission created by Decree-Law No. 406 of August 10, 1934. As soon as the certificates referred to in Article II of this law have been engraved and printed, they will be substituted, in custody for those which may have been put in circulation, with all the formalities prescribed by Decree-Law No. 406 of August 10, 1934.

Article VIII. The profits which might be derived from the issue authorized by the present law will be applied first to defraying the expenses incurred by the operations authorized by Article VI thereof and any remaining balance to meeting the cost of the silver certificates to be printed in accordance with the authorization granted by this law and the Law of June 23, 1938.

Article IX. The President is authorized to issue Treasury certificates or Treasury notes, the amount in circulation of which may not exceed 6,000,000 pesos, for the purpose of borrowing from any banking institutions or entities or by subscription the amounts which are considered necessary to meet obligations of the current budget, or to substitute revenues to be received later and which are indispensable to meet obligations of the regular or extraordinary budget, the interest charges and expenses on which [notes] may not exceed 4-1/4 per cent per annum.

The notes referred to in the foregoing paragraph may also be discounted by the Treasurer against any account, loan, liquidation or fund which is not needed at the moment, excluding such as are destined for payment of the Foreign Debt.

-3-

The maturity date of these notes may not exceed one year, and for their payment pertinent receipts will be pledged as the Executive may decide.

Article X. There is established a surcharge of 25 per cent on the port improvements and tonnage taxes referred to in Articles 175 and 176 of the Customs Ordinances as regulated by the Law of February 9, 1938, and Decree-Law No. 491 of January 7, 1936.

The proceeds from the surcharges mentioned above will be devoted to the defense and protection of the navigation, the coasts, bays, keys and ports, and the President is authorized to pledge the receipts obtained from the surcharges in contracting the projects or in issuing notes or negotiating loans destined to the purposes mentioned above. Revenues collected thus obtained shall be part of public (budgetary) revenues.

Article XI. All laws, decree-laws, orders, decrees and other legislative dispositions opposed wholly or in part to the fulfillment of this law are derogated, and the law will become effective upon its promulgation in the OFFICIAL GAZETTE of the Republic.

I therefore order that the present law be fully complied with.

Signed at the Presidential Palace in Habana, on May 2, 1942.

F. BATISTA
President

Carlos Saladrigas
Prime Minister

Oscar Garcia Montes
Minister of the Treasury

Translated AFN:cd
Copy/hmc

Copy:bj:5-19-42

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DEPARTMENT OF STATE
Washington

In reply refer to
FD 865.51/1116

May 18, 1942

The Secretary of State presents his compliments
to the Honorable the Secretary of the Treasury and
encloses a copy of despatch no. 2249, dated March 20,
1942, from the American Legation, Bern, Switzerland,
concerning Italian war financing.

Enclosure:

From Legation, Bern,
no. 2249, March 20, 1942.

eh: copy
5-19-42

No. 2249

Subject: Italian war financing.

Via air mail pouch

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to provide the following summary of a comprehensive report from Milan on Italian war financing, published in a recent issue of the German newspaper Die Deutsche Volkswirtschaft:

It is recalled that during the six year period preceding Italy's entry into the war the country had spent for extraordinary purposes a total amount of Lire 82 billion. Extraordinary expenditure for the period 1st July 1940 to 8th October 1941 amounted to Lire 76 billion, corresponding to an average monthly war cost of about Lire 5 billion. According to official statements made last year, war costs correspond to about 77 percent of national income and, according to the budget estimates for 1941/42, about 69 percent of expenditure must be covered by extraordinary means, a larger proportion than in other belligerent countries. The outbreak of war found Italy's financial system not unprepared, so that the transition to a war footing took place without friction. Extraordinary expenditure of Lire 82.435 billion in the six years 1935/40 plus Lire 45 billion extraordinary expenditure for the first eight months of the financial year 1940/41, was covered from the following sources: Lire 2 billion 9-year Treasury bonds 1943, 6.836 billion 5 percent rentes, 6.405 billion 5 percent redeemable loan, 21,990 million 5 percent Treasury bonds 1949, 11,657 million partial proceeds up to February 1941 of the 5 percent Treasury bonds 1950, 2,787 million proceeds of the special issue of Treasury certificates 1944, 3,007 million issue of bank-notes, 1,376 million growth in value of the reserves of the Bank of Italy, 27,735 million ordinary 1-year Treasury bills and 12,333 million current account credits from various institutions and banks. The remainder of about 30 billion required to make up the above total was raised partly by means of advances from the Bank of Italy. In November 1941 the Minister of Finance stated that accrued war expenditure for the period July 1940 to October 1941 had been covered chiefly by extraordinary means, namely the net proceeds of two issues of 9-year Treasury bonds 1950 (more than Lire 34 billion), ordinary 1 to 12-month Treasury bills (about 21 billion), additional proceeds from the 5 percent real estate loan (more than 200 million), liquid funds deposited with the Treasury by various corporations, insurance companies etc. (more than 10.3 billion) and special Treasury certificates against advances from the Bank of Italy (7.4 billion). This means that more than five-sixths of the total outlay was met out of saving funds. Taxation does not play the same part in war financing in Italy as in other countries; for in Italy the tax burden at the outbreak of war had reached a level which did not allow an appreciable rise. Though the tax charge in Italy represents only about 24.8 percent of the national income, it must be borne in mind that the bulk of tax revenue is raised by medium and small income. Taxation in Italy was intensified as far back as 1934/35, so that at the outbreak of the war the

margin left for heavier taxation was smaller than in other countries. This is why revenue from taxation increased by only 7 percent in the first year of war financing, though, partly as a result of the lira devaluation, the present tax yield is 65,5 percent above that for 1934/35. These figures explain the moderation shown by the Government with regard to the introduction of new additional charges on the community. A completely different attitude is noticeable with regard to extraordinary taxes, viz. excess profits tax, dividend tax etc. A preponderant role in Italian war financing is played by loans. Between June 1930 and June 1935 the Italian State debt rose from Lire 90,4 billion to Lire 107,4 billion, and after the period of sanctions, autarkic tendencies and military enterprises, the debt must have risen to an appreciably higher amount. No official figures are available, but the extent of the increase can be gauged from the following data: total liabilities (consolidated, permanent and redeemable, etc.) of the State accounts rose from about 126 billion in 1934/35 to about 210,5 billion in 1939/40. Nevertheless, Italy's public debt may still be assumed to have kept within the limits corresponding to the production potential of the nation. Italy's national income is steadily growing and the public debt burden need not necessarily weigh more heavily as it rises; nor need it lead to an increase in the tax burden, as is shown by the relation which expenditure for the interest service on the State debt bears to revenue; though interest on the public debt rose from 4,655 billion in 1927 to 6,876 billion in 1939 and 8,033 billion in 1940, in percentage rate of total revenue the change was only from 24 to 28 and 25-26 percent. The declining share of the interest service in total expenditure is more clearly reflected in the following table:

	<u>Interest Total expenditure total expenditure</u>	<u>Interest in % of</u>
	(In million Lire)	
1934/35	4,469	21,43
1937/38	6,190	16,02
1939/40	6,876	12,24

Since the outbreak of war three Government loans have been issued: in February 1940 Lire 16 billion of Treasury bonds were taken up (10,6 billion in cash and about 5,4 billion by conversion); the loan of February 1941 brought in Lire 16,6 billion (about 15,3 billion in cash and over 3 billion by conversion), while the third loan, issued in September 1941, brought in, in cash alone, about Lire 20,2 billion. The three loans were all of the same type: 9-year premium Treasury bonds at 5 percent, exempt from taxation. The two 1940 loans were issued at 97,50 and thus have a yield of 5,35 percent. From a level of Lire 67,3 billion in 1935, the total of savings capital at post offices, banks etc. rose to 95,3 billion in 1939 and to 115 billion in June 1941. Deposits at savings banks totalled Lire 19,45 billion at the end of 1940 against 17,5 billion at the end of 1939. This latter rise is the more remarkable since extensive subscriptions to war loans were being made during the same period. As shareholder in the big banks and administrator of the Cassa Depositi e Prestiti, the State has control over savings capital to the extent of nearly Lire 100 billion out of 115 billion - namely, 40 billion at post offices, 26 billion in savings deposits at banks (21 billion being held at big banks of national interest), 11,5 billion at public credit institutions and about 20 billion at savings banks and institutions granting loans against

personal chattels. The Cassa Depositi e Prestiti, whose chief function is to centralize post office savings, plays a leading part in war financing: during the period from the middle of 1934 to the middle of 1941 it financed extraordinary expenditure to an amount of more than Lire 26 billion. Since savings represented by the resources of insurance companies, in so far as they are liquid, are of importance for war financing, the report mentions the upward trend in the receipts of such companies: life assurance premiums totalled Lire 679 million in 1936 and 1.372 million in 1939; social insurance contributions amounted to 992 million in 1938 and 2.675 million in 1940, while accident insurance contributions rose from 350 million in 1935 to 574 million in 1939. In spite of its recent expansion, savings capital formed in the normal way does not suffice to cover the cost of the war. Up to the present, however, the Government has not resorted to forced saving. Instead it has sought to encourage saving by directing and restricting consumption and a marked increase in savings has been noticeable since the introduction of these measures. At the same time the exhaustion of stocks, the decreased scope of business in many lines with a corresponding decrease in capital requirements and the postponement of renewals of plant have released substantial resources in industry which have sought investment to a large extent in Government securities. To ensure that increased savings are directed into the necessary channels is the purpose of the measures taken in regard to share-holdings, real estate transactions and the restrictions of bank credits.

Respectfully yours,

Daniel J. Reagan,
Commercial Attache

Original and seven copies to the Department.

DJR/AG/bdb

A true copy
of the signed
original. (1) BDB

Copy:eh:bj:5-19-42

May 12, 1942

Mr. White

Mr. Dietrich

On May 13 the Bank of Sweden called the Federal Reserve Bank of New York that it had authorized Mr. Magnusson, Financial Counselor of the Swedish Legation, to buy up to \$25,000,000 in gold for the purpose of replenishing the Bank of Sweden's gold holdings as part of its exchange reserves. At the time this cable was received, the Bank of Sweden had \$21,000,000 in its balance and it purchased \$27,000,000 in gold from the Fund. Today, the Bank of Sweden had maturing Treasury bills totaling \$4,000,000 and the balance of \$5,000,000 in gold was sold to it.

Mr. Liddy, of the Federal Reserve Bank of New York, informed me today that Mr. Magnusson advised him of the contemplated purchase of an additional \$25,000,000 in gold for the Beckman & Eriksson account, which is the property of the Bank of Sweden, in order to increase the bank's gold holdings in this country.

This gold will be purchased with the proceeds of maturing United States Treasury bills as follows:

May 20	\$ 6,000,000
May 27	1,000,000
June 3	2,000,000
June 10	10,000,000
June 16	5,000,000

I told Mr. Liddy that the Fund would make available to Sweden \$6,000,000 in gold on May 20.

Wetzelman (2) 5/12/42

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PLAIN

Ankara

Dated May 18, 1942

Rec'd 8:43 p.m.

Secretary of State,
Washington.

441, eighteenth.

The Turkish Government has enacted a decree which went into effect on May sixteenth establishing a license system for all exports from Turkey. According to this decree all Turkish products and manufactured articles and all articles of foreign origin which have been imported into Turkey whether with or without payment of duty as well as merchandise in customs warehouses may be exported from Turkey only after the issuance of an export permit by the Ministry of Commerce.

STEINHARDT.

CSB

Copy:bj:5-25-42

COPY NO. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 163

Information received up to 7 A.M., 18th May, 1942.

1. NAVAL

Two of H.M. trawlers, which were attacked by aircraft without damage off the Portuguese Coast, shot down one of the attacking aircraft.

The transport ship which struck a mine off CAPE AGULHAS has sunk.

2. MILITARY

BURMA. Our withdrawal continues without contact with the enemy, the main body of the Burma Army is now in the TAMU area.

RUSSIA. Large numbers of motor boats and small craft have been concentrated in ports on Northern Coast of the SEA OF AZOV, probably with the intention of following up across the KERCH STRAIT if the Russians are forced to evacuate the Peninsula.

3. AIR OPERATIONS

WESTERN FRONT. 17th. 12 Bostons with 16 Squadrons of Spitfires as escort, were sent to attack shipping at BOULOGNE, bursts were seen in the docks and on the Gare Maritime. A total of 12 Squadrons of Spitfires carried out 3 sweeps over Northern France and 13 Spitfires patrolled over sea rescue launches. In all these operations, 9 enemy fighters were destroyed, 7 probably destroyed and 13 damaged. Nine Spitfires are missing, one pilot safe. In the evening 52 Coastal Command Aircraft, including 27 Torpedo-Carrying Beauforts, were sent to attack and shadow the PRINZ EUGEN off the Southern point of NORWAY. Preliminary reports indicate two hits with torpedoes, five enemy fighters were destroyed. Seven Beauforts, one Hudson and one Beaufighter are missing.

17th/18th. 88 aircraft were sent out, including 18 R.C.A.F. and one New Zealand - sea mining sixty, BOULOGNE 27. Eight are missing, including one R.C.A.F. About 140 mines were laid successfully.

MALTA. Between three P.M. 16th and one P.M. 17th, a total of about thirteen bombers and eighty fighters made sporadic attacks on the Island, causing only slight damage. Our fighters destroyed eight enemy aircraft, probably destroyed two and damaged seven. One Spitfire was lost.



UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

May 18, 1942

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

Dear Henry:

The attached is the British Home Intelligence report for the week ending May 11.

Sincerely,

Bill
William J. Donovan

In eleven regions a definite rise in public spirits is noted. The remaining two are described as "steadily confident". The reasons are: Madagascar, Coral Sea, continued RAF offensive and--

Churchill's speech which had a tonic effect. It met with general enthusiastic approval. Its effects: stimulated militancy, increased confidence, silenced fretting over inaction and reestablished Churchill as the natural leader of people at this time. The main discussion concerned the gas warning but there is little discernible nervousness concerning its possible use by the enemy against Britain.

