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_ ORALDUL FOR THE SECRETARY'S FILES:

A meeting relative to the administration of Executive Order 5589, as amended, was held in Mr. Foley's office at 2:00 p.m., July 26, 1941, attended from time to time by the following:

lessrs. Foley (Chairman), Pehle, Bernstein, Towson, Carre, Fox, dasa and Timmons for the Treasury, Messrs. Acheson, Luthringer and Miller for State, Mr. Rosenwald for Justice.

Mr. Carre, Chief of the Securities Section of the Foreign Funds Control, presented a summary statement of the transactions involved in three applications filed by the Anaconda Copper ining Company, the Silesian-American Corporation and Lazard Freres and Company, the approval of which would result in the control of the Silesian Molding Company and the Silesian-American Corporation passing to Ikap, a Swiss corporation acting for a group of Swiss bankers, some of whom remain unnamed. After a careful examination of all the facts involved and a discussion of the various policy considerations involved in such action, it was unanimously agreed that the applications in question should be immediately denied and a statement to that effect given to the press. This was done at approximately 4:15 p.m. Mr. Pehle explained that the issuance of a press release when a decision was taken by the Committee had already been cleared with the Securities and Exchange Commission. It was further agreed that a memorandum should be prepared by Monday morning outlining the policy of this Covernment with respect to this and similar cases. The first draft of such statement is to be prepared by Messrs. Luthringer and Miller of State and will be discussed with Treasury and Justice on Monday. Such statement is in general to explain that a concerted attempt is under way by which Germany hopes to use blocked or looted funds to buy out imerican holdings in the occupied countries. These schemes were not initiated prior to the several invasions, but a number have now been prepared and are being developed to a high point of ingenuity, including operation through neutral exchanges, and the use of Swiss dummy corporations.

Mr. Pehle then referred to three general problems which the Finnish Minister has discussed with officers of both the State and Treasury Departments. The first relates to transfers from

private blocked Finnish accounts to the Finnish Central Bank. oplications have been received by the Foreign Funds Control for permission to effect approximately \$500,000 worth of such transfers, and it was pointed out that if any such applications were granted, there would be many more similar applications Tiled. The purpose of such transfers, the Finnish Minister explained on several occasions, is to provide business enter-prises operating in Finland, notably the great Finnish pulp exporting firms, with local currency balances with which to Tinance continuing business operations. It has not been the policy of the Foreign Funds Control to approve applications of this character, although the French in particular have argued strongly that approval of such applications should be granted. r. . cheson suggested to Mr. Luthringer that a tentative statement of policy be drawn up and discussed with the European Division in State, to the effect that in view of the fact that Finland is presently in a position analogous to occupied France, the molicy of the Treasury with respect to the transfers in question should not be altered in the case of Finland. The inmish Linister has also requested that two Tinnish ships presently on their way to the United States be allowed to sell their cargoes in this country and remit the proceeds of such seles to the Swedish Central Bank in order to Tinance purchases by Finland in Sweden. It was agreed that this application should not be approved. The Minister has raised the question of whether debt service will be permitted on Finnish bonds held in the United States. This does not appear to be a pressing problem, inasmuch as only old maturities are concerned and there are several problems that must be worked out, particularly the possibility that some of such bonds are held in occupied countries or that the coupons will be presented through neutral countries. In line with present policy, the Control will proceed to license payment of interest in all "clean" cases.

r. Pehle referred to an application, Dallas 423, which was received today by phone. It relates to the exporting of 14,000 beles of cotton purchased by the Missho Company of Osaka, Japan, for delivery in Shanghai, China. It was agreed that no action should be taken on such application at this time, pending the receipt of further information relative thereto.

Reference was also made to a telegram received from the Collector of Customs in Portland, Oregon, inquiring whether merchandise to be destined for Japan could be loaded on board ship. A telegram was despatched to the Collector stating that all operations connected with the export of such goods could be effected only pursuant to licenses issued under the Order.

List of Certain Blocked Nationals was being printed and proofread over the weekend and would be printed on Monday. Ir. Acheson of State referred to two German newspapers in Bolivia which have been recommended for deletion from the Proclaimed List. Such action will, however, not be taken at this time.

The Committee unanimously expressed its appreciation to hiss McGuire for her splendid efforts in handling the transportation arrangements for the group being sent to Hawaii and the Philippine Islands.

There was a brief discussion of certain aspects of the trade problems which will arise as a result of the freezing of Japan and it was agreed that the problems would receive further consideration.

Mr. Acheson reported that the revocation of the outstanding license allowing the British Purchasing Commission to pay the Bank of Canada for account of the French Government had been cleared in the State Department.

Dear Mr. Lovett:

In the absence of the Secretary, I am acknowledging receipt of your confidential letter of July 22nd.

I shall hold this for Mr. Morgenthau's personal attention.

Yours sincerely,

H.S. Kloty

H. S. Klotz Private Secretary

Hon. Robert A. Lovett, Assistant Secretary of War for Air, War Department, Washington, D. C.

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WAR DEPARTMENT OFFICE OF THE ASSISTANT SECRETARY FOR AIR WASHINGTON, D. C.

July 22, 1941

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

Dear Mr. Secretary:

Attached is a schedule giving the present strength which the Air Corps could have sent into combat on May 31 and on June 30.

This chart also shows the disposition of the planes — in Continental United States, at Foreign U. S. Stations, and the number grounded for modernisation, service tests or repair.

Very sincerely yours,

ROBERT A. LOVETT

Assistant Secretary of War for Air

Enclosure

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totale	110	108	129	190	123	138		12	545	627	927	1075





FIELD ORGANIZATION News Letter

DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT, WASHINGTON, D. C.



July 26, 1941. Number 10.

TO THE FIELD STAFF:

This is the tenth issue of NE/S ISTTER. According to reports we are receiving, it is serving a useful purpose. NE/S IETTER is designed to bring to the members of our field organization interesting items concerning the activities of the various State, county, and local Defense Savings Committees throughout the land.

We are always glad to receive news items of general interest. An idea that has been successful in one section of the country may likewise be very useful in other sections. It is on such an interchange of ideas that great and effective organizations are built. All of us are seeking the same end. We have undertaken to perform a service which will have a lasting effect upon the future of this Nation.

The functions of the field organization may be grouped under two heads. The first task is to educate every man, woman, and child to the importance of the Defense Savings Program, and to explain the securities in an understandable manner. The second task is to provide convenient purchasing plans for those who wish to own the Securities.

To accomplish these purposes a great educational program is under way and methods for convenient purchasing have been established. Others may be developed, but at present the most popular purchasing plans are: Direct purchase from fiscal agents, and by mail from the Treasury; pay roll allotment; the "group agent" plan, developed by Federal and other Governmental agencies; stamp banks located in stores, shops, offices, and schools; and thrift clubs established by social and other groups.

The march of events provides ample motivation. Americans want to defend their Nation. Our task is to make them realize that they can help and help now by purchasing Defense Savings Securities.

Sincerely yours,

GALE F. JOHNSTON

Field Director, Defense Savings Staff

HONORARY CHAIRMEN Nevada, New York, and Rhode Island Governors Accept Appointment

Secretary Morgenthau has announced that Governor E. P. Carville of Nevada, Governor Herbert H. Lehman of New York, and Governor J. Howard McGrath of Rhode Island have accepted Honorary Chairmanship of the Defense Savings Committees being organized in their states.

LEADERS APPOINTED IN OHIO

Secretary Morgenthau has announced appointment of Roy D. Moore, Chairman of the Defense Savings Committee for the State of Ohio, and of John McSweeney, Ohio State Administrator of the Defense Savings Staff.

Mr. Moore, whose home is in Canton, is the vice president and general manager of the Brush-Moore newspapers. Mr. McSweeney of Wooster was formerly State Director of Public Welfare and member of Congress from the State of Ohio.

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FLORIDA Regional Conferences Launch Local Organization

SIX REGIONAL CONFERENCES, in the three weeks immediately following the first meeting of the Florida State Committee, started the organization of city and county committees in every part of the Peninsula State.

MORE THAN 500 key people attended these six meetings. Every one of the 67 counties was officially represented at at least one of them. Mayors, county officials, postmasters, bankers, business and civic leaders, and representatives of the press participated in the discussions. All aspects of the Defense Savings Program were explained and the groundwork laid for an intensive campaign.

LINTON E. ALLEN, President of the First National Pank of Orlando and Chairman of the Florida Defense Savings Committee, presided at each of these meetings. State Administrator John L. Fohs, Deputy State Administrator Karl Lehmann and field representative G. E. McCaskey of the Defense Savings Staff completed the group of regular speakers.

HIGHLIGHTS of the meetings were tolks by the Governor and Mrs. Holland:

Governor Holland, Honorary Chairman of the State Committee, present at the Jacksonville conference, declared that Florida's goal was 100 per cent participation: "Every man, woman and child in the state an investor in Defense Savings Fonds and Stemps!"

Mrs. Holland addressed the regional conference in Tampa, where she also officially christened a new freighter.

THE FIRST STATE OFFICE IN TALLAHASSEE to report that every employee had purchased at least one Defense Savings Bond was that of Attorney General J. Tom Wetson, who reported to State Administrator Fahs that all B3 of the employees in his department had purchased a bond and had pledged himself to make a regular investment each pay day.

OTHER OFFICES OF THE STATE GOVERNMENT reporting that all of their employees are investing regularly in Defense Savings Fondsor Stamps include the Floride Industrial Commission (Divisions of Workmen's Compensation, Unemployment Compensation, and Employment Service) and the office of the State Treasurer.

A Show For A Stamp

Children who are regular "Defense Savers" will be admitted free of charge to Saturday morning shows given by the 110 theaters in the Sparks Circuit, according to J. L. Cartwright, public relations executive for Sparks Treaters and member of the Floride State Defense Savings Committee. Possession of a cerd carrying a 10-cent Defense Savings Stamp with the card dated to indicate that at least one stamp has been purchased within the past week will be "the price of admission."

NORTH CAROLINA Charlotte Committee Hard At Work

APPOINTMENT OF CHAIRMEN of the soveral divisions of the Defense Savings Committee for Charlotte and Mecklenburg County has been announced by Word H. Wood, chairman. The Mecklenburg County Committee includes the following divisions:

Banks
Speakers bureau
General organization
Negro participation
Merchants
Women's division

Industry
Labor
Motion picture Industry
Medical profession
Civic clubs
County communities

20 DEFENSE SAVINGS BONDS will be awarded as prizes in an essay contest conducted among children of the city and county schools. The bonds, which will be of the \$25 denomination, will be awarded for the best essays submitted by October 15 on the subject, "Why Defense Bonds Should Be Purchased." Eleven banks and building and loan associations in Charlotte are giving the bonds.

100% PARTICIPATION in the Defense Savings Program is the achievement of the 256 employees of Charlotte's four commorcial banks. Three building and loan associations likewise report that all of their employees are purchasing bonds or stamps.

The Lexington Chair Company of Lexington, N. C., has given each of its 150 employees \$3 worth of Dofense Savings Stamps as a starter toward the regular purchase of Defense Savings Bonds.

O'Crowley Cleaners of Wilmington is the first business firm in that city to report that all of its employees have purchased Defense Savings Bonds or Stamps. Paper bags used by this cleaning concern carry the message "For Defense Buy United States Savings Bonds."

The North Carolina Federation of Women's Clubs has bought \$3,000 worth of Defense Savings Bonds.

MICHIGAN STATE EMPLOYEES ENTHUSIASTIC

100% PARTICIPATION is the real of the Detroit Branch of the <u>Michigan</u>
State Employment Service. A voluntary Defense Savings Bond and Stamp Purchase
Plan has been installed in this office and already practically all of the 125
employees have signed pledge cards.

The Hichigan State Department of Labor has installed a similar purchase program for employees in its Lansing offices.

NEWS FROM OTHER STATES

CONNECTICUT

Waterbury city employees have been notified that it will be possible for them to participate in the Defense Savings Program by authorized pay roll allotments, according to a recent announcement by Mayor Vincent A. Scully and City Controller Thomas M. Conlon.

Connecticut state employees, more than 10,000 of them, are participating in the state government's systematic purchase plan for Defense Securities.

Many Ponemah workers are now having part of their wages paid in Defense Savings Stamps. Superintendent John E. Tobin of the Ponemah Mills of Norwich reported to Paul W. Franklin, Chairman of the Norwich Defense Savings Committee:

"There has been an eager and enthusiastic response to this program. From now on, at least \$1,000 weekly will result from this system, . . thereby siding the Government in its ever-increasing National Defense Program and at the same time encouraging the habit of thrift among our employees."