Concerning Madagascar, many are puzzled by the American attitude and by the United States continued "willingness to negotiate with Vichy about Martinique". Some would have preferred outright material support by the United States, but there is also satisfaction that "we did it on our own," because of British prestige.

Confidence was inspired by Coral Sea that the U.S. Navy is now "well in at last in full cooperation" whatever the proportion of losses may be.

The fall of Corregidor was considered inevitable. There is praise and admiration for the heroic stand of the U.S. forces.

Belief is growing in an early victory, even this year.

An important hardening of the British attitude is revealed by the special report of the public reaction to the German proposals for a bombing truce. "General tone suggests public feeling of ruthlessness toward the German people is increasing."

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Although only a few people appear to have heard of the proposals, among those in all classes who have heard of them, there is very strong sentiment against it. This applies equally in raided and non-raided areas. Comment: The British in accepting the truce would be throwing away a supreme advantage. Distrust of German promises. Despite possibility of reprisals, the public is strongly in favor of increased bombing of Germany.

RAF destruction of workers' houses and "non-military targets whether by accident or by design" is regarded with indifference, resignation, not regret. Northeastern Region reports "Any weakness of the Air Ministry towards Germany might result in the Government's being turned out of office."

Dear Mr. Keppel:

In the light of our discussion of the other day, I think it may be helpful if I restate the Treasury's two tax proposals affecting educational and charitable institutions. These proposals seek to accomplish two things: The first, to tax certain income which some educational and charitable institutions may derive from business, and the second, to limit in a moderate way the present exemption from estate taxation of all bequests for educational and charitable purposes.

As you know, charitable and educational corporations are not subject to the corporate income tax. Some of these institutions, however, have so far departed from the purpose of the statutory exemption as to engage in trades and businesses completely unrelated to their charitable or educational functions. A college may operate a hotel, yet the hotel's earnings are exempt from tax; an orphan's home may operate a water works, an electric power and gas company, and oil and gas wells, yet the earnings of these businesses are exempt; a charitable organization may operate a bathing beach, yet the earnings of the beach are not subject to tax. This involves a serious loss of revenue to the Government, and is obviously unfair to privately owned business of the same sort. We feel that the time has come to prevent this loss and this unfairness.

We have suggested, therefore, that educational or charitable corporations should be taxed on the income from a trade or business which is not necessarily incidental to their exempt activities. Thus, there is no thought of taxing an institute for the welfare of the blind on the proceeds from the sale of articles made by its own blind patients. There is no thought of taxing the income from college infirmaries, dormitories, and cafeterias, which furnish an excellent example of the type of activity the Treasury has no desire to reach. We have also suggested that it might be desirable to allow a flat exemption of \$5,000 regardless of the nature of the business activity in question.

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Our second proposal was outlined in my statement of March 3rd, to the Ways and Means Committee, in which I suggested that the estate tax deduction allowed on account of bequests to educational and charitable institutions be limited to a percentage of the estate from which the bequest is made. My statement did not specify any exact percentage, but the Treasury has in mind a limitation of 50 percent of the entire net estate, including both life and remainder interests. Such a limitation has proved fair and reasonable in New York and in many other States; moreover, it is consistent in principle with the 15 percent limitation on deductions applicable for income tax purposes. We also contemplate that this 50 percent limitation should not apply to relatively small estates.

We do not believe that such a limitation will interfere with the flow of property to educational institutions except in extraordinary cases. After all, the present high rates of tax on estates have tended to stimulate educational and charitable bequests which otherwise might not have been made. Such a limitation as the Treasury has proposed on the present 100 percent exemption would help to prevent the tax free transfer of large estates to foundations operated by the surviving relatives, or foundations which for other reasons should not be entitled to full exemption. It would, therefore, help to eliminate one form of tax avoidance which is particularly out of keeping with the unprecedented needs of the Government for revenue at this time. Furthermore, it is surely not unreasonable that the Government under whose protective laws the estates were accumulated, and whose primary obligation is to care for its citizens, should receive a portion of estates along with private educational and charitable institutions. The suggested limitation would help to distribute the estates of our most fortunate citizens more fairly among the various agencies, public and private, which must help the least fortunate.

We have studied this problem long and carefully in order to be sure that our proposals would not endanger the welfare or the integrity of privately endowed schools or charities. We are convinced that the proposals are an insurance against abuses rather than a threat of any conceivable kind. We certainly would be opposed to any such threat, since one of the purposes for which we are fighting this

- 3 -

war is to prevent that State control of our educational and religious life which has already been applied in every Axis-dominated country, and which would surely be applied here if our enemies should win.

Sincerely yours,

Randolph H. Paul
Assistant to the Secretary

Francis Keppel, Esq.,
State Department,
Washington, D. C.

REP:HTW
5/19/42

May 19, 1942
9:30 a.m.

GROUP

Present: Mr. Gaston
Mr. Sullivan
Mr. Bell
Mr. Graves
Mr. White
Mr. Foley
Mr. Paul
Mr. Blough
Mr. Thompson
Mr. Haas
Mr. Buffington
Mr. Kuhn
Mr. Schwarz
Mr. Odegard
Mrs. Klotz

H.M.JR: Randolph Paul says he wants to get away. For the first time last night I read this letter of Paul's to Dr. Keppel, in which he suggested two things, and inasmuch as I don't happen to agree with him, I will give the other people a chance.

One is, let's say that a church or institution owns a plant, is left a plant, a factory, and that income from that factory should be taxed, even though it might be owned by Vassar College or by the Cathedral.

MR. GASTON: Corporate taxes?

H.M.JR: Yes. On the second proposal, not more than half of anybody's fortune should be left to charity. I go along with him on that, provided - I think that you should exempt anywhere from the first twenty-five--

MR. PAUL: We haven't quite made up our mind, but we mentioned in there the exemptions of the lower estates.

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H.M.JR: Anyway up to the first fifty thousand, or something like that, up to a hundred, could be exempted, but anything over that I don't have any disagreement. But, after all, a person may leave to a church or to a college or any form of charity, cash, or is more apt to leave a business, and I don't see why that institution shouldn't - if the principle is right that a charitable institution or a church is to be tax-free, then I don't see what difference it makes whether it gets cash or whether it has an interest in the business. But I think in these times, where their sources of income, new sources, are going to be so very limited - I don't want to prejudice this audience, but you can take your own - I just think it is bearing down unnecessarily hard on a group that is going to feel it the worst of all anyway. But you can state your case. I mean, I want the benefit of somebody else's advice.

MR. PAUL: Of course we are only proposing that the business income of these institutions and not their ordinary investment income be taxed, and we are trying to get at what I regard as pretty flagrant abuses of the exemptions. For instance, one orphan's home had a utility, water works, oil wells and so on, five or six different types of business. Now, if the business is separately taxed, that is, if the institution has the stock of, say, General Motors, the Government is getting a tax on that business and only the investment income is coming out of the company to the institution.

We are not after that type of thing, nor are we after things that are perfectly incidental and connected with the business of the institution. For instance, we wouldn't want to tax a dormitory run by a college, or that sort of thing, or the proceeds of the sale of articles made by an institution for the blind. Where an institution goes outright into the market and runs a business and there is no tax on the business, as there is on General Motors, before its income comes to the institution, we think there ought to be a tax.

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MR. WHITE: There might be one economic argument to support that. I don't know how much it is worth. If institutions or operating businesses are not taxed they can operate them much more inefficiently and still maintain them, because they have a considerable advantage over their competitors. It also means, therefore, that you introduce an unfair element in competition. The chief social disadvantage would be the fact they could continue to operate inefficiently, which would be a social loss.

MR. PAUL: It is an unfair competition because they have paid no taxes, and that unfairness of that competition is accentuated at the time when the rates of tax are very high.

H.M. JR: Has anybody complained on that angle? I have had no complaints.

MR. KUHN: The complaint in the papers was chiefly on the second point, limiting the tax-free estates that are left to charity, and I think they have all exaggerated the thing and distorted it, made it seem that the Treasury was taking control of the charities and the schools in question.

MR. SULLIVAN: I don't agree with you. I am heartily in accord with the first point, Mr. Secretary, I think Randolph is entirely right in proposing that business income of charitable institutions should be subject to tax for the very reason that Harry stated, that they may be in competition with other like ventures that are subject to tax; and I think that is wrong. A college isn't set up to do anything except teach and to supply its students with the necessary service. If they go outside that field, run a dance, or bowling alleys, open to the public, they should pay a tax on what they earn on that part of their plan. The thing that is going to hurt the charitable institutions is the second point, because I think you can take almost any college and you will find that the contributions from living benefactors is a very small proportion of the total contributions that come to it. They are largely supported by endowments that are left by will.

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I think there have been abuses of it, and I think it can be corrected without going all the way. But I think that point two will do a great deal more to hamstring charitable efforts by exempt institutions than point one.

H.M.JR: What do - when you talk about point two, you mean the inheritance? You are not in favor that they should limit, that not more than half of a big estate should go to charity?

MR. SULLIVAN: I think there is some point somewhere along the line, but I don't know and I don't think it has been determined where this point is to be.

MR. PAUL: We have determined in our own minds--

MR. SULLIVAN: I think that may be one reason for the uneasiness of the charitable institutions.

H.M.JR: I can defend that, say a million-dollar estate, not over half of it should go to charity. I can defend that because I believe in that.

MR. BLOUGH: Tax-free to charity; they can give it all to charity, but only half of it is tax-free to charity.

H.M.JR: Yes.

MR. PAUL: We have in mind a half, and that is a limitation which has been sanctioned by many State statutes. We have in the statute now a very much more stringent limitation with respect to the income tax.

H.M.JR: It is half tax-free.

MR. BLOUGH: Half is tax-free, but they can give it all, if they want, to charity.

H.M.JR: That's all right, but I think at this time, where certainly - certainly this year people are not going to be able to give to private charities the way they did last year, or anything like it, and a lot of people

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are going to have to cut it out and then suddenly - I never heard of the thing until I read this last night.

MR. PAUL: There are a lot of cases on it, Mr. Secretary, on the first point, of people running bathing beaches, utilities, oil wells, all kinds of businesses.

H.M.JR: But look, why crack down on a charitable institution? Let's say two-thirds of them are being run well - when Congress won't do this much on tax exempts, future or past, or on oil-well depletion - I mean, it just doesn't seem necessary. I mean, these people are going to be up against a wall. A lot of them are going to go under the end of this year or next, going to be wiped out. Why should we be the hand to hang the hat?

MR. SULLIVAN: That is the very point I make on the second one. They have two sources of income; one is contributions from living benefactors, and I agree with you that they are going to be practically nil from now on. The other source of income, support from them, comes from bequests.

MR. PAUL: There are very few of those bequests that are more than fifty percent of the estate.

H.M.JR: John, on the one thing - as far as I am concerned, I am not debating.

MR. SULLIVAN: That is all right then.

H.M.JR: It is debatable, but in my mind I can defend my own position. I say "mine"; in the final analysis I have got to defend it when I am pressed on it. You can see the building-up in the hands of one or two groups tremendous properties, on the one hand, and on the other hand, the Federal Government getting absolutely no benefit from an estate which was built up under Federal protection.

MR. SULLIVAN: I agree with you that this is wrong.

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H.M.JR: I mean, here a man is permitted to do business and protected and made - possibly he earns a million dollars, he dies, and the Federal Government gets no benefit.

MR. WHITE: He isn't giving away his money. He is giving away the Government's money, anyway.

MR. GASTON: I think that is true of the first point. Take a case like the Garfinckel store where he gave the residue of his estate to the YWCA; that business has a certain value as a going business. Assume that during his lifetime the man was giving the whole income of the business to the YWCA. He was giving it subject to taxation on the business profits, and he dies and he leaves this to the YWCA, the whole business. Then, if you free that from taxation from business profits, he is not giving what he possessed as an individual; he is giving something with perhaps double value. Where does it come from? It isn't his. It comes out of the Government. It comes out of the tax rolls, what he is giving. You have greatly increased the value of that business when you give it free from taxation.

MR. WHITE: That isn't the decisive consideration.

MR. GASTON: That is one consideration.

H.M.JR: Herbert, you are right, but here I sat in this chair for eight years, and I never worried about it. Nobody has ever written to me about it. I haven't had a single complaint, and in a year in which charities are going to get the worst blow that they have ever had, I, as Secretary of the Treasury, should say - let's say that Garfinckel's - I don't know, the business was left to support the YWCA--

MR. GASTON: As a matter of fact, I think that was left in a will which is still subject to taxation.

H.M.JR: Let's say it wasn't, and let's say that the

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income from that is a hundred thousand dollars a year. Then I come along this year, and let's say I am successful and Garfinckel has to pay a tax, as a result of which this private institution may get twenty-five thousand dollars.

MR. GASTON: Well, if he were making a hundred thousand dollars and giving that to the YWCA before death and left the business to the YWCA, he would still be giving the hundred thousand dollars a year to the YWCA. If he is giving it tax free, he might be giving it two or three or four hundred thousand dollars a year.

H.M.JR: I am the executive manager of the YWCA here in Washington, and I have had a budget of a hundred thousand dollars, which comes out of profits of Garfinckel's; never mind what happened before or what it is worth. I have been doing this now for the last ten years, and then along comes the Treasury all of a sudden and says, "That is wrong. Garfinckel's has to pay a tax," and I am cut down to twenty-five thousand dollars. That is what is going to happen.

MR. WHITE: I think the Secretary is right, that it is not a question of the merits of the case. The Secretary's position is that it can't be an extremely important thing; it never came up before. Quantitatively, it can't be an important thing; why pick this particular moment to do it, if it isn't acute? I should imagine that the totals involved would be very small. Am I wrong?