MINNESOTA

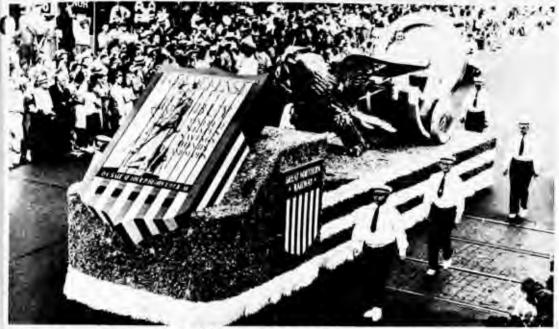
Charles F. Liscomb, insurance man and former president of the Duluth Chamber of Commerce, has been appointed chairman of the Dufense Savings Committee for Duluth; Robert F. Pack, president of the Northern States Power Company, has been named chairman of the Defense Savings Committee for Minneapolis; and Ray F. Wentz, vice president of the Minnesota Federation of Labor and business representative of the St. Paul Trades and Labor Assembly, has been appointed chairman of the Defense Savings Committee for St. Paul and Ramsey County, Minnesota. In accepting his appointment, Mr. Wentz said:

"Labor and industry will work in closest harmony in this important effort. We are all volunteering our time because this is a big task in which we all must cooperate. Our country needs our help, and it is of the utmost importance that people in all walks of life invest in their Government."

NEW JERSEY

The West End Theater in Newark is no longer giving away dishes. Letter Carrier Goldenberg persuaded the manager to try giving away ten cent Defense Savings Stamps and to see how his customers liked the idea. They were enthusiastic! A representative of State Administrator Manning addressed the theater audience the first night the stamps were given away. A reporter from the Nowark Evening News interviewed scores who had received their first Defense Stamps and had determined to begin saving for bonds.

AQUATENNIAL DEFENSE BOND FLOAT



A featured attraction in the parades held in connection with the Mioneapolis Aquatennial was the float pictured above, the contribution of the Great Northern Railway

POLISH SOCIETIES START DEFENSE BOND DRIVE

Representatives of Polish lodges in Bridgeport, Conn. apply for Defense Bombe as first step in campaign to encorrage ladge manthers to participore in defense savings empaign. From lett to right: Dr. B. L. Smylawida, chairman of the central Charles Rev. Charles B. Bulajezak, S. T. D. O. M. C., pastor of St Michael Church, Anthony Minuserwski, assistant treasurer of 56 Francis Lodge; and Michael Padulady, president of St. Francis lange. With backs to comera: C. Lelloy Guild, assistant secretary. tal John F. Wegrzyn, teller, of the stechanics and Farmers Savings Brok.



EX ENTERWISE PROTOR BERGE CONT. B. 44007

MISSOURI

Business Finding Many Ways to Publicize Program

The Public Service Company of St. Louis has contributed streetcar and bus cards of original and striking design to advertise the Defense Savings Program. The cards remind one of the American flag, as they carry a sketch of the Minute Man in the center of a field of blue with alternating red and white stripes in which appear the words, "Buy U. S. Savings Bonds and Stamps."

The John Taylor Dry Goods Company in Kansas City has made its "stamp bank" easy to find—red, white and blue bands and ribbons suspended from the coiling, and arrows bearing the words "Defense Stamps," direct traffic in the department store to the office where Defense Savings Stamps are on sale.

The Stupp Brothers Bridge and Iron Commany of St. Louis, working largely on defense contracts, post \$25 Defense Bonds as bonuses to be paid to all employees present on all working days and directly participating in the monthly tonnage quotas.

Merchants of Warrensburg designate "Defense Savings Stamp Days." On these days, Defense Savings Stamps are given away with sales.

The regular weekly "Morchants' Drawing" in Sturgeon awards Defense Savings Stamps as prizes. Moving pictures of such drawings are shown under the auspices of the Sturgeon Defense Savings Committee at meetings where the Defense Savings Program is explained.

* * * * *

The <u>Missouri Legislature</u> has adopted a resolution endorsing the Defense Savings Program.

The annual convention of the <u>Missouri Federation of Women's Clubs</u> heard an address by State Administrator Dan K. Nee and then passed a resolution heartily endorsing the Defense Savings Program.

The "Defense-O-Grams" of Administrator New are being well received and widely reprinted in Missouri newspapers. From Defense-O-Gram Number 4:-

"'Be Prepared' is the alogan of one of the greatest American Youth Organizations . . . It is also the watchword of America today, when Democracy is being challenged. Boy Scouts, and in fact, all American youth can best serve their country now by buying Defense Savings Stamps . . WILL YOU DO YOUR PART? . . . See your Postmaster today."

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Prizes at the Bethiny County Fair - some \$5,000 - will be paid in Defense Savings Bonds and Stamps this year. Postmaster Walter Bartlett, chairmen of the Bethany Defense Savings Committee, has also arranged for booths at the fair grounds where Defense Savings Stamps will be sold.

PATROLL ACLUTHENT IN INDIANA

Some of the largest business establishments in the state have indicated that they have installed, or would soon install, payroll allotment plans for the purchase of Defense Savings Bonds. Among these large concerns are:

Bendix Aviation Corporation
Wm. H. Block Company
General Motors Corporation
(Allison & Chevrolet plants in
Indianapolis; other plants in
Anderson, Kokomo and Muncie)
Indiana Fower & Light Company
Indianapolis Street Railways

Eli Lilly and Company
Lincoln National Life Insurance Co.
Posture Research Corporation
Real Silk Hosiery Mills, Inc.
H. P. Wasson & Company
U. S. Rubber Company
(Plants in Indianapolis and
Mishswaka)

STREET CAR AND BUS WORKERS TO INVEST IN DEFENSE

In addition to the Indianapolis Street Railways, noted above, two other street car and bus companies have installed salary allotment plans.

The Chicago Surface Lines' plan was announced by Charles W. Chass, who said:

"The Plan will serve a two-fold purpose. It provides a safe medium for regular savings by employees and it furnishes an opportunity to aid the Government in financing of the national defense program."

The Capital Transit Company in Washington, D. C. has also made it possible for its employees to buy Defense Savings Bonds through pay allotments.

BOTH EMPLOYERS AND EMPLOYEES BENEFIT

How Do Salary Allotment Plans Benefit The Employee? They provide simple, easy and automatic means by which the employee can save regularly and amount he or she can afford. The salary allotment plan gives the employee an opportunity to do his or her patriotic duty. It prevents carelessness or forgetfulness, and assures an uninterrupted program of savings each pay period, with a minimum of effort on the part of the employee. It prevents the employee from skipping asvings period and spending the money for non-essentials. Remember the old saying about the road being paved with good intentions. . .

Does A Salary Allotment Plan Benefit The Employer? This plan gives an employer an opportunity to do a patriotic duty. It builds morals in his organization. It is safe to say that any employer who is blessed with thrifty, loyal, patriotic employees is far better off than one whose employees lack these qualities. It is hard to imagine any employer who would desire employees who never save a cent, or who care nothing for their country.

From "Salary Allotment Plan Applied to the Defense Savings Program," a publication of "the Defense Savings Staff. Now available,

- A SOFFERENCE PROPERTY SPECIAL

BANKS ADVISE ALLOTMENT PLANS

BANKS THROUGHOUT THE COUNTRY are now making a most valuable contribution to the Defense Savings Program by consulting and advising with employers with respect to the establishment in their plants and offices of voluntary salary allotment plans for the purchase of Defense Savings Bonds.

IN SEATTLE, the Seattle Trust and Savings Bank notified companies and corporations which use its facilities:

"The United States Government has developed a very sound program for financing National Defense. . You can cooperate by urging your officers and employees to purchase regularly United States Defense Savings Bonds and Stamps. . .

"We will assist you, if you wish, in installing one of several effective and practical plans to expedite and service such purchases by members of your organization, without compensation or profit to curselves. . . "

THE FIRST CONCERN to take advantage of the Seattle Trust Company's offer was the United National Companies. This organization with 400 employeees give each one a 50¢ Stamp in an album and promised thom the last Stamp necessary to complete an album for exchange for a \$50 Bond.

秀 朴 林

IN HARTFORD, the Hartford National Bank and Trust Company addressed its business and industrial customers:

"Adoption of a salary allotment clan for your employees would enable many to purchase Defense Bonds who might not otherwise invest in and contribute towards National Defense. . This bank is prepared and anxious to aid its customers and friends with suggestions, forms and ideas in putting a salary allotment clan into operation."

R. B. Newell, President of the Hartford National, is Chairman of the Defense Savings Committee for Connecticut.

4 4 4

IN NEW HAVEN, nine prominent banks advertised in the newspaper that their employees were purchasing Defense Savings Bonds through salary allotment and that they united in urging all employers to adopt salary allotment plans for the benefit of their employees.

IN NEW YORK, the New York Trust Company has announced that it has dovised a payroll allotment plan for the purchase of Series E Defense Savings Bonds and that its

"facilities are available to expedite the purchase, registration and delivery of these Bonds to the employees of corporations which install such plans."

PAY ROLL ALLOTMENT PLANS DESCRIBED

Some of the most prominent business organizations in the United States give full details of the plans permitting their employees to participate conveniently in the Defense Savings Program, in the pamphlets listed below:

AMERICAN TELEPHONE & TELEGRAPH COMPANY

"Pay Roll Allotment Plan for United States Savings Bonds" (Subsidiary companies have descriptive pamphlets very similar in formst and content.)

ASSOCIATION OF AMERICAN RAILROADS

"For American Railroad Employees—A Systematic Plan for the Purchase of U. S. Defense Savings Bonds" (More than 100 different railroad companies have ordered copies of this pamphlet bearing their own imprint.)

BETHLEHEM STEEL CORPORATION

"Defense Savings Plan" BOEING AIRCRAFT CORPORATION

"Voluntary Payroll Deduction Plan for Purchase of United States Savings Bonds"

CHRYSLER CORPORATION

"A Plan for Chrysler Corporation Employees Who Desire to Purchase U. S. Government Defense Savings Bonds Through Voluntary Pay Roll Deductions" FEDERAL RESERVE SYSTEM

"Voluntary Pay Roll Deduction Plan for Purchase of Defense Savings Bonds"
GENERAL ELECTRIC COMPANY

"Defense Savings Plan"

MISSISSIPPI POWER & LIGHT COMPANY

"Voluntary Pay Roll Allotment Plan for Purchase of U. S. Defense Savings Bonds and Sale of Defense Postal Savings Stamps to Employees and Public"

MURRAY CORPORATION OF AMERICA

"Systematic Savings Plan for the Purchase of U. S. Defense Savings Bonds" NCHTHERN PACIFIC RAILWAY

"An Investment Opportunity for Northern Pacific Employees"

PHILLIPS PETROLEUM COMPANY

"Voluntary Pay Roll Deduction Plan for the Purchase of U. S. Defense Savings Bonds"

FUELIC SERVICE CORPORATION OF NEW JERSEY

"Plan for Purchase of U. S. Defense Savings Bonds, Series E. By Employees"

STANDARD OIL COMPANY OF NEW JERSEY

"United States Savings Bonds National Defense Program - Esso Employee Purchase Plans"

UNITED AIRCRAFT CORPORATION

"Voluntary Pay Roll Deduction Plan for Purchase of Defense Savings Bonds"
U. S. HURBER COMPANY

"Systematic Savings Plan for the Purchase of U. S. Defense Savings Bonds"

These are only a few of the corporations which have issued pamphlets describing their Defense Savings salary allotment plans. Others may be noted in later issues of this NEWS LETTER.

TEACHERS LEARN OF DEFENSE SAVINGS PROGRAM

STUDENTS IN SUMMER SESSIONS conducted by 800 colleges and universities are hearing about the Defense Savings Program. The Treasury recently wrote to the deans of these summer sessions and offered to make Defense Savings pamphlets available for distribution to their students. Almost all of the deans responded by requesting a sufficient number of pamphlets to place copies in the hands of all their students.

MANY OF THESE STUDENTS WILL BE TEACHERS in the fall; hence, the importance of bringing the Defense Savings Program to their attention is apparent.

It is suggested that state and local committees follow up this contact, *
offer to provide speakers for summer school assemblies, and make sure *
that both Defense Savings Bonds and Stamps are conveniently available *
to this important group through campus postal stations, bookstores, and *
nearby banks.

SCHOOLS TO HAVE SPECIAL LITERATURE

WHEN SCHOOLS OPEN in September, all state and county superintendents of schools and all school superintendents in cities of more than 2,500 will have before them a copy of a letter from Harold N. Graves, Assistant to the Secretary of the Treasury, to John W. Studebaker, United States Commissioner of Education. In this letter, Mr. Graves explains:

"The Treasury Department is interested in the participation of the public schools as the great national agency of education, more than as an outlet for the sale of defense securities. . . Should some school or class, of its own free will, desire to cooperate with the Defense Program by instituting a plan for the purchase of bonds and stamps, we would welcome the patriotic purpose. But the Government has no desire to coerce, solicit or urgently influence the public schools of America to become sales agencies for bonds and stamps. . .

"The Federal Government, through the Treasury Department and the Office of Education, plans to furnish for use by the schools a series of manuals, text and syllabi which schools can secure, without cost, for the use of their classes and school libraries. . .

"The various manuals, pamphlets, source books, and syllabi can be secured by any school from the county or city Defense Savings Committee where the school is located. . ."

AVAILABILITY OF THE MATERIAL will be announced in the pages of the NEWS LETTER.

S T A M P S Number and Variety of Outlets Increasing Rapidly

THE VARIETY OF CUTLETS for the sele of Defense Savings Stamps is indicated by the following partial list of agencies which are known to have them for sale:

Post offices

Including postal branches and sub-stations, there are about 24,000 postal outlets.

Rural mail carriers

Authority for postmasters to advance Defense Savings Stamps to their rural carriers has been granted by the Post Office Department. There are about 32,000 rural mail carriers.

Banks and other financial institutions

Railroad ticket offices

Retail stores
drug stores
grocery stores
department stores
clothing stores
variety and
limited price stores
Hotels
Restaurants

Motion picture theatres Filling stations The number of retail outlets selling Defense Savings Stamps is increasing rapidly. In all parts of the country independent merchants and chain stores are establishing "stamp banks" and, through advertising and in other ways, pushing Stamp sales. Customers appreciate the convenience of being able to buy Defense Savings Stamps when making other purchases.

"EUY DEFENSE SAVINGS STALPS HERE" plaques and replicas which the Treasury Department is providing retailers who undertake to sell Defense Savings Stamps are now available. (The July 12 issue of the MEWS LETTER included the 8 x 10 inch replica.) The distribution of these plaques, replicas, posters and signs is being worked out by the Defense Savings Staff in cooperation with State and local Defense Savings Committees and various national trade associations. A bulletin on this subject has been sent to all State Administrators.

LOCAL COMLITTEES will be largely responsible for the success of the campaign to sell (not merely place on sele) Defense Savings Stamps through retail outlets. They will be depended upon to

- explain the importance of the Defense Savings Program to those directly responsible for the sale of the stamps;
- arouse and sustain an enlightened interest in the philosophy of the Defense Savings Program;
- dramatize the Program in various ways.

REPORTS FROM LOCAL COMMITTEES which give an over-all picture of 2nd interesting incidents in the Defense Savings Stamp Program in their communities will be summarized in the NEWS LETTER.

FURCHASERS WHO LADA HEADLINES

*In Bridgeport, Conn. -- Sam Archson, Russian-born pants presser, out 100 of his savings into a Defense Bond and named the U. S. Government as beneficiary in the event that he dies before its maturity. The Bridgeport Times-Star quotes him as saying:

"I've enjoyed my freedom here, the opportunity to go and come as I please. Feeple who grumble should look at Europe with its dictators and its bloodshed and take some of the world's goods they've accumulated here and invest it in the greatest nation on the face of the earth."

In <u>Buffalo</u>, N. Y. -- John Paskuly, tall, husky restaurant owner, appeared in the office of Assistant Postmaster John E. Keyes with three one-gallon jars filled with pennics and said he would return later with two more jugs, making enough "coppers" to complete payment for a 3500 Defense Savings Bond. Asked how he happened to save all the pennics, he replied:

"Why, when my wife, Georgia, and I close the restaurant each night, we take all the pennies from the each register and drop them in the jars."

To Mashville, Tonn.—Pive prisoners at the State Ponitentiary—two of them serving life terms for murder—purchased substantial blocks of Defense Savings Bonds and Stamps. Johnny Vaughn bought 3650 worth of Bonds, and the Nashville Tennessean quotes him as saying:

"If I can't use the money, Uncle Sam can. Maybe it'll spell curtains for Hitler."

- In New York City—Camp Fire Cirls from Hillside Homes in the Bronx visited

 New York's Postmaster Albert Coldman to receive his congretulations on
 being the first "100% for Defense Savings" Camp Fire Group in the United
 States.
- In Orlando, Fla.—John Bravos, a naturalized American born in Greece, who operates a hat cleaning establishment, purchased \$300 worth of Defense Savings Bonds as an investment for his children, and then bought Defense Savings Stamps for each of his employees.
- Washington, D. C.—Boy Scout Troop 112 of Arlington, Virginia, purchased a Defense Savings Bond at Treasury House from Gale F. Johnston, National Field Director of the Defense Savings Staff. Sonior Patrol Leader David Yagor, representing the troop, paid for the Bond with money saved during the past year for a new troop flag and originally raised by sale of the troop's mascot a goat.
- "In Whitesboro, Texas—Ronald Edison Rancy, 10 weeks, and Charles Alford
 Tarpley, 18 months, are reported to be two of this city's youngest
 financiers. Both are the proud owners of Defense Savings Bonds. Young
 Tarpley bought his Bond with his "chicken and egg money." His father is
 a railroad telegraph operator.

(*Mowspapers used photographs in tolling these stories.)

WIN DEFENSE BONDS IN ESSAY CONTEST



E-say Contest Winners En Route to National Convention in Philabin Left to right, first prize winner, Grace Langley, 17, of Red Wing, second prize winner. Robert Gibson, 10, of Court-d Alene, Idaho: (Helpinze winner, Senorita Victoria Lopez, 10, of San Juan, P. R., L. Grandin Field, New York, for Independence Hall, and the Elecond Convention in Philadelphia where they received honers as winted Eles Delense Essay Contest. Prizes of \$1,000, \$500, \$250, \$100 in Delense Savings Bonds were awarded for the four best as an "What Uncle San Means to Me." Winner of the third prize Wirren Bierman, 17, of Harrisburg, Pa

When non-her reaches for the morning milk, she will be remained of the Datose Savings Program. Milk companies distributing milk in paper titles are now printing Defense Savings messages on one side. Picture the right is the container used by Dairy Scaled, Inc., New York ty, one of the companies in the Borden group.



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DEFENSE SAVINGS ON THE AIR Leading Programs for the Coming Week

Tuesday, July 29

FOR AMERICA WE SING

7:30-8:00 P.M. (EST) NBC Blue Network

A musical program featuring a 44-piece NBC symphony orchestra and chorus, conducted by Dr. Frank Black. GLEST STARS: Helen Jepson and Frank Parker.

This program, dedicated to Defense Savings, has been contributed by the National Broadcasting Company. It will be heard regularly each week during the coming year.

Wednesday, July 30

(The Treasury Hour)

8:00-9:00 P.M. (EST) CBS Network

GUEST STARS: Bette Davis, Jack Benny and Company, Larry Adler, Tyrone Power, Gertrude Neison, with Al Goodman and his band, Barry Wood and Ray Block's choir.

Time for this program is contributed by the Texas Company. This is the fifth in a 13-week series

Sunday, August 3

AMERICA PREFERRED

1:15-2:00 P.M. (EST)

NARRATOR: Pierre Van Paassen, noted author GUEST ARTIST: Ania Dorfmann, pianist

Foreign-born authors, artists, and other distinguished persons who "preferred America" appear on this series of programs, contributed by the Mutual Broadcasting System. This is the fourth program in a 10-week series.

* * * *

"My people's freedom only dates back as far as the memory of some men who are still living — and we set a higher value on liberty, perhaps, than those who have known it for many generations. We know that our one hope for the future lies in preserving democracy in America — and we want to fight for democracy in every way we can. That is why we are so strongly for the United States Defense Bonds and Stamps — They give us all a chance to take part in the Defense Effort. My people are not all well-to-do; but rich or poor, I know we will buy bends and stamps to the limit in order to help defend our country. Our hope lies here."

-Dorothy Maynor, Famous Negro Singer, speaking as a guest star on "Millions For Defense,"

QUOTABLE QUOTES--

"as I write, it is not clear whether our country is at war and it may not be any clearer when you read this. But whether we are at war or not, everyone knows that we are engaged in a Defense Program involving huge expenditures for arms, aircraft, ships, camps and the thousand and one things necessary to prepare our country to defend itself. . .

". The Defense Program has improved all business, our own included, and this improvement has led to better employee earnings due to longer hours, fuller employment and better rates. . I recommend to you without reservation these United States Savings Fonds and hope you will help your Government and yourself by buying them regularly and generously."

-R. E: Pritchard, President, The Stanley Works, New Britain, Conn.

"Billions of dollars are required by our government for national defense. Raising this money is not too difficult; but raising it without destroying our national production machinery, or without creating a period of uncontrolled inflation is a problem that can be solved only by the understanding cooperation of every citizen. It is proposed to raise the necessary funds through taxation, and by berrowing. The borrowing is to be done, in part, through the sale of Defense Savings Bonds to as many individuals as will buy them.

"The more people who purchase these bonds, the less the danger of post-wer adjustment. . . "

--George C. Long, Jr., President, Phoenix Insurance Company.

"... Civilians with increased purchasing power to use in purchasing a restricted supply of goods have a choice between saving and spending. If they save part of their income, they must do without certain material comforts, but they have something to show for it. If they spend all they earn, they boost prices, and are forced to accept lower living standards without having a reserve fund to compensate them for their deprivations.

-- The Washington Post, Washington, D. C.

"The predominent duty and responsibility resting today on every banker is to give active, loyal and patriotic service towards the sale of Defense Fonds. . Should this country ever find itself unable to defend itself, your bank will be of little meaning to you or your patrons. It will become a memory of how things used to be, but no longer are.

"Every banker who desires the continued respect and confidence of his neighborhood should identify himself with this great program to his utmost ability and energy. What he does now will be long remembered."

-- Idaho Bankers Association Bulletin



TREASURY DEPARTMENT

WASHINGTON

July 26, 1941

Memorandum for THE SECRETARY:

The following report is made of Stamp sales at "Treasury House":

July 1-24

\$18,504.10

July 25

969.65

Total \$19,473.75

GRAVES



TREASURY DEPARTMENT

WASHINGTON

July 26, 1941

Memorandum for THE SECRETARY

The following report is made of requests received for "Any Bonds Today?" from the experimental mailing of 10,000 cards:

	No. Requests	No. Copies
July 1 - 24	1060	6010
July 25	16_	253*
	1076	6263

*200 copies requested by a librarian

GRAVES

UNITED STATES SAVINGS BONDS

Sales in July Compared with June, 1941 On Basis of Issue Price

First Twenty-one Business Days (June 1-25, July 1-25)

(Amounts in thousands of dollars)

	1 St	ales	: Increase or Decrease (-) : in July Compared with June				
Item	July	June	. Amount		Percent		
Series E - Post Offices Series E - Banks	\$ 41,993 78,072	\$ 33,788 51,996		8,205 26,076	24.3% 50.2		
Series E - Total Series F - Banks Series G - Banks	120,065 20,993 131,287	85,784 25,048 160,194	:	34,281 4,055 28,907	40.0 - 16.2 - 18.0		
Total	\$272,346	\$271,026		1,320	0.5%		

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

July 26, 1941.

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

Note: Figures have been rounded to nearest thousand and will not

necessarily add to totals.

UNITED STATES SAVINGS BONDS

Daily Seles - July 1941 On Basis of Issue Price

(In thousands of dollars)

Date To		All Box	nd Sales		Post Office Bond Sales	Bank Bond Sales				
	Total	Series E	Series F	Series G	Series I	Total	Series E	Series T	Series 6	
July 1941	10.7 - T-10.7	57 1 T 2 T 2		6 10 855	Prince Total	THE IS	2 4			
1	\$ 9,505	\$ 2,387	\$ 957 845	\$ 6,160	\$ 595	\$ 8,910	\$ 1.793	\$ 957 845	\$ 6,160	
2	11,612	4,066	g45	6,701	1,735	9,877	2,331	845	6,701	
3	15,045	4,903	843	9,299	2,077	12,969	2,827	843	9,299	
5	22,900	9,589	2,437	10,875	3,191	19,709	6,397	2,437	10,87	
7	11,028	6,315	472	4,242	3,908	7,120	2,407	472	4,24	
8	11,226	4,867	1,197	5,162	1,346	9,881	3,522	1,197	5,16	
9	16,570	6,277	880	9,413	2,229	14,341	4,048	880	5,16: 9,41	
9 10 11	11,430	6,018	605	4,808	2,459	8,972	3,559	605	4,80	
11	16,311	8,504	1,197	6,610	2,405	13,905	6,098	1,197	6,61	
12	12,689	4,482	860	7.347	1,672	11,017	2,810	860	7.34	
14	13,435	7.754	1,046	4,636	3,060	10,375	4,693	1,046	4,63	
15	10,083	4.754	602	4,728	1,458	8,625	3,296	602	4.72	
15 16	11,994	5,541	808	5,645	1,458	10,349	3,896	808	5,64	
17	15,332	6,213	1,189	7.930	1.799	13,533	3,296 3,896 4,414	1,189	7.93	
17 18	12,404	6,730	836	4,837	2,042	10,362	4,689	836	4,83	
19	7.553	4,513	926	2,114	1,505	6,048	3,007	926	2,11	
21	14,136	7.105	1,015	6,016	3,060	11,076	4,046	1,015	6,01	
57	12,191	3,520	1,208	7,164	1,001	11,191	2,819	1,208	7,16	
27	14,677	5,018	1,208	8,451	1,514	13,163	3,505	1,208	8,45	
23 24	11,634	5,382	959	5,293	1,623	10,011	3.759	959	5,29	
25	10,589	5,828	904	3,857	1,670	8,919	4,158	904	3,85	
Total	\$272,346	\$120,065	\$ 20,993	\$131,287	\$ 41,993	\$230,353	\$ 78,072	\$ 20,993	\$131,28	

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

July 26, 1941.

Tot Blue Daniel

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 26, 1941

to Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £16,000
Purchased from commercial concerns £ 1,000

In the open market, sterling was first quoted at 4.04. Shortly thereafter, it moved to 4.03-3/4, closing at that level. There were no reported transactions.

The New York Exchange market suspended quotations for the Chinese year and Japanese yen today.