MR. PAUL: There are a lot of recent cases showing that it is being done on quite a wide range.

H.M.JR: Randolph, I went out on the end of a limb on municipal State tax exempts outside of the Treasury. I haven't been able to get a single person to make a public speech to support me. That may be one percent exaggeration. I will do the thing on oil wells; I will do the thing on joint returns; I will go the limit on every form of taxation which involves several

hundred million dollars, and I will do it year after year. I will go back up in the Senate, and I am going to ask again for the oil wells and I will repeat my whole self over again; all right, but then why make myself vulnerable on an unimportant front on this thing?

MR. PAUL: It seems to me you are more vulnerable on the other point.

H.M.JR: Which one?

MR. PAUL: On the limitation.

H.M.JR: I believe that these big estates should be broken up.

MR. WHITE: Isn't there a compromise possible? Why don't you put this thing in effect five years or three years or four years from today so they will continue to get whatever income they have been getting, in this difficult period. You have established your principle. Give them an opportunity to establish their business during that period; if they don't want to operate it as they should, then you won't be cracking down during a period, say--

MR. PAUL: We must keep in mind we are not trying to tax this investment income of this. There we collect the taxes in corporate form.

H.M.JR: But my case is correct, isn't it, that if Garfinckel's has been producing a hundred thousand dollars a year, and that income has been going to charity, and now we have put on a corporate tax, the chances are they won't receive more than twenty-five thousand.

MR. PAUL: If Garfinckel's is owned individually, and that is passed to the YWCA, we would be trying to get a tax, that is correct; the YWCA is running Garfinckel's. On the other hand, if the YWCA just gets the stock of Garfinckel's, Garfinckel's is taxed as a corporation and all that comes to the YWCA is dividends.

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H.M.JR: Yes, but that isn't the case, they own it individually.

MR. PAUL: If you are thinking of individual ownership it is true there may be a reduction in what the YWCA gets.

H.M.JR: That is what your suggestion applies to.

MR. BLOUGH: Is your point, Mr. Secretary, suppose they have had Garfinckel's for ten years and they have been getting a hundred thousand a year, and now we put the corporate tax of forty percent on, or whatever it is, they get sixty thousand instead of the hundred thousand?

H.M.JR: It would be more than that, wouldn't it?

MR. BLOUGH: Not unless they--

H.M.JR: How much would they get?

MR. BLOUGH: They would get what was left after the corporate tax.

H.M.JR: Well, with the excess profits and everything--

MR. BLOUGH: If they have excess profits, the profits are probably going up; they won't get any less.

H.M.JR: Certainly the tax will average fifty percent.

MR. BLOUGH: It depends on what is happening to their profits.

H.M.JR: Whatever it is--

MR. BLOUGH: It will be reduced, of course.

H.M.JR: It is safe to say it will be cut in half.

MR. PAUL: It would be seriously cut, probably nearly in half.

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H.M.JR: In this year, I don't think it is important enough.

MR. GASTON: Mr. Paul's proposition certainly is an equitable one. Whether it is wise in this particular situation, of course, is another matter, but it is certainly an equitable proposition.

H.M.JR: I am not arguing on the equitable side. I haven't said that. Is it smart to do it in this year, that is all.

MR. PAUL: If you are not talking about the merits, I have got a definite policy question there.

H.M.JR: That is why I am bringing it up now. On the merits I am with you. As to the timing, I think it is bad.

MR. GASTON: There is another feature, where a man gives only a portion; he may give his stock, maybe ten percent, twenty-five percent, or a partnership, or maybe seventy-five percent, and in all those cases they get it subject to taxation. It is only when he gives the entire complete business for their ownership in fee that they can possibly escape taxation.

H.M.JR: But take, for instance, I have seen it - I don't know what it is, I mean, what the setup is, but there is the Christian Brothers' Monastery in California that make a lot of wine and if they own that, which I take it that they do, I suppose they pay no tax on it, is that right?

MR. PAUL: That is right.

H.M.JR: And if this thing went through on this wine business they would pay a tax like anybody else?

MR. PAUL: That is right.

MR. SULLIVAN: They should.

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MR. GASTON: And there is still another consideration.

H.M.JR: I would like to see you two boys go out and make a speech on it.

MR. SULLIVAN: Any time.

H.M.JR: All right, I will put you on the air tomorrow. (Laughter)

MR. FOLEY: They will admit it.

MR. SULLIVAN: Sure.

MR. FOLEY: The last time I was up there they talked about that very case, Monsignor Ready said they ought to pay a tax. They are in competition with business. They are selling a wine.

H.M.JR: Try it out at noon today.

MR. FOLEY: They will admit it.

MR. GASTON: This can be a very big avenue of tax evasion.

MR. SULLIVAN: Don't try point two.

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MR. GASTON: In a period of increasing taxation you increase the incentive to evasion by this method by fake charitable organizations, and so on, organizations formed to hold businesses under the guise of charity; and the very fact that our taxes are going up very steeply adds to that incentive.

H.M.JR: Well, Herbert Gaston, I agree with all of you on the theoretics, and so forth and so on, but I have said again and again I don't want to take this fight at this time. I have got enough fights.

MR. SULLIVAN: You are picking a difficult half of the fight here, sir.

H.M.JR: Well, I have got plenty of fights. I don't want to fight the Community Chests of America on this whole thing.

MR. SULLIVAN: That is what you are doing on point two. The first one isn't one percent of the fight you have on point two.

H.M.JR: Point two I would enjoy fighting.

MR. PAUL: Would you accept the idea, Mr. Secretary, that White suggested of establishing a principle now to be put into effect as of, say, three years from now?

H.M.JR: Oh, I would drop it. I would drop it.

MR. BELL: Why don't you compel them to dispose of the property within a period, or thereafter be taxed?

MR. PAUL: That is what we mean. That is what Harry had in mind.

H.M.JR: When will this come up?

MR. PAUL: It probably won't come up for a couple of weeks.

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H.M.JR: All right, let's have another fight. I will think about it. There is one other thing, oh, yes, the New York times today, and this is the second or third time - if you want to walk out on me, it is all right.

MR. PAUL: I just want to ask one more thing before I go. Do you think that anybody from the Treasury should go to Pat Boland's funeral Thursday?

H.M.JR: Is it tax-exempt?

MR. PAUL: Use a lot of gasoline.

MR. WHITE: Ferdie Kuhn, publicity man?

H.M.JR: Don't you, when a man gets up and says, "Mr. Chairman, I suggest a committee," make that fellow chairman? You (Paul) suggested it. I think you should go.

MR. SULLIVAN: I think Treasury certainly should be represented. He is as good a friend as we have ever had on that committee.

H.M.JR: Norman, who should go, outside of me?

MR. THOMPSON: I think perhaps Mr. Sullivan should go.

MR. PAUL: I haven't got any clothes to go.

H.M.JR: Want to go?

MR. SULLIVAN: No, I don't want to go, but I think somebody should go.

H.M.JR: Are you willing to go?