Closing quotations for the foreign currencies listed below were as fol-

Canadian dollar 11-5/8% discount Argentine peso (free) .2380
Brasilian milreis (free) .0505
Uruguayan peso (free) .4380
Colombian peso .5800
Mexican peso .2070
Cuban peso 1-1/4% discount

The New York banks reported that they had received actual quotations for the dollar and British pound from Shanghai this morning. In terms of our currency, the year fell 5/32¢ to 5-3/16¢. Reflecting a relatively greater decline of the year against the British pound, sterling in Shanghai was quoted at 3.96-3/8, up 1-7/8¢.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$2,634,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

The State Department forwarded a cable to us reporting that the Guaranty Trust Company, London, shipped \$51,000 in gold from England to the head office in New York, for sale to the New York Assay Office.

11.41.8

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 26, 1941

FROM Mr. Hass

In further response to your request of December 26, 1939, there is submitted herewith for the Division of Research and Statistics a memorandum listing, with brief descriptions, the studies or projects completed or under way, and the names of persons working on each, for the month of June 1941.

DIVISION OF RESEARCH AND STATISTICS

Way, and the Names of Persons Working on Each, for the month of June 1941

For convenience of reference, the studies listed are grouped under general subject heads.

The names shown for persons working on each project include only those who participated fairly directly, as explained in the introductory note to the corresponding report submitted on December 28, 1939. No attempt has been made to cover also persons whose responsibility in each particular case was mainly in planning, supervising, or consulting.

Financial Analysis

- I. Projects or studies completed
- Reviews of current developments in the high-grade securities markets were prepared, and memoranda were transmitted to the Secretary on June 3 and 17. Mr. Haas, Mr. Turner, Mr. Matlock, Mr. Barnett

These reviews contained, in addition to analysis of the current situation, the following special studies:

- (a) The new Treasury bond (Review of June 3, page 2). -Mr. Turner
- (b) Difference in yield between taxable and tax-exempt Government securities (Review of June 3, page 3). -Mr. Turner
- (c) Bank holdings of Government securities (Review of June 17, page 3). Mr. Turner
- (d) Canada's Third Victory War Loan (Review of June 17, page 4). Mr. Natlock
- 2. Yield rates on United States securities, direct and guaranteed, on the basis of over-the-counter closing quotations were calculated daily. These were summarized each day in a table showing for each issue the closing price and yield that day, the change in price and yield from the preceding day, and the price range since the date on which first traded and also for the year 1941 to date.

A chart for each issue was kept up to date showing recent daily price and yield figures, together with comparative monthly data since 1934, since date of issue, or since the date first traded. Similar calculations are made daily on the basis of New York Stock Exchange closing quotations on direct and guaranteed bonds of the United States, for use in preparation of the publication "Market Prices and Yields of Outstanding Bonds, Notes, and Bills of the United States", described under Publications in this report. - Mr. Moody, Miss McCoy, Mr. Kroll

- 3. At the request of the Secretary, arrangements have been made to secure periodically from the British Empire purchasing missions certain information regarding purchases in the United States by the British Empire. -Mr. Haas, Mr. Lindow, Mr. Wagner, Mr. March
 - (a) Weekly statements are received covering the itemized purchases by British Empire Governments
 through the various missions, the itemized purchases made by these Governments with the knowledge of the missions but not through their facilities, and inquiries made through the missions for
 future purchases. Similar statements are received
 showing, by itemized contracts, deliveries made
 with respect to orders placed by the United Kingdom
 through the missions. The details with respect to
 orders and deliveries are classified by some twentyfive commodity groups designed especially for the
 purpose.

These data are reviewed and edited in the Division each week and a report is then prepared summarizing in dollar volume the information on orders and deliveries, by commodity groups. This report consists of eight statements: the first three summarize orders placed by the individual governments of the British Empire for the current week and the totals to date; the next three statements summarize total orders of the British Empire on an historical basis; the last two statements present data on deliveries with respect to orders placed by the United Kingdom through the British missions. These weekly commodity statements were prepared, and were transmitted on June 7, 13, 20, and 27, according to instructions by the Secretary.

- The Division also receives each week the data required to prepare statements giving the details concerning the physical volume of airplane and airplane engine orders in the United States by the British Empire. The material for these statements is contained in a group of work sheets prepared by the British Purchasing Commission but it is necessary for the Division to consolidate and coordinate the information contained in the Commission's statements. The finished tables show, by company and by type of plane or engine, the following information: (1) summary of orders, deliveries, and exports; (2) history of orders; (3) history of deliveries; (4) history of exports; (5) scheduled deliveries of unfilled orders; (6) options: scheduled deliveries; (7) spare parts: orders, deliveries, unfilled orders, and options; and (8) secondhand units: orders, deliveries, and scheduled deliveries of unfilled orders. These aircraft reports were prepared, and were transmitted on June 7, 13, 20, and 27, according to instructions by the Secretary
- (o) A series of six tables has been developed at the request of the Secretary to show each week the disposition of airframes and engines inspected in the United States by the British purchasing missions, and the status of airframes and engines on hand in the United States. One table develops by company and by model the number of units on hand. A second table analyses the status of these units, and a third table presents the physical location of the units awaiting export. Separate tables are required for airframes and for engines. These tables were prepared, and were transmitted on June 4, 9, 16, 24, and 30, according to instructions by the Secretary.
- (d) Reports are prepared each week showing commitments by the British Empire Governments for capital expenditures in the United States and for extraordinary charges designed to expedite deliveries. The data for these statements are provided by the British Purchasing Commission but the tables actually are prepared in the Division. Tables showing capital commitments were prepared, and were transmitted on June 7, 13, 20, and 27, according to instructions by the Secretary.

- (e) A group of nine analytical tables on British Empire orders of iron and steel is prepared monthly. Six of these cover commercial iron and steel, excluding ferro-alloys and drop forgings, and are classified by product. One table covers ferro-alloys and silicon metals, and also is classified by product. The next two tables cover drop forgings and are classified by manufacturer. Statements showing British Empire orders of iron and steel as of May 31, are in process of preparation.
- (f) Arrangements have been made to receive information on a physical volume basis for the orders, deliveries, and dates of scheduled deliveries on unfilled orders, with respect to several other important commodities. For each of these commodities the following tables are being prepared:
 (1) current delivery status of orders;
 (2) history of orders;
 (3) history of deliveries;
 and (4) scheduled deliveries of unfilled orders. The data in these tables are broken down by particular products, particular models in each case, and particular manufacturers.

Statements covering various commodity groups were prepared, and were transmitted according to instructions by the Secretary as follows: (a) ordnance, on June 16 and 24; (b) small arms ammunition, on June 9; (c) sub-machine guns, revolvers and rifles, on June 20; (d) tanks and tank equipment, on June 27; and (e) small arms (fully automatic), on June 4 and 20. In addition, work is progressing on the preparation of tables on each of the following commodity groups: (a) explosives and propellants; (b) chemicals; (c) shells and bombs; (d) non-ferrous metals; (e) motor vehicles; (f) small boats and ships; and (g) marine engines.

(a) Certain financial information concerning the orders placed in the United States by the British Empire is presented in a monthly report. This report consists of three tables, showing by commodity groups the value of orders placed, the history of payments made, and a forecast of future payments on unpaid commitments. The report was prepared, and was transmitted on June 27, according to instructions by the Secretary.

- (h) Arrangements have been made with the Citadel Merchandising Company, Ltd., a Canadian Government corporation, to receive regular reports showing orders placed for machine tools in the United States, and deliveries on these orders. From this information the Division will be able to prepare reports summarizing Citadel orders, deliveries, and unfilled orders, classified by companies. Delays in the receipt of necessary information have held up completion of the planned reports.
- At the request of the Secretary, a memorandum was prepared, and was forwarded to him on June 26, transmitting a sample set of documents involved in one day's transactions in connection with British purchases. - Mr. Hags
- 5. At the request of the Secretary, arrangements have been made to secure periodically certain information regarding purchases in the United States by the Netherlands Purchasing Commission, and by Lindeteves, Inc. Mr. Hass, Mr. Lindow, Mr. Wagner, Mr. March

Statements are received covering the itemized purchases by the Netherlands Purchasing Commission in the United States, and the volume of deliveries made thereon. Similar statements are received concerning the activities of Lindeteves, Inc., a large private commercial organization operating in the Dutch East Indies. The details with respect to orders and deliveries for these purchasing agencies are classified by the same twenty-five commodity groups used for reporting orders placed in the United States by the British Empire.

These data are reviewed and edited in the Division, Reports are then prepared for each of these arencles summarizing the information on orders and deliveries, classified by commodity groups. These reports consist of three statements: the first shows the history of orders placed; the second shows the history of deliveries made on these orders; and the third shows the current delivery status of orders. These commodity statements covering orders of the Netherlands Purchasing Commission were prepared, and were transmitted on June 7, 13, and 20, in accordance with instructions by the Secretary. Similar statements for Lindeteves, Inc., were prepared, and were transmitted on June 7, 13, 20, and 27, also according to instructions by the Secretary.

- 6. At the request of the Secretary on May 23, 1940, arrangements were made for securing weekly until September 11, 1940, and since then fortnightly, from more than forty airplane and airplane engine manufacturers data on deliveries, new orders, unfilled orders, and estimated deliveries by months on the unfilled orders. Analytical tables were prepared every other week showing this information by type of plane or engine and by class of purchaser. Reports for the fortnights ended June 7 and 21, were transmitted on June 11 and 25, respectively, according to instructions by the Secretary. Mr. Hans, Mr. Tickton, Mr. D. J. Leahy
- 7. In response to a request by the Secretary on January 21, that measures be taken to obtain information to assist in carrying through the defense financing program, arrangements have been made to obtain the necessary detailed statistics on the holdings of each issue of the public debt and of guaranteed securities by the various classes of holders. Mr. Haas, Mr. Tickton, Hiss Westerman, Mrs. Wolkind, Mr. D. J. Leahy, Mr. Mayo, Mr. Blitman, Mrs. Barnes, Mr. Alter

A summary was prepared of the data received as of April 30, consisting of brief explanatory text and six tables for publication in the Bulletin of the Treasury Department for June.

The information as of May 31 received in response to our letter of April 25, from 7,000 banks and insurance commanies was coded, tabulated, and analyzed. A comprehensive analysis was prepared, consisting of 100 tables, showing this information, classified by type of institution, by issue, by geographic area, by call classes, and by tax-exemption provisions.

Mew letters were sent out to the banks and insurance companies on June 28, requesting comparable data as of June 30.

8. At the request of the Secretary on June 2, a memorandum was prepared, and was transmitted to him on June 6, on a proposal to include a request for their cash position in the monthly schedules sent to banks requesting the detail of their Government bond portfolios. - Mr. Hess, Mr. Murphy, Mr. Sancelin

- 9. At the request of the Secretary, arrangements have been made to prepare current statistical reports on the sales of United States Defense savings bonds series E, F, and G, and Defense Postal savings stamps, on the basis of reports by the Federal Reserve Banks and the Post Office Department. Mr. Haas, Mr. Reagh, Mr. Brown, Mr. Tickton. Mr. Kroll, Mr. D. J. Leahy
 - (a) Daily tables were prepared, showing the dollar volume, on the basis of the issue price, of sales of each of the three series of bonds, and stamps, with totals, by Post Offices and by banks. The table prepared on June 2 presented these data for each day of May, with totals for the month. The next table, prepared on June 4, presented the totals for the periods May 1 through 17, May 19 through 24, and May 26 through 31, for June 2, June 3, and the totals from May 1 through June 3. Succeeding tables, beginning with June 5, showed the data for each day of June, with cumulative totals. The table of June 30 covered the period from June 2 through June 28. The tables were transmitted according to instructions by Mr. Graves.
 - (b) Daily tables were prepared, beginning June 9, showing the amount and percent of change in the dollar volume, on the basis of the issue price, of sales in June compared with the sales in May, of each of the three series of bonds, and stampe, with totals, by Post Offices and by banks. The table of June 9 compared the sales for the first six days of May and of June. The table of June 30 compared the sales for the first 25 days of each month. The tables were transmitted according to instructions by Mr. Graves.
 - (a) Weekly tables were prepared, showing for the weeks ending May 31, June 7, 14, and 21, the dollar volume of sales, on the basis of issue price, of each of the three series of bonds, with totals, by Post Offices and by banks, classified by Federal Reserve districts. These tables were prepared on June 5, 12, 19, and 26, respectively, and were transmitted according to instructions by Mr. Graves.

Cumulative tables were prepared, showing the dollar volume of sales, on the basis of the issue price, of each of the three series of bonds, with totals, by Fost Offices and by banks, classified by Federal Reserve districts. Tables were prepared for the

periods from May 1 through May 31, from June 1 through June 14, and from June 1 through June 21, and were transmitted on June 5, 19, and 26, respectively, according to instructions by Mr. Graves.

(d) Weekly tables were prepared, showing for each week the dollar volume of sales, on the basis of the issue price, of series E bonds, by Fost Offices and by banks, with totals, classified by States. For the weeks ending May 31, June 7, 14, and 21, tables were prepared, and were transmitted on June 5, 12, 19, and 25, respectively, according to instructions by Mr. Graves.

Cumulative tables were prepared, showing from May 1 through May 31, June 1 through 14, and June 1 through 21, the dollar volume of sales of series E bonds, on the basis of the issue price, classified by States. These tables were prepared on June 5, 18, and 25, respectively, and were transmitted according to instructions by Mr. Graves.

(e) A table was prepared on June 2, showing the estimated number of units sold daily in May of savings bonds series E, F, and G, by Post Offices and by banks, with totals. A similar table was prepared on June 5, which included the number of units sold of Defense savings stamps, for the periods May 1 through 17, May 19 through 24, and May 26 through 31, with totals. These tables were transmitted according to instructions by Mr. Graves.

A table was prepared on June 16, showing the estimated number of units sold during May, of savings bonds, series E, F, and G, by denominations, by Post Offices and by banks, with totals. This table was transmitted according to instructions by Mr. Grayes.

Tables were prepared containing estimates of the number of units of savings bonds series E, F, and G, by denominations, sold by Post Offices and by banks, during the weeks ending June 7, 14, and 21. These tables were prepared on June 16, 18, and 27, respectively, and were transmitted according to instructions by Mr. Graves.

Cumulative tables showing the estimated number of units of savings bonds series E, F, and G, by denominations, sold during the periods June 1 through June 14, and from June 1 through June 21, were prepared, on June 18 and June 27, respectively, and were transmitted according to instructions by Mr. Graves.

- (f) A table was prepared on June 17, showing by denominations the sales during May of Defense savings stamps in dollar volume and by number of units, as estimated by the Post Office Department, on the basis of daily reports of 111 large Post Offices. This table was transmitted according to instructions by Mr. Graves.
- (a) A table was prepared on June 11, showing sales of savings bonds series E, F, and G, for May, with totals, and separately by series, by Post Offices and by banks, the number of bond units, the dollar volume, on the basis of the issue price; the number of purchasers excluding second co-owners; the number of second co-owner names; and the total number of purchaser names, counting co-owner purchasers as two names. This table was transmitted according to instructions by Mr. Graves.
- (h) At the request of Mr. Graves on June 4, for use in the Secretary's speech of June 5, a table was prepared, and was transmitted to Mr. Graves on June 4, showing sales, in dollar volume, on the basis of the issue price, of savings bonds, separately for series E, F, and G, and Defense savings stamps, by Post Offices and by banks, with totals.
- (1) Two tables were prepared showing for each of the series E, F, and G, of savings bonds, the percentages of the dollar volume sold, on the basis of the issue price, by each denomination. The tables covering the periods from June 1 through 14, and June 1 through 21, were prepared on June 19 and 26, respectively, and were transmitted in accordance with instructions by Mr. Graves.

- (1) The procedure for reporting sales of Defense savings bonds has been revised from the system of daily and weekly wires from each Federal Reserve Bank and 111 Post Offices to a system of monthly reports to be compiled by the Federal Reserve Banks and all Post Offices handling the bonds and Defense savings stamps, as of the close of business each month, showing sales of each selling agent as shown on their ledger accounts with such agents. A punch card procedure has been formulated for classifying the data. The first report on the new basis will be for the combined months of May and June.
- 10. Maturity schedules were prepared of the tax-exempt securities of the United States and of Federal instrumentalities outstanding on February 25, 1941, classified according to maturity dates and according to first call dates. Mr. Conrad
- 11. A memorandum was prepared incorporating a suggestion on the composition of the series on the daily average yield of long-term Treasury bonds, in the light of recent developments in tax exemption provisions, and was transmitted to Under Secretary Fell on June 3.
 Mr. Turner
- 12. At the request of Mr. Kilby on June 16, a memorandum was prepared, and was transmitted to Mr. Broughton on that date, with respect to modification of the reports submitted by Federal Reserve Banks on subscriptions placed and allotments made for each public offering of Treasury or guaranteed bonds and notes. Mr. Tickton
- 13. At the request of Under Secretary Bell on June 13, a memorandum was prepared, and was transmitted to him on that date, with respect to the decisions made on the proposed tax anticipation notes as summarized in Mr. Milby's report of the meeting held in the Under Secretary's office on June 12. Mr. Haas, Mr. Murphy
- 14. At the request of Mr. Broughton on June 16, a review was made of Draft A of the offering circular for the proposed series A and series B tax anticipation notes. Approval of the circular was indicated in a memorandum transmitted to Mr. Broughton on June 17. Mr. Heas, Mr. Murphy

- 15. At the request of Under Secretary Bell on June 26, a review was made of Draft D-revised of the offering circular for the proposed tax anticipation notes, and changes suggested in the plan for their issue were incorporated in a memorandum transmitted to him on June 25. Mr. Heas, Mr. Reagh, Mr. Lindow, Ir. Turner
- 16. In connection with the RFC financing in June, tables and charts were prepared. - Nr. Murchy, Mr. Turner, Mr. Conrad, Mr. Sandelin, Mr. Barnett
- 17. At the request of the Secretary on February 3, a reply was prepared for signature of Under Secretary Bell to a letter from the Acting Secretary of Commerce dated February 4, transmitting certain requested data on outstanding securities of Federal agencies and the amount of governmental securities held by governmental agencies and Federal Reserve Banks for the period 1929-40. The letter was mailed on June 17. Mr. Conrad
- 18. In response to letters of May 15 and 20, from Mr. John Phillips, Jr., Assistant Cashier of the Federal Reserve Bank, Kansas City, a reply was prepared with respect to the proper valuation of series G savings bonds held by life insurance companies. The reply was signed by the Inder Secretary, and was mailed on June 14. Mr. Murphy, Mr. Reagh, Mr. Brown
- 17. In response to a letter of May 22 from Mr. William R. Hill, Jr., Newark, Mew Jersey, a reply was prepared end mailed on June 10, giving the mathematical formula to determine the approximate investment yield on the purchase price of series E savings bonds from issue date to the beginning of each half-year period. Mr. Reagh, Mr. Brown
- 20. At the request of Under Secretary Bell on May 10, an analysis was made of a proposal by Mr. G. Lee Camp of a means of prepaying taxes, and was transmitted to him in a memorandum on June 4. Mr. Turner
- 21. At the request of Under Secretary Hell on May 10, an analysis was made of a proposal by Mr. Hedges MacDonald for encouraging the purchase of Government securities by the grant of a tax credit, and was transmitted to him in a memorandum on June 4. Mr. Turner

- 22. At the request of Under Secretary Bell on May 27, a review was made of an editorial entitled "To Uncle Sam I Bequeath", submitted by Mr. C. C. Luhnow of "Trusts and Estates", and a reply prepared for signature of the Under Secretary was transmitted to him on June 10. Mr. Murphy, Mr. Turner
- 23. A table was prepared showing Government borrowing of the United Kingdom from Saptember 2, 1939 to April 26, 1941, and was transmitted to Mr. Theodore Goldsmith on June 20. - Mr. Matlock
- 24. At the request of Under Secretary Bell on June 30, assistance was given in preparation of a radio address to be made by the Under Secretary on July 1, in connection with the dedication and acceptance of "The Treasury House". Mr. Hass, Mr. Murphy
- 25. At the request of Under Secretary Bell on May 1, a memorandum was prepared and was transmitted to him on June II, concerning the amendments to the United States Housing Authority Act which were proposed by the Authority last year. Mr. Lindow
- 26. At the request of the Legal Division on May 27, a review was made of a proposed reply prepared by the Beneral Counsel's office, Bureau of Internal Revenue, to a letter from Senator Harrison dated May 21, requesting a report on S. 1178, a bill to be known as the "General Welfare Act", to amend the Social Security Act so as to extend coverage thereunder to all groups and all classes, to amend the Internal Revenue Code so as to provide a pay-as-you-go basis for pensions, and for other purposes. The reply was approved, and was forwarded to Mr. Blough on June 2. Mr. Murphy, Mr. Reagh
- 27. At the request of Under Secretary Bell on June 14, a review was made of a proposed reply prepared by the Legal Division to a letter from Senator Wagner dated May 26, requesting a report on S. 1553, a bill to provide for loans to Federal Land Banks for refinancing certain Farm Loan bonds by the Farm Mortgage Corporation, and changing the method of fixing interest rates on landbank mortgages. The letter was approved, and was transmitted to Mr. Herfelfinger on June 23. Mr. Murphy

II. Projects or studies under way

- 1. A study is being made of the relative interest costs of short- and long-term borrowing. Mr. Barnett
- 2. A study is being made of the available sources of funds for Treasury financing. Mr. Villard
- A memorandum is being prepared on a negotiable "tap" security. - Mr. Sandelin, Mr. Turner
- 4. A study is being made of a new type of Defense annuity savings bond. Mr. Reagh, Mr. Brown
- A memorandum is being prepared on the relationship between public debt operations and bank reserves. -Mr. Turner
- A study is being made of the probable excess reserves in 1941-42. - Mr. Turner, Mr. Barnett
- Tables are being prepared which will present various data on new Treasury notes and bonds and on guaranteed new issues. - Mr. Conrad
- S. A memorandum is being prepared on the advantages and disadvantages of increasing the short-term debt. - Mr. Foy
- 9. A revision is being made as of June 30, 1941, of the estimates of the ultimate increase in interest costs which would result from removal of the tax-exemption privilege from all public securities. - Mr. Turner
- 10. A memorandum was received from Mr. Tarleau on May 31, stating that it is his understanding that if the Treasury's recommendation regarding the surtax on corporations is adopted it will be advisable to have corporations holding partially tax-exempt obligations amortize the premium or discount by which such obligations were obtained, and requesting a memorandum regarding the extent of the revision of the law which will be required with respect to the bond interest for income tax purposes. Mr. Murphy

- 11. A memorandum is being prepared recommending legislation terminating miscellaneous types of tax exemption analagous to the exemption of interest on Federal securities, but unaffected by the Public Debt Act of 1941. Mr. Turner
- 12. £ study is being made of war-financing measures in belligerent countries in the present war. - Mr. Matlock
- 13. A comparison is being made of the British Fiscal Program
 1941-42 with the Keynes plan proposed in "How to Pay for
 the War", by Mr. J. M. Keynes. Mr. Matlock
- 14. At the request of Under Secretary Bell on June 9, a review is being made of a memorandum and draft of a proposed bill prepared by Mr. Broughton on the redemption of "old series" currency and the adjustment of the amount outstanding. Mr. Turner
- 15. A review is being made of a proposed reply prepared by Mr. Broughton to a letter from Mr. S. E. Foster dated June 12, with respect to the Circulation Statement of United States Money, and an alternative reply is being written. A memorandum to the Under Secretary is in preparation suggesting certain changes in the Statement. Mr. Murphy, Mr. Turner
- 16. At the request of Under Secretary Bell on October 14, a memorandum is being prepared on a memorandum submitted by Mr. John Evans, President of the First National Bank of Denver, Colorado, in reference to United States Government bonds now owned by the Federal Reserve System and its member banks, and suggestions concerning a refunding and change in form which would appear to be in interest of the Treasury Department, the Federal Reserve System, the member banks, the Federal Deposit Insurance Corporation, and the public generally whose money is deposited in member banks. Mr. Murphy
- 17. In response to a request by Under Secretary Bell on January 27, comments are being prepared on a memorandum by Mr. George Eddy to Mr. White, in regard to a plan of Mr. N. E. Peterson, entitled, "A Means of Financing the Defense Program". Mr. Turner

- 15. At the request of Under Secretary Bell on February 5, an analysis is being made of his plan for investing savings banks' and insurance companies' funds in special 2 percent Treasury certificates. Mr. Tickton
- a memorandum is being prepared to the Secretary regarding a letter from Mrs. Sylvia F. Porter, New York Post, dated January 22, suggesting a plan for the distribution of United States Government securities. - Mr. Haas, Mr. Murphy, Mr. Turner
- 20. An analysis is being made of a study of savings bond mortslity by Miss Hilda Hoffman, Bowery Bavings Bank, transmitted by Mr. Theodore R. Goldsmith on March 13. -Mr. Turner
- 21. At the request of Under Secretary Bell on April 21, a memorandum is being prepared on Mr. Salant's memorandum on "Limitation on Purchases of Defense Savings Bonda". Hr. Murphy
- 22. At the request of Mr. Herfelfinger on June 17, a review is being made of a proposed reply prepared in the Bureau of the Public Debt, to a letter from Mr. T. T. Malleson, Brooklyn, New York, concerning the redemption values prior to maturity of United States Defense savings bonds, series G. Mr. Reagh, Mr. Brown
- 23. Material is being prepared for Representative Taber in response to his request on June 18, concerning the effect or sales of United States Defense savings bonds on bank deposits and reserves. - Mr. Haas, Mr. Turner
- 24. At the request of Under Secretary Bell replies are being prepared to certain questions asked by the Wagner Committee preparatory to its investigation of banking and monetary conditions pursuant to Senate Resolution 125. Mr. Haas, Mr. Murphy, Mr. Turner, Mr. Foy
- 25. At the request of Under Secretary Bell on May 24, cooperation is being given Mr. Bartelt and Mr. Blough in preparing replies to the list of questions accommanying a letter from Senator Tydings of May 5. -The replies are for use by the Senate Committee created to find ways and means of automatically balancing the Federal Budget in times of peace. - Mr. Murphy