MR. SULLIVAN: Of course, I would be willing to go.

H.M.JR: I would like you to go.

MR. SULLIVAN: All right, I will.

H.M.JR: What else? As I say, in the papers this morning on the front page, it is the second or third time it

has appeared that the Treasury is studying and has a plan for rationing money. Of course, we don't know whether we are going to recommend it or not. My memory is hazy on it. As I remember it, there was a study - Harry grabbed it and said, "I haven't finished the study on it." As I remember, the thing was dropped, and I think you, Harry, recommended it be dropped. Is that right?

MR. WHITE: I don't know whether I recommended it be dropped; I think I recommended not to be pushed. John McCormack came in to see me. Chick Schwarz called me up. He said that he had the idea that Treasury had a fight on. Treasury was pushing this particular program, and he doesn't know much about it, that he would like to see more of it. We agreed he had better see me, because I wanted to disillusion him that the Treasury was pushing it and that there was a fight on.

He came to see me yesterday. I explained a little bit about it, and he pressed on the point whether it was a Treasury program. I said, "It is not." I said, "Everybody in town is studying it, and the study is only in a preliminary stage; there are all kinds of difficulties," and so on. I didn't read the story, but that is the background of it.

H.M.JR: Well, is there any reason why we shouldn't tell the rest of the press that we have dropped the study? Is anybody studying it?

MR. WHITE: We haven't dropped it, really, it is going on. I don't think we should be ashamed to say that we have dropped it. I do think we should avoid as much as possible any notion we are fighting other agencies on it. Is there any of that in it?

H.M.JR: Let me explain the background on this thing. Carey, the Secretary of the CIO, tells me that there is a difference of opinion between he and Phil Murray, on the one hand, being a hundred percent for volunteer savings, and Hetzel and - who was the attorney - Lee Pressman, having doubts about it, so forth and so on, and it is they who are feeding this thing to - this is all very much in the room - Leon Henderson's crowd, so much so that Gilbert told Paul

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that at a meeting with labor representatives, labor said they were going to dump us overboard. It turned out it was the Pressman-Hetzel crowd. Carey said that they do not talk for Murray and the CIO, and that was borne out in another case about this man Hinckley when they demanded that I see him. I told Carey I would see them - it was Hetzel who asked to bring in the man, the head of the Government employees union, and I said to Mr. Carey, "Please get word to Phillip Murray; if he wants me to see him, all right, but I have gone over the whole thing, and I am satisfied he should not be reinstated." Carey said - this is not for quotation - "I don't see why he ever hired the man in the first place, I never would hire him." And the word came back from Mr. Murray that he was entirely satisfied.

(Mr. Blough and Mr. Paul left the conference.)

H.M.JR: I wouldn't see Hetzel on that. Now, Carey furthermore tells me that among the Henderson crowd they are scared of rationing, they can't do it, they don't want to do it. And, therefore, what they are trying to do is to shove the Treasury into the position of rationing of money, see? So, I sort of put two and two together and think that this is a sort of - the thing is we are being needed by the Henderson crowd to try to put us in the position as though we were in favor of rationing money; and it is a continual drive on Harold Graves and me, an attack on our volunteer plan. Therefore, unless the thing is under serious study, I would like to tell Schwarz to tell the people that we are not studying, I mean, that the matter--

MR. WHITE: ... is held in abeyance.

H.M.JR: I would like to kill it, see? I would like to kill it. I can change my mind.

MR. WHITE: I don't know all the reasons. I don't think it is that important. Anyway, the fact that you say you killed it won't make it impossible for you to change your mind later if you want to resuscitate it.

H.M.JR: If somebody can convince me the way I convinced myself on lowered exemptions - three months ago I

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said I wouldn't - I can always change my position, but I would like to kill it because I need - the men in the field are doing a volunteer job and can't have all these termites working on them all the time if the volunteer plan is going to succeed. This is just another termite; maybe the Treasury wants to ration money - naturally, if you are going to ration money, people aren't going to buy volunteer bonds.

MR. WHITE: I don't understand that deduction or conclusion.

MR. HAAS: That would help.

H.M.JR: Well, it is just another plan, George.

MR. HAAS: I mean, if it was effectively done. I think the problem is doing it effectively. If it was effectively done, you set aside in a category money that has no place except to buy bonds or to hoard it.

MR. WHITE: There might be the charge that in order to aid your program of volunteer saving you are going to come out with this. That might make some logical sense. I don't know how effective it would be, but I think the whole thing is not important whether we say the Treasury is studying it or not, because no one is seriously contemplating at this moment drafting a bill or presenting a plan. There is a lot of discussion. Other agencies and other men are picking the thing up and talking about it, and there is a growing interest. As this reporter says, "I never heard about this thing, sounds like a good thing to me." But there is more talk going on. If you have the least qualms about it, say the Treasury is no longer studying it.

MR. KUHN: The Wall Street Journal started it on Friday. They were the people that got McCormack excited. The effect in the field is very bad. We got a report just yesterday saying that one of the reasons it is operating against the bond purchase, the continuous stories--

MR. WHITE: We ought to remove every possible reason or obstacle for the lack of success; if that in any way

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is intimated as something which is standing in your way, there is certainly nothing lost by saying we are not studying it.

H.M.JR: This is what the heading says, "Rationing of Spending by Public Urged to Bar Inflationary Buying." That is the heading. "The rationing of the proportion of income that could be spent for consumer goods or travel has been proposed by Treasury economists as an alternative to the over-all rationing of consumer goods. This proposal has not been officially sponsored by the Treasury Department and whether it will be submitted to Congress depends in large extent on the chances for a favorable popular response."

MR. WHITE: He didn't get that from the Treasury. He got our view, and then went over to the other agencies, probably the OPA, and they gave him that angle. As I say, I don't think there is that much at stake. I think you can very easily say you have killed it or we have dropped it.

H.M.JR: Harold Graves, what would you like me to do on this?

MR. GRAVES: As I recall that story, it says specifically that amounts to be invested in bonds would not be rationed, that is, they would be exempt from the rationing. Isn't that said in the text of the story?

H.M.JR: It says, "Under the Treasury plan for rationing of expenditures there would be no restriction on expenditures for the payment of taxes, the purchase of war bonds or other investment".

MR. BELL: That would be the purpose of it.

MR. GRAVES: I didn't get any impression as I read that, that that would be apt to hurt our bond program, as is true of compulsory savings.

MR. HAAS: This is a type of compulsory saving which would aid the voluntary, an indirect compulsion.

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H.M.JR: What would you say, Harold?

MR. GRAVES: Well, I think that it would be well to say what Harry said a while ago, that this is something that everybody in Washington is studying, that it is not a Treasury-sponsored--

H.M.JR: No, it is a question of my saying to Schwarz to tell them I am not studying it, we have dropped it, and kill it, or say nothing.

MR. SCHWARZ: It is a question of whether any harm is done. There doesn't seem to be any conflict between the two programs.