Revenue Estimates

- I. Projects or studies completed
- 1. The regular monthly statement was prepared for the Bureau of Accounts, showing the latest revised estimates of receipts, by months and by principal sources of revenue, for the period June 1941-June 1942, and was transmitted on June 3. Mr. Delcher
- 2. The regular monthly summary comparison was prepared, showing estimated receipts and actual receipts in May 1941 on the daily Treasury statement basis. Ir. Delcher
- The regular monthly detailed comparison was prepared, showing estimated and actual receipts in May 1941, and for the period July 1940-May 1941, based on the collections classification. - Mr. Delcher
- 4. A revision was completed of the forecast of the monthly distribution of estimated revenue on the basis of the April revision of the 1942 Sudget estimates, for the fiscal years 1941 and 1942. Mr. O'Donnell, Mr. Daggit, Mr. Leahey, Mrs. May, Mr. Bronfenbrenner, Mr. Butters, Mr. T. L. Smith, Mr. R. Smith, Miss Hagedorn
- 5. In connection with the revising of the revenue laws in 1941, a number of revenue estimates, listed below, were prepared for use of Assistant Secretary Sullivan and the Division of Tax Research. - Mr. O'Donnell, Mr. Leahey, Mr. Bronfenbrenner, Mr. Butters
 - (a) Revised estimates were prepared, and were transmitted to Mr. Blough in a memorandum on June 5,
 of the revenue effects, at income levels forecast
 for the calendar year 1941, of the capital stock
 and the declared value excess-profits tax, both for
 corporations with net income, by net income classes,
 and for corporations with no net income.
 - (b) Estimates were prepared, and were transmitted to to Assistant Secretary Sullivan in a table on June 3, of the increase or decrease in income tax liabilities, at net income levels forecast for the calendar year 1941, from two proposals submitted by the Joint Committee on Internal Revenue Taxation. These were

shown compared with the yield estimated from the Treasury plan presented to the Committee on Ways and Means on May 19. The first proposal contained the following provisions:

Imposition of a corporation surtax of 5 percent on surtax net income of \$25,000 or less and 6 percent on surtax net income in excess of \$25,000; the computation of the excess-profits tax prior to the corporation normal and surtax with a reversal of deductions, and allowance to invested capital corporations of an excess-profits credit of 5 percent on the first \$5 millions of invested capital and 7 percent on the balance of invested capital, and increasing the excess-profits rates in each bracket of the present law by 10 percentage points; and individual income tax changes as suggested by the Joint Committee on Internal Revenue Taxation on April 24.

The second proposal contained the following provisions:

Imposition of a corporation surtax of 5 percent on surtax net income of \$25,000 or less and 6 percent on surtax net income in excess of \$25,000; allowance to invested capital corporations of an excess-profits credit of 7 percent on the first \$5 millions of invested capital and 6 percent on the balance of their invested capital, and increasing the present law excess-profits tax bracket rates by 15 percentage points in each bracket; and individual income tax changes as suggested by the Joint Committee on Internal Revenue Taxation on April 24.

(c) The estimates of yield from the two proposals described above under (b) were revised to substitute the yield from the individual income tax computed according to the Treasury plan submitted to the Committee on Ways and Means on April 24. This revision was transmitted to Assistant Secretary Sullivan in a table on June 4.

(d) Estimates were prepared, and were transmitted to Assistant Secretary Sullivan, in a table on June 5, of the yield, at income levels forecast for the calendar year 1941, from proposals to: impose a surtax of 5 percent on net income of \$25,000 or less and 6 percent on the excess: compute the excess-profits credit as the average of the invested capital and average sarnings methods; and increase individual income tex rates as proposed by the Treasury on April 24.

A tabulation was prepared, and was transmitted to Assistant Secretary Sullivan on June 5, showing the revenue effects, at income levels forecast for the calendar year 1941, of proposals to: impose a corporation surtax of 5 percent on net income of .25,000 or less and 6 percent on the excess; disallow the income tax as a deduction for excessprofits tax computation and allow the excessprofits tax as a deduction for income tax computations; allow a credit of s percent on invested capital (10 percent on new capital); tax at 10 percent the difference between the rate of return in the base period and the lower of (a) the sum of the excess-profits credit plus the unused excessprofits credit computed on the proposed law basis or(b) the excess-profits net income in the taxable year less the \$5,000 specific exemption; and increase individual income tax rates as recommended by the Treasury to the Committee on Ways and Means on April 24.

Two individual income surtax schedules were prepared, and were transmitted to Assistant Secretary
Sullivan in a memorandum on June 6, in accordance
with suggestions made by Representative Cooper,
Schedule A being based on a proposal to average
the rates in the surtax schedules submitted to the
Ways and Means Committee on April 24, by the
Treasury and by the Joint Committee on Internal
Revenue Taxation, and Schedule B approximately
averaging the revenue obtained from the various
surtax net income classes under the proposals submitted by the Treasury and the Joint Committee.

- (f) An additional individual income surtax schedule, Schedule C, was prepared designed to approximate the total yield and burden distribution of the Joint Committee proposal of April 24, while retaining present credits against the surtax. A table was prepared comparing the surtax rates under the present law, Schedule A, Schedule B, and Schedule C. These tables and Schedules A and B were mimeographed, and were transmitted to Assistant Secretary Sullivan for presentation to the Committee on Ways and Means on June 7.
- (g) Estimates were prepared, and were presented to the Committee on Ways and Means on June 7, of the increased yield from individual income taxes with personal exemptions for married persons reduced from \$2,000 to \$1,500, under each of the following surtax schedules: the Treasury plan, Schedule B. and Schedule C.
- (h) A table was prepared, and was transmitted to Assistant Secretary Sullivan on June 13, showing the estimated individual income tax liabilities under specified surtax rate schedules, at income levels forecast for the calendar year 1941, under various proposals for changing the law, including a proposal to require the mandatory filing of joint returns. With slight changes, this table was mimeographed for distribution to the Committee on Ways and Means.
- (1) Two tables were prepared, and were mimeographed for distribution to the Committee on Ways and Means on June 16, giving the revenue effects at income levels forecast for the calendar year 1941, of (1) various proposed changes in corporation income taxes, and (2) various proposed changes in corporation income taxes and in individual income surtax rates. The latter table included the effects if separate returns are permitted and if joint returns are mandatory. The proposed corporation income tax revision included the following provisions:

Common to all sets of proposals:

(1) Impose corporation surtax of 5 percent on surtax net income of £25,000 or less and 6 percent on excess.

(2) Disallow income tax (including surtax)
as a deduction in computing excessprofits net income and allow the excess-profits tax as a deduction for income tax (including surtax).

Proposal A -(3) Allow invested capital credit of 8 percent
(10 percent on new capital)

- (4) Retain present law brackets and rates.
- Proposal B -(3) Allow invested capital credit of 8 percent on first \$5 millions and 7 percent
 on excess.
- (4) Retain present law brackets and rates. Proposal 0 —

(3) Allow invested capital credit of 8 percent (10 percent on new capital)

(4) Retain present law brackets and rates and impose special excess-profits tax of 10 percent on the difference between the rate of return in the base period and the lower of (a) the sum of the excess-profits credit plus the unused excess-profits credit computed on the proposed law basis or (b) the excess-profits net income in the taxable year less the specific exemption of \$5,000.

Joint Committee Proposal --

(3) Allow invested capital credit of & percent on first %5 millions and 7 percent on excess.

(4) Increase excess-profits tax rates by 10 percentage points in each bracket computed under present law).

- (j) A table was prepared, and was mimeographed for distribution to the Committee on Ways and Heans, showing the estimated increase in net Federal revenues from the imposition of varying assumed corporation surtax rates based upon calendar year 1941 tax liabilities. The table was presented on June 14.
- (k) Estimates were prepared, and were presented orally to the Committee on Ways and Means on June 17, of the revenue effects, at income levels forecast for the calendar year 1941, of imposing a surtax of 5 percent on net income of \$25,000 or less and 6 percent on excess; computing the excess-profits tax as an average of the invested capital method tax and average samings method tax; and increasing the individual income tax rates as proposed by the Treasury on April 21.

- (1) Three tables were prepared, and were mimeographed, summarizing the proposals before the Committee on Ways and Means on June 18, with reference to the corporation and individual income taxes. The tables were presented to the Committee on that date.
- (m) A tabular presentation was prepared, and was transmitted to Mr. Blough in a memorandum on June 25, giving the estimate of the income tax collections from corporations and individuals in the fiscal years 1941 and 1942, the latter figure including estimated collections from all changes in the income tax laws approved by the Committee on Ways and Means through June 23.
- in) A tabular presentation was prepared, and was transmitted to Assistant Secretary Sullivan in a memorandum on June 26, of the revenue effects, at income levels forecast for the calendar year 1941, of combining the corporation income and individual income tax changes tentatively agreed to by the Committee on Ways and Means through June 23, with the additional change of reducing to 80 percent from 95 percent the base period earnings allowed as an excess-profits credit for corporations using the average earnings method.
- (o) A table was prepared, and was transmitted to Assistant Secretary Sullivan on June 26, showing the estimated increase in liabilities, at income levels forecast for the calendar year 1941, due to proposed changes in corporation income and individual income taxes as tentatively agreed upon by the Committee on Ways and Means through June 23, together with estimated total collections for the fiscal year 1942.
- b. New studies were made of the following projects for revising and improving methods of estimating revenues from the taxes listed below: Mrs. May, Mr. R. R. Smith
 - (a) Gasoline tax.
 - (b) Rectification tax.

II. Projects or studies under way

- 1. At the request of the Division of Tax Research on July 12, 1940, an estimate is being made of the additional revenue which would be derived if mutual insurance companies other than life insurance companies taxable under Section 207 of the Internal Revenue Code were made taxable in the same manner as stock insurance companies other than life insurance companies taxable under Section 204, and at the same time the exemption under Section 101(11) were restricted to local mutual companies of the assessment type. Mr. Leshey
- 2. An analysis is in preparation of each component of the April 1941 estimate, as revised in May 1941, of miscellaneous internal revenue, excluding capital stock, estate, and gift taxes, for the fiscal years 1941 and 1942. Mrs. May
- 3. For use in revenue estimating data are being assembled on collections of taxes now repeated which may be reenacted according to testimony at Congressional hearings. Mrs. May, Miss Spiegel, Mr. R. R. Smith
- 4. In connection with the revising of the revenue laws in 1941, the revenue estimates listed below, are in preparation for use of Assistant Secretary Sullivan and the Division of Tax Research.-Mr. Leahey, Mr. Bronfenbrenner, Mr. Butters, Mr. T. L. Smith
 - (a) Estimates are being prepared of the revenue effects under the present law and under Treasury proposals of: (1) Representative Charles S. Dewey's proposals for estate tax prepayment through Federal estate tax anticipation receipts; and (2) The Lonergan proposal, whereby insurance could be accumulated for estate tax payment and excluded from the taxable estate up to the amount of the estate tax liability.
 - (b) Estimates are being prepared of the revenue from a proposed estate tax schedule, showing separately the amounts attributable to the estate tax and the gift tax before and after the defense tax.

- (c) Estimates are being prepared of the revenue from a second proposed estate tax schedule, showing separately the amounts attributable to the estate tax and the gift tax before and after the defense tax.
- (d) An estimate is being prepared of the revenue increase which would result from raising the rate of tax on firearms, shells, and cartridges (Sec. 3407) from 11 percent to 20 percent.
- te) Estimates are being prepared of the additional revenues from the following excise taxes:
 - Wines, cordials and liqueurs: Increase the rates to the following schedule:
 - (a) Still wines Tax per gallon
 Not more than 15 cents
 14 percent alcohol
 14 to 21 percent 35 cents
 alcohol
 More than 21 percent 65 cents
 alcohol

Tax per 1/2 pint

- (b) Sparkling wines 7 cents
 (c) Artificially car- 3 cents
 bonated wines
- (d) Liqueurs, cordials, etc. 32 cents
- 2. Gasoline: Increase the rate 1 cent per gallon.
- Soft drinks: (a) A tax of 32 cents per gallon on all finished or fountain syrups, of the kind used in manufacturing, compounding or mixing soft drinks, sold or used by the manufacturer or importer.
 - (b) A tax of 20 cents per pound on all carbonic acid gas in liquid, solid, or gaseous form, sold by the manufacturer or importer thereof, or by a dealer in such gas, for use in the preparation of soft drinks.

- 4. Automobile tax: A tax of 15 percent on items covered in section 3403(b); excepting that buses are to be excluded from the base, but automobile trailers are to be included.
- Automotive parts and accessories: A tax of 10 percent on items covered in section 3403(c), excepting that automobile radio sets and parts are to be excluded from the base.
- 6. Buses, trucks and certain tractors: A tax of 10 percent on items covered in section 3403(a), excepting that buses and truck trailers are to be included in the base.
- Tires and tubes: Increase rates from 2 and 4 cents to 5 and 9 cents.
- 5. Telephone, telegraph, cable, etc.: Revise rates under section 3465 as follows:

On messages for which the charge is 15 cents or more and less than 50 cents, a tax of 5 cents; 50 cents or more and less than \$1.00, 10 cents; \$1.00 or more and less than \$1.50, 15 cents; \$1.50 or more and less than \$2.00, 20 cents; \$2.00 or more, 5 cents for each additional 50 cents or fraction thereof.

The tax on telegraph, cable and radio dispatches and messages to be on the same graduated rate as set forth above with respect to telephone conversations (instead of the present rate of 5 percent of the amount charged for telegraph messages and 10 cents for each radio and cable message).

The phrase "any leased wire or talking circuit special service" which is now subject to tax of 5 percent of the amount paid for such service should be defined to include certain services which may not now be classed as leased wires or special talking circuits, such as furnished in connection with newsor stock quotation tickers, teletypewriters, burglar alarm systems, and similar services.

- Jewelry: A tax at 10 percent of the retail sales price, allowing no exemptions and including retail sales of clocks, watches and parts therefor.
- 10. Photographic apparatus and materials or projective apparatus: A tax of 10 percent of the manufacturers' sales price.
- 11. Mechanical refrigerators; Increase the rate under section 3405 from 5½ to 10 percent, and extend base to include commercial type refrigerators and parts therefor and air conditioning equipment and parts therefor.
- 12. Radio sets and parts: Increase the rate under section 3404 from 52 to 10 percent, and revise base to tax the completed sets; the tax on parts applies only when they are not sold for use in the further manufacture of completed sets. Automobile radio sets and parts also are to be included in the revised base.
- Phonographs and records: 10 percent of the manufacturers' sales price.
- 14. Toilet preparations: Repeal the existing statute section 3401 and enact in lieu thereof a tax of 11 percent on sales of toilet preparations at wholesale by manufacturers, importers, producers, and dealers to retailers for resale at retail. Sales by taxpayers at retail are to be taxed at the wholesale basis.
- Further progress was made on the following projects for revising and improving methods of estimating revenues from the taxes listed below: - Mrs. May, Mr. R. R. Smith
 - (a) Admissions to theaters, concerts, caparets, etc.
 - (b) Passenger automobiles and motorcycles.
 - (c) Distilled spirits, domestic and imported combined.

Economic Conditions Related to Fiscal and Revenue Matters

- 1. Projects or atudies completed
- Memoranda on the business and price situation were prepared, and were transmitted to the Secretary on June 2, 9, 16, 23, and 30. - Mr. Haas, Mr. Daggit, Mrs. May, Mr. Chevraux

These memoranda contained in addition to analysis of the current situation the following special studies:

- (a) Heavy construction awards and structural steel orders from January 1939 to date. (Chart in memorandum of June 2. Also described below under Economic Conditions, I, as item 10). Mr. Chevraux, Miss Hagedorn
- (b) Indexes of consumer demand and potential consumer demand from January 1935 to date. (Chart in memorandum of June 9. Also described below under Economic Conditions, I, as item 7). Mr. Daggit, Mrs. May, Mr. Colclough
- (c) A study of purchases of food products by the Department of Agriculture from March 15 through June 14, compared with average production and changes in prices since March 15. (Chart in memorandum of June 23. Also described below under Economic Conditions, I, as item 5). Mr. Daggit, Mrs. May, Miss Hagedorn, Mr. Colclough
- (d) A study of shipbuilding from January 1939 to date. (Chart in memorandum of June 23. Also described below under Economic Conditions, I, as item 14). Mr. Chevraux
- (e) Price movements of selected fats and oils from January 1934 to date. (Chart in memorandum of June 23. Also described below under Economic Conditions, I, as item 6). - Mrs. May
- (f) Price movements of all commodities and foods during the current war compared with those during the first two years of the World War. (Chart in memorandum of June 30. Also described below under Economic Conditions, I, as item 8). Mr. Daggit, Mrs. May, Mr. Smith

- (g) Price movements of all commodities and of raw materials in the United States and the United Kingdom from January 1939 to date. (Chart in memorandum of June 30. Also described below under Economic Conditions, I, as item 9). Er. Daggit, Mrs. May. Mr. Colclough
- 2. Memoranda on employment under the Work Projects Administration were prepared, and were transmitted to the Secretary on June 2, 9, 16,23, and 30.- Miss Hagedorn
- 3. At the request of the Secretary, a table is prepared each week summariting exports of petroleum products, scrap iron, and scrap steel, from the United States to Japan, the U.S.S.R., Smain, and Great Britain, as indicated by departure permits reported daily by the Office of Merchant Ship Control. The tables were prepared for the weeks ending May 31, June 7, 14, 21, and 26. On June 2, 9, 16, 23, and 30, the original and 13 photostats were transmitted to Assistant Secretary Saston. In addition, each week two photostats were transmitted to Mr. Young, one of which was for Mr. Purvis. Mr. Tickton, Mr. D. J. Leany
- 4. Compilations were made of daily quotations on selected commodities and daily and weekly figures on selected business indexes, foreign and domestic security transsctions, security prices, exchange rates, as well as other data for the Secretary's chart book. Mr. Chevraux
- 5. A study was made of selected purchases of food products by the Department of Agriculture in the period from Harch 15 through June 14, compared with annual average production in the ten-year period from 1929 to 1938, and percentage changes in the wholesale prices of these products since March 15. An illustrative table was used in connection with the business memorandum of June 23. Mr. Daggit, Mrs. Nay, Miss Hagedorn, Mr. Colclough, Mr. Smith
- b. An analysis was made of the movement of prices of selected fats and oils, monthly, from January 1934 to date. A chart showing the quotations used in the BLS 28 basic commodities index for cottonseed oil, tallow, lard, and butter was used in connection with the business memorandum of June 23. Mrs. May

- 7. a study was made of the indexes of consumer demand and potential consumer demand, in physical volume, on the basis that 1935-39=100, seasonally adjusted, based on department store sales, rural retail sales, automobile sales, and sales of beef and veal, pork, butter, cheese, oleomargarine, cigarettes, and cigars. A chart showing these indexes from January 1935 to mate, was used in connection with the business memorandum of June 9. pagent, Mrs. May, Mr. Colclough
- comparison was made of the price movements of all commodities and foods, both BLS indexes, during the current war, on the basis that August 1939=100, and during the first two years of the World War, on the basis that July 1914=100. A chart showing monthly figures was presented with the business memorandum of June 30. Mr. Daggit, Mrs. May, Mr. Smith
- A comparison was made of the price movements of all commodities and rew materials in the United States and the United Kingdom, monthly, January 1939 to date, on the basis that August 1939=100. A chart showing the BLS all-commodity index and Moody's raw materials index for the United States, and the British Board of Trade index of all commodities, and Reuter's raw materials index for the United Kingdom, was presented with the business memorandum of June 30. Rr. Daggit, Mrs. May, Mr. Cololough
- 10. A new chart was prepared showing daily average heavy construction awards, as compiled by the Engineering news Record, and structural steel orders, as compiled by Iron Age, from January 1939 to date, weekly. This coart was used in connection with the business memorandum of June 2. Mr. Chevraux, Miss Hagedorn
- II. At the request of the Secretary, a letter to the President was prepared for his signature with respect to the suggested expansion program for the steel industry. The letter was transmitted to the President on June 6. Mr. Hass, Mr. Daggit
- 12. At the request of the Secretary, a statement was prenared concerning items of Federal expenditures for aid to agriculture which might be curtailed during the national emergency, and was transmitted to him on June 11. - Mr. Haas, Mr. Daggit, Mrs. May

- 13. At the request of Nr. Graves on June 18, a comparison was made of salaries and wages, Department of Commerce series, with estimated payrolls in manufacturing, and in retail and wholesale trade, computed from BLS data, and was transmitted to him in a memorandum on June 18.
- 14. A study was made of shippullding activity from January 1939 to date, monthly, consisting of the FFB index of shippullding, adjusted, and the American Bureau of Shipping series on merchant vessels under construction or contract (excluding vessels not built to American tureau of Shipping classification). A chart showing the trend was presented with the business memorandum of June 23. Mr. Chevraux
- 15. A study has been made of payrolls, totals and per capita, by States, in manufacturing, retail, and wholesale trade, for March 1941 as compared with Harch 1940. This is based on census totals by States for 1939, covering employment and payrolls and on percentage changes in these figures as reported by the Bureau of Labor Statistics. Two charts were transmitted to the Secretary on June 17. A similar comparison has been made for April 1941 and April 1940. Nr. Daggit, Lr. May, Mr. Colclough, Hiss Hagedorn
- 1b. A letter was prepared, and was mailed on June 3, to Mr. J. L. Snider, describing the kind of business forecasting done in the Treasury Department and its relation to the revenue estimating by the Department. - Kr. Hass, Mr. Daggit
- fork has been suspended on the composite index of unfilled orders based on data from individual industries, because of developments under the Defense program. - Mr. Daggit
- 15. The project concerning forces determining trends of pasic commodity prices, involving a study of (1) the corces determining eneral commodity prices and (2) the forces determining the prices of individual commodities, has been superseded for the present by studies of commodities more currently related to problems of the Defense program. Ar. Desgit, Mrs. May, Mr. Smith, Miss Hagedorn

- 19. The developing of a better index of inventories of finished goods as an indication of business maladjustments has been suspended owing to a change in emphasis arising from the Defense program. - Mr. Daggit.
 - II. Projects or studies under way
 - 1. A project on measures of consumer buying is under way with the object of developing three indexes: (a) and (b) two indexes to measure the buying power of consumers in terms of physical volume of purchases; and (c) an index to measure changes in total consumer expenditures, in dollar volume. These indexes will supplement our present "index of sales", which is designed to measure the "off-take" of manufactured goods into verious consumption channels.
 - (a) Computation was revised of the physical volume index of consumer buying power, entitled "Index of consumer demand for a selected group of consumer goods". This index is corrected for the effect of price changes from 1935 to date.
 - (b) Computation was revised also of the second physical volume index of consumer buying power, entitled "Index of potential consumer purchasing power". This index is corrected both for the effect of price changes and for the effect of changes in the national income.
 - (n) With respect to the "Index of consumer expenditures, in dollar value", further progress has been made in developing individual series, in determining their suitability for inclusion and the necessary adjustments. These series have been classified in two broad groups: durable goods and non-durable goods. The purpose of the index is to cover as large as possible a proportion of the purchases of ultimate consumers. During the month further progress was made in selecting appropriate series with a view to making this index more useful in connection with defense studies. Krs. May. Mr. Colciough

- 2. A study of the volume of installment buying and consumer credit has been nearly completed. This study is designed eventually to provide a monthly index of the volume of buying on deferred payments, which at times is an important business factor. Newly-published data from the Department of Commerce and the National Bureau of Economic Research have been assembled. A preliminary study is under way to determine how they may be used in a combined index. Further work is awaiting additional data to be released by the Department of Commerce. Mrs. May
- 5. A project in process is designed to develop an index of industrial production that will indicate week by week the approximate level of the FRB index. It will include a larger number of weekly series than are included in any current business indices, with weightings and seasonal adjustments approximating those in the FRB index. Er. Daggit, Mr. Smith
- 4. Progress was made on a study of the relationship between the New York Times revised index of business activity and the new FRB index of industrial production in an attempt to forecast the weekly level of the FRB index from the New York Times index. Mr. Daggit, Mrs. May, Mr. Colclough
- 5. A study is being made of the selling prices of commodities on which taxes are imposed, in order to determine the percentage which the tax represents of the actual price. Hrs. May, Mr. Smith
- An analysis is being made of sales of United States Defense savings bonds, series E, by States, in relation to payrolls, income, and per capita retail sales by States. -Mr. Hass, Mr. Daggit, Mrs. May, Mr. Colclough, Mr. H.R.Smith
- 7. At the request of Under Secretary Bell on January 29, a memorandum for the Secretary is being prepared, illustrated by five charts, on the possibility of a freight car short-age in October 1941, when car loadings are at their seasonal peak, and containing a forecast of freight car loadings for October, a forecast of the number of freight cars that may be required, and outlining steps which would alleviate or prevent such a shortage. Mr. Daggit, Mr. Chevraux

Actuarial Problems

I. Projects or studies completed

- In response to a request in a letter on May 23, from Mr. George B. Buck, Chairman of the Board, a draft was reviewed and approved of the 20th Annual Report of the Board of Actuaries of the Civil Service Retirement and Disability Fund. The Report was submitted to the Civil Service Commission on June 13. Mr. Reagh, Mr. Brown
- 2. At the request of the Department of Justice on May 16, assistance was given in the preparation of a tax case involving the proceeds of an insurance policy paid to the beneficiary in installments over a period of years. Several conferences were held and questions and answers, together with schedules, were prepared for use in the trial held in Richmond, Virginia on June 11. Mr. Reagh appeared as a Government witness. Mr. Reagh, Mr. Krold.
- 3. At the request of Mr. Robert H. Hinckley, Assistant Secretary of Commerce, on March 22, assistance was given with respect to proposed legislation for the retirement of inspectors and other similar technical personnel of the Civil Aeronautics Administration. Several conferences have been held, and a bill was drafted for consideration by the officials of the Civil Aeronautics Administration. Mr. Reagh
- 4. A review was completed of an article by Mr. J. Douglas Grown, entitled, "Dismissal Compensation in a War Economy". No written report will be made. Mr. Reagh
- 5. At the request of Under Secretary Bell on May 27, a review was made of a manuscript entitled "Proposed Frovisions for a Compulsory Dismissal Compensation Program", by E. D. Hawkins, Mt. Holyoke College.