MR. ODEGARD: As Harry explained the system of rationing money a moment ago, it would seem to me it would leave a margin of money that had no place to go except War Bonds. That would not hurt the voluntary savings plan. The public in its general reaction to this whole thing confuses rationing of money with the compulsory savings.

MR. WHITE: I am sure the public doesn't understand it. He doesn't understand it, and he said the others didn't understand it; and if Ferdie Kuhn is getting reports back from the field that people are troubled about it, I don't see anything much lost to say that it is killed, because you don't affect its chances. If you want to resuscitate it, you can always have another inter-departmental meeting and get started again.

MR. KUHN: Harry, my point was that the public wasn't troubled by the rationing of money story, but by all the talk of compulsory savings; but if the story persists and creates public debate, the columnists will be after it and will again be urging compulsory savings, and the whole debate which we are trying to choke off will be revived.

MR. WHITE: I think your information from the field should be decisive.

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H.M.JR: What do you want to do, boys?

MR. GRAVES: Let's kill it.

H.M.JR: Let's kill it?

MR. WHITE: Say it is killed.

MR. GRAVES: That is what I mean, let's say it is killed.

MR. WHITE: That is, that the Treasury is not studying it any more, we are through.

X H.M.JR: If you want to be very accurate, you can say X
it has been shelved.

MR. WHITE: Yes, and that is true. That would be definitely true. (Laughter)

H.M.JR: That gives it a certain amount of merit.

MR. FOLEY: A little, not much. (Laughter)

MR. GASTON: There is another possible device you haven't considered, and that was to tell them the truth, but you are getting pretty close to it.

MR. WHITE: The shelf is pretty high.

H.M.JR: The shelf hangs high all right; it has been shelved.

MR. SCHWARZ: I will pass it on?

H.M.JR: Yes. All right, they are two fairly important subjects.

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H.M.JR: Herbert?

MR. GASTON: I haven't anything, just this matter you wanted to speak to me about.

MR. FOLEY: Harry and I are going to see Secretary Jones about the silver order this afternoon. We want to sell it to him and have him take the loss, and have his strategic metals corporation sell it to people that need it.

H.M.JR: Well, you can tell him this story. I have got a new suggestion for silver. When Wickard was here for lunch the other day - he had been home over the week end - he said, "What do you suppose happened to me when driving up to my farm?" I said, "I don't know." He said, "There I drive by my beautiful new alfalfa pasture, and there are my hogs rooting up this alfalfa pasture." I said, "What was the matter?" He said, "I found my hired man and said, 'Why didn't you ring those hogs? You ought to know better than that.'" 'Well', he said, 'Mr. Wickard, you tell me where I am to get the copper. I can't get any copper nose rings.' I said, 'That is simple, make them out of silver.'"

MR. WHITE: I have heard of silver going to the dogs but never to the hogs. (Laughter)

MR. GASTON: I forgot something. The Defense Plant Corporation people have been over to see the Secret Service. They wanted them to furnish guards for transporting the silver and probably for guarding the silver in the plants. I told the chief - we got hold of this contract and found that the Defense Plant Corporation is wholly responsible for the silver from the time it is delivered from storage, and I told him that we could give them advice and perhaps help them to recruit forces of guards if we wanted to, but we should not take the responsibility for guarding it.

H.M.JR: I am sure there are plenty of injured Texas Democrats who would be very glad to.

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MR. GASTON: We have a list of people from whom they could employ guards, if they wish to.

H.M.JR: If not, New Hampshire could help out.

I hope you (Foley) didn't disagree with me too much on what I did last night, telling him (Pehle) to call up that fellow.

MR. FOLEY: That is all right. I noticed in your telephone conversation you told him you thought I was using bad judgment; but I didn't think so. I don't think you will, either, when you know the whole story.

Markham called me, and he said that he understood that we weren't far apart and could I have somebody draft another way to do it. I said, "You mean to try to carve out 5b in an executive order?" He said, "Yes."

I said, "Well, we have given a great deal of study to it, and we think the only way to be sure on the legal side is for the President to give both agencies the complete power. I understood they all agreed to that. That is the best way we know how to do it after studying it for months; and if you have got a better way why don't you draft it."

H.M.JR: This is since Leo--

MR. FOLEY: That was Friday. He said, "All right, I will try my hand at it." I said, "You let me see it and let me criticize it." He was trying to get us to do something more.

H.M.JR: But if you read it - I got the distinct impression from what he said that from the day Leo went nobody had heard from Leo's office.

MR. FOLEY: He told you in that conversation that Markham had talked with me, but he didn't give you the whole conversation, and I hadn't had a chance to tell you.

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H.M.JR: I didn't want Leo to walk in here--

MR. FOLEY: Leo sent for John, and John is there
this morning.

H.M.JR: I didn't want him to say, "I am here, but I can't do anything because the Treasury didn't make the first move." Inasmuch as you had been criticized, that is why I sent you the transcript. If it was unfair, I am sorry.

MR. FOLEY: No. I think you didn't know the whole story, but the time schedule was running against him and I wasn't going to be put in the position of having to produce something that was better than I had already produced when I couldn't do it.

H.M.JR: If I had known Markham had called you - our office had not heard from Crowley, and I thought it was childish to sit here for one week--

MR. FOLEY: That wasn't the situation, and Crowley himself called John. John told me this morning, and John was going over there at half past nine.

H.M.JR: Crowley himself?

MR. FOLEY: Yes.

H.M.JR: Wonderful. John is coming up in the world. If he thinks John is soft, he will find out.

MR. FOLEY: John is the toughest one. John didn't want to go as far as I was willing to go.

H.M.JR: Sullivan?

MR. SULLIVAN: Do you recall the telephone conversation you had with Budge about a tax moratorium on Hawaii? Here is a transcript of a radio telephone conversation he had with somebody else on the same thing. That

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might be interesting. That should go back to Mr. Gaston.

H.M.JR: Just the first page?

MR. SULLIVAN: Yes.

(Paper read by the Secretary.)

H.M.JR: I don't get the significance of that.

MR. SULLIVAN: The implication is very clear, that the Treasury was trying to do everything but the facts prevented us from doing it.

H.M.JR: I see.

MR. SULLIVAN: Somebody has been sold a bill of goods there.

H.M.JR: I see.

MR. SULLIVAN: The rest of it I don't think is particularly important.

H.M.JR: Do they send this to you? Do you get all of these?

MR. GASTON: We get all of them.

H.M.JR: When I talk to Bob in Puerto Rico, do you get that?

MR. GASTON: No, I don't think we get that. We get everything that might affect the Treasury. This was a special from Captain Fenn because he thought it did affect the Treasury.

MR. SULLIVAN: We have been having a very difficult time checking Social Security taxes from laundries, and we finally cracked down and sent one fellow to the penitentiary. We want to sell the machinery, and we

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run into a priority, of course, can't auction off machinery. The Commission is very much interested in this particular case. They got in touch with me and wanted to know if I could talk to Donald Nelson about it. I wanted to clear it with you.

H.M.JR: Sure.

Buffington?

MR. BUFFINGTON: Six of the twelve Federal Reserve Banks have their committees organized. I would like to send this letter out to the regions to thank them and get these regional committees set up. (Paper handed to Secretary.)

H.M.JR: Who is this going to?

MR. BUFFINGTON: Members of the committee.

H.M.JR: It goes to the individual members?

MR. BUFFINGTON: Yes.

H.M.JR: Copy to Mrs. Klotz, please.

MR. BUFFINGTON: That is all.

H.M.JR: Harold, I am going to have to stop at ten-thirty. If I don't get to you, some time during the morning or this afternoon I want to see you and Bell and your partners and Buffington, and Gamble, because Gamble told me yesterday up there that he has made some arrangements with some banks to go out and sell twenty-five million, or something, of F's and G's, just to be safe. I want to be sure what it is and be sure that everything is coordinated.

MR. GRAVES: Gamble isn't here.

MR. ODEGARD: Yes, he is here.

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H.M.JR: What I was going to suggest is that Bell and you and Buffington, whoever else is interested, get together before you see me. See? I am tickled to death at what he is doing. He said he wants to be sure and have a safety margin of twenty-five million dollars of F's and G's over our quota. He says he has done something with the banks in New York and Chicago to assure himself of that.

I think if you fellows got together and just checked what he has done, and then later on during the day I would like to see you myself to be sure, because I am worried about the F's and G's and I want to be sure. Gamble seemed very confident it was in the bag, but - so some time this afternoon I would like to see you. So will you get together?

MR. GRAVES: Of course the point there is that we are skating on very thin ice with respect to this May quota due to the low volume of F and G Bonds, and he is trying to give us enough increased volume in the F and G Bonds to see us through on this six hundred million May quota.

H.M.JR: He says it is in the bag, but I would like to have other people who are in contact with other banks or sales organizations go over it. We will get together this afternoon.

MR. GRAVES: May I speak of another matter? Mr. McPherrin, who is the editor of the druggists' trade corporation and the chairman of the committee promoting this drive, is in town.

H.M.JR: I have asked him (Lt. Stephens) to make an appointment.

MR. GRAVES: He wondered if you would agree to having his picture taken with you for use in their--

H.M.JR: I don't mind because they never publish them. I mean, I have my picture taken all the time.

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MR. SULLIVAN: They will publish this one.

MR. SCHWARZ: They use them in the trade press, Mr. Secretary.

MR. GRAVES: It is very important to them to have that. If you like, I will arrange that with Chick when I know the time.

H.M.JR: I wish you would also make an arrangement that I get all my drugs from now on wholesale. That would be very nice. My bills are something. I will share with all of you.

What else?

MR. GASTON: That is, an X card on drugs? (Laughter)

MRS. KLOTZ: I like that.

H.M.JR: I'd let sleeping dogs lie.

MR. GASTON: They do.

MRS. KLOTZ: Not this one. (Laughter)

H.M.JR: Mr. - who is the fellow, the columnist in the Post?

MR. BELL: Jerry Kluttz.

H.M.JR: Jerry Kluttz, this morning he has got that in the headline.

MR. ODEGARD: I would like you to see this in the Seattle papers on the bond drive. (Papers handed to the Secretary.)

MR. KUHN: Mr. Secretary, Callahan has got together a large volume of newspaper pages.

H.M.JR: Which is the better?

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MR. GRAVES: They are just alike. They each contain about the same play.

MR. BELL: The back page is a good one.

MRS. KLOTZ: That is lovely.

MR. ODEGARD: You asked for evidence of increased activity.

H.M.JR: Yes, sir. (Laughter) Yes, sir, Harry White and I.

MR. KUHN: I would like to give you a postscript on that. Callahan has hundreds of newspaper pages resembling those from all parts of the country. He has put them together in a volume. That volume is a first of several. I suggested that he send that volume out to your house, and when you have a few minutes thumb through it and see.

H.M.JR: Callahan is of a trusting nature. He wrote me a personal letter and said it was on the way over.

MR. KUHN: I thought he was sending it to your house.

H.M.JR: I got the letter but I haven't got the volume.

MR. GRAVES: I think I told him yesterday to put it in the room across the hall here.

H.M.JR: In the "gold" room?

MR. KUHN: Anyway, he says that the publicity is really astonishing in volume in all parts of the country.

H.M.JR: Haas?

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MR. HAAS: I have nothing.

MR. SCHWARZ: Nothing.

MR. WHITE: Phillips was in yesterday and wants to put a question to you about their Chinese loan. It would take me just a minute to explain it.

H.M.JR: I had better handle it some other time.

MR. WHITE: He also raised another question, and Acheson, I think, is ready to consider the British Lend-Lease in Reverse, the work of the program. So some time this week you will want to call a meeting to continue the earlier discussions on it.

We got a telegram from Handy and Harman, a long telegram, very urgent in tone, to see what the Treasury can do about putting more silver on the market; the silver situation is becoming very acute. I merely inform you about that.

The Bolivian negotiations have been resumed by the Stabilization Fund and are proceeding very rapidly.

H.M.JR: I will talk to you during the day. You have so much stuff I can't get it.

Harold, how about the American Bar Association?

MR. GRAVES: I haven't had a report on that. I gave it to Mr. Houghteling.

H.M.JR: Will you get the report?

MR. GRAVES: Yes.

H.M.JR: What else?

MR. GRAVES: Nothing.

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H.M.JR: Bell?

MR. BELL: About some refunding operations next week.

H.M.JR: Well, put yourself down for an appointment.

MR. BELL: We ought to do it the first of the week, I should think; getting some cash again in June, and have to date these bonds not earlier than the fifth of June, possibly seventh or eighth.

H.M.JR: You don't give me any rest.

MR. BELL: Today you want to discuss it?

H.M.JR: Yes.

MR. BELL: That is all I have.

MR. THOMPSON: The President has indicated that where the war effort can be furthered we should stay open on Memorial Day. We did that on prior holidays.

H.M.JR: All right.

MR. THOMPSON: I have in mind getting out an order restricting annual leave to two weeks this year. The Personnel Council had it up, and it seems to be the general feeling that it is a desirable thing to do.

H.M.JR: I would like to think about that.

MR. BELL: That is a lot.

MR. THOMPSON: Yes, some are getting less than that.

(Paper handed to the Secretary)

That formalizes Mr. Ireys's duties in keeping tab on important cases and in checking over important personnel changes on the investigating forces.

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H.M.JR: Who would this hit?

MR. THOMPSON: Stewart Berkshire. I think he has a little more difficulty dealing with him than anybody else.

MR. SULLIVAN: I haven't heard about this.

H.M.JR: Where will Irey be sticking his nose where he hasn't before?

MR. GASTON: In all of the agencies.

H.M.JR: I mean, should Sullivan see it before--

MR. GASTON: I should think so, be a good idea.

H.M.JR: Anybody else?

MR. THOMPSON: I don't think anyone else should see it.

H.M.JR: I had better O.K. it subject to Sullivan's approval. Is that fair?

MR. SULLIVAN: Yes, sir.