 An acknowledgment prepared for signature of Under Secretary Bell was transmitted to him on June 30. Mr. Reagh

II. Projects or studies under way

- 1. The Board of Actuaries of the Civil Service Retirement and Disability Fund 1a laying out detailed plans for tabulating and processing data for use in preparing the regular five-year valuation of the Civil Service Retirement Fund for the purpose of determining the liabilities of the Government under the Civil Service Retirement law. Under the law, such a valuation must be prepared as of July 1, 1940. Mr. Reagh, Mr. Brown
- 2. The Foreign Service Retirement law, as approved April 24, 1939, Section 26(m), provides that the "Treasury Department shall prepare the estimates of the annual appropriations required to be made to the Foreign Service Retirement and Disability Fund and shall make actuarial valuation at intervals of five years, or oftener if deemed necessary by the Secretary of the Treasury". An outline of the data required for making an actuarial valuation has been submitted to the State Department. On June 25, a conference was held with representatives of the State Department and final plans were made for preparing the data. Mr. Reagh, Mr. Brown
- J. Several years ago a committee was organized for the purpose of studying ways and means to extend retirement ben-fits to all Government employees regardless of Civil Service status. The working committee, the Succommittee on Retirement, has again become active and is attempting to draft legislation which would coordinate the provisions of the Social Security Act with the Civil Service Retirement Act. A draft of a proposed bill has been prepared for consideration by the committee. Mr. Reagh
- At the request of Under Secretary Bell on June 30, a review is being made of a proposed reply prepared by the Bureau of Accounts to a letter from the Bureau of the Budget dated June 14, requesting the views of the Ireasury Department on 3. 1396, a bill rep aling section bll of the National Service Life Insurance Act of 1940. — Mr. Reagh
- 5. In response to a request contained in a letter from Mr. George Buchan Robinson of May 11, several articles on Social Security written by the writer and published in the Annalist are being reviewed. Mr. Reagh

Other Projects or Studies

1. Publications

(a) For the June issue of the Treasury Bulletin data were prepared on average yields or long-term Treasury bonds and high-grade corporate bonds. -Mr. Turner, Mr. Barnett

All the material submitted for the June issue was reviewed and edited.

Substantial revisions were made in the June issue in the tables on the Treasury survey of the ownership of Government securities by large banks and insurance companies, securities held by governmental corporations and credit agencies and by trust funds, and in the statement of assets and liabilities of governmental corporations and credit agencies. In addition, there was compiled and inserted for the first time a cumulative index for the first six months of the calendar year. - Mr. Lindow, Mr. Lynch

- (b) For the publication <u>market Prices and Yields of Outstanding Bonds</u>, Notes, and Bills of the United States, computations were made and copy was prepared for the issue covering the month of May. This publication shows by securities the rates of interest, maturities, interest payment dates, and amounts outstanding; and for each day of the month, together with a monthly average, closing market quotations (accrued interest to be added), and yields. Mr. Moody, Miss McCoy
- At the request of Under Secretary Bell on June 25, a draft of the proposed Review of the Month dealing with Treasury financing and the budget for the July Federal Reserve Bulletin was reviewed, and was returned to him on June 27, with a cover letter prepared for his signature. Mr. Haas, Miss Michener, Mr. O'Donnell, Mr. Leahey, Mr. Tickton

2. Correspondence

Replies were prepared to letters received on subjects relating to the work of the Division, and letters drafted elsewhere and submitted to the Division for that purpose were reviewed. - Miss Michener, Miss Ziegler, and other members of the staff in appropriate fields of work.

During June 635 letters were received in the Division and 740 were handled as required.

3. Charts

Charts are prepared and continually brought up to date for use in memoranda and in chart books on special subjects, and corresponding photographic, photostatic, and multilith work is carried on. This is done in the Graphic Section under the supervision of Mr. Banyas. A statistical report on the work of the Graphic Section for the month of June is attached.

Work wompleted in the Graphic Section, Division of Research and Statistics, during June 1941

type of work	For Division of R & S	For Others	Total
Oraphic:			
Yes charts:	1.6		
Total charts completed	42	6	he
Bond book charts completed	1		1
Charts brought up to date:	Samuel .		100.00
I hand chart books brought up to date	26 (times)		25 (s) 717
All other charts brought up to date	681	36	717
Wiscellaneous:	4		-
Total jobs	24	5	29
Photographics			
Photographs:	Jan.	-	76
Total Jobs	53	23	100
Number of-	155	114	272
Regatives Contact prints	158 178	129	272 307
Inlargements	60	64	124
Photostate:	444	4	160
Total Jobs	151	30	
Rusber of-	2,116	1,239	3,355
Lettersise copies All other copies	9,571	1,973	11,544
Waltilith:	-		2 .
Total Jobs	20		
Mumber of-	133	1	19
Zinc plates	433		331
Miscellaneous:	16	6	22
Total jobs	100		

7-10-41

Statistical Report on W Completed by the Graphic Section, Division of Research and Statistics, by months, beginning January 1941.

Type of work	Jan.	. :	Feb.	ì	March	1	April		May	- 1	June		Total
Graphic:									7				
New charts completed	50		57		45		52 782 65 26		723		45		4,423
Charts brought up to date	734		740		727		782		723		717		4,423
Bond book charts completed			60	5.0	5		65	3.4	5		1		130 151
8 bond books brought up to	date 26	(times	22	(t)	26	(t)	56	(1)	26	(1)	25	(+)	151
Miscellaneous jobs	36		36		32		39		24		29		195
Photographic:													
Photographs:													
Total jobs	105		121		128		150		75		76		655
Number of-	211						330		- 25				
Negatives	153		232		218		729 474		169 224 225		272		1,295
Contact prints	224		247		772		729		55/4		307 124		2,503
Enlargements	209		608		160		474		225		124		1,800
Photostats:			600				2.2						
Total jobs	167		164		216		194		161		181		1,083
Number of-	100						25.5		- 1				
Lettersise copies	746	1	,588		2,936		4,035		1,627		3,357		14,287
All other copies	10,828	10	,948	1	1,336	1	4,737		8,605		11,544		67,998
Multiliths													
Total jobs	8	0	15		10		9		9		21		72
Number of-	7.5		95				232				1.5		100
Zino plates	100	Part I	91		91		112		128		134		656
Miscellaneous			1		2.5		7.5						2,53
Total jobs	16	F	31		58		18		13		22		126

68

July 26, 1941

COMPIDENTIAL

Dear Mr. Rouse:

I have pleasure in acknowledging the receipt, on behalf of Secretary Morgenthau, of your letter of July 24, 1941, enclosing your compilation for the week ended July 16, 1941, showing dollar disburcements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which those expenditures were financed.

Paithfully yours,

(Signed) H. Merle Cochran

I, Herle Cockran Tocknical Assistant to the Secretary.

Rebert G. Rouse, Require, Vice President, Federal Reserve Bank of New York, New York, New York.

HMC: 1mc-7/26/41

O. P.

Of New York

July 24, 1941.

COMPIDENTIAL

Dear Mr. Secretary:

Attention: Mr. E. Herle Cochran

I am enclosing our compilation for the week ended July 16, 1941, showing dollar disbursements out of the British Repire and French accounts at this bank and the means by which these expenditures were financed.

Paithfully yours,

/s/ Robert G. Rouse

Robert G. Rouse, Vice President.

Honorable Henry Norgenthen, Jr., Secretary of the Treasury, Vashington, D.G.

Inclosure

Copy: KEV 7/26/41

Strick

	BANK OF ENGLAND (METTING COVERNMENT)									2 C. Val.	1	965 5.0			
	1	TEST	8		CREDITS					THE COMMENTS.					
PERIOD	Total Expendi- Debits tures(s)			Total Credite	Proceeds of Sales of Securities Gold (primal)(b)		Other Creits (c)	Net Incr. (*) or Dear. (-)) in Balance	Total	Gowit Expendi-	Other	Total Credit s	Proceeds of Gold Sales		Deor. (a)
first year of war							1			No.		The same		1	
8/29/39-8/28/40)*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	52.0	420.1	+ 35.0	566.3(e)	416.6 (0)	449.7	1.0953(e)	900.2	195.1(0)	+229-0
1940					September 1	1		100			1				
ug. 29 - Oct. 2	516.6		72.5			6.0	31.4	- 7.9	8.6	4.4	4.2	1.5	-	1-3	- 7.3
Oct. 3 - 30	196.7			198.5		6.0	32.0	+ 1.8	0.5	0.3	0.2	0.5	-	U _* 5	-
ot. 31 - Nov. 27	841.0	THE RESERVE TO SHARE	39.9			18.0	31.5	+ 18.5	0.8	0.1	0.7	0.7	-	0.7	- 0.1
Tov. 26 - Dec. 31	234,6	205,8	27.8			26.0	60.6	- 36.6	2.1		2,1	0.6		0.6	- 1.5
is period through Dec.	2,782.3	1,425.6	1,356.7	2,793,1	2,109,5	108,0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	196, 2	+220.1
1941 AD. 2 - 29	197.4	162.7	34.7	259.9	176.2	52,0	31.7	+ 62.5	1.7		1.7	0.5	-	0.5	- 1,2
an. 30 - Feb. 26	164.6	137.8	25.8	101.4	26.6	26.0	48.8	- 63.2	0.2	100	0.2	0.2		0.2	
bb. 27 - Apr. 2	229.7		52.1	237.9	105.7	78.0	62.2	+ 8.2	0.7	10.00	0.7	1.6		1.6	. 0.9
pr. 3 - Apr. 30	126.0		24.1		125.6	15.0	78.3	+92.9	0.9		0.9	0.9	1	0.9	
lay 1 - May 28	122.6		32.0			32.0	52.1	-11.6	0.4		0.4	0.8		0.8	+ 0.4
day 29 - July 2	140.5			105.1			92.2	-35.4	21.5		21.5	0.9		0.9	- 20.6
July 3 - July 30				-				-							
Tuly 31 - Aug. 27															
8/29/40-8/27/41)	1 . 1													1	
mar. 28 - Oot. 1															
ot. 2 - Oot. 29															
ot. 30 - Des. 3 -							-							1	
000. 4 - 31		1		الوضوا			-								
MESK ZNIDED:	24.3	15.8	8.5	12.5	1.8	2.0	8.7	- 11.7	0.7	5.5	0.7	0.1	1.00	0.1	- 0.6
	29.9	27.5			0.1		9.8	- 20.0				0.1		0.2	+ 9.2
July 2	24.5	100	0.0			1.0	11.4	- 12.0					THE REAL PROPERTY.		-
16	21.5	17.1				2.0	16.9(0.1	+ 0.1
															-

Average Weekly Expenditures Since Outbreak of Wer France (through June 19) 1946 \$19.5 million Transfers from British Purchasing Commission to Bank of Canada for French Account (See footnotes on reverse mide)

England (through June 19) 1940 27.6 million England (since June 19) 1940 47.3 million Week ended July 16, 1941 million cumulation from July 6 . 162.7 million

^{*} For monthly breakdown see tabulations prior to April 25, 1941.

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morganthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$65 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accounts dollar receipts.
- (d) Includes payments for assount of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$20 million peid out on June 25, 1940 and returned the following day.
- (f) About \$11 million transferred from accounts of British Authorized banks with New York banks; \$6 million of this amount represented the proceeds of exports from Singapore.

	-			EARE			ANADA	Mark C	MARLES V		matrice.	-				C. Carrier of		
	DEBITS			CREDITS														
PERIOD /-	Total		Other	Total Credits	Proceeds	Transfers from Official British A/O		Other	Net Iner-	Total	Transfers to	Other	Total	Proceeds	Other	Not Iner.		
						For Own	For French	Credits		Debite	British A/C		Credits	Gold Sales	Credita	(+) or Deer. (-) in Balance		
1rst year of war 8/29/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36,1	30.0	6,1	4.9		
1940 ng. 29 - Oct. 2	44.3	A Delivery of the Control of the Con	1	43.9	16.4	2432	27.3	0.2	- 0.4	8.7	2,5	6.2	8.0	6.7	1.3	- 0.7		
ot. 3 - 30	26.7		26,7	28.6	14.0		14.3	0.3	+ 1.9	10.1	7.5	2.6	7.9	6.5		- 2.2		
et. 31 - Nov. 27	35.2		35.2	69.6	49.2	NEWS TWO	16.7	3.7	+ 34.4	3.1	0.6	2,5	3.6	E.1	1.5	+ 0.5		
ov. 28 - Dec. 51	48.0		48.0	60.6	42.5		13.7	4.4	+ 12.6	4.8		4.8	6.8	4.8	0.8	+ 2.0		
ar rended through Day.	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	62.4	50.1	12,3	+ 4,5		
1941 an. E - E9	33.7		33.7	33.9	16.9		15.0	2.0	+ 0.8	4,8		4.8	6.8	5.1	1.7	+ 2.0		
an. 30 - Pob. 26	31.1		31.1	24.3	14.3		6,8	3.2	- 6.8	5.0	1.7	3.3	3.2	0.6	2.6	- 1.8		
ob. 27 - Apr. 2	60.9	100	60.9	46.0	23.1		19.1	3.8	- 14.9	5.8	0,8	5.0	13,7	12.5	1.2	+ 7.9		
рг. 3 - Арг. 30	34.9	-	38.9	35.7	12.5		10.5	12.9	E-110	2,8		2.8	5.9	1.6	2.3	1 THE		
ay 1 - May 28	39.2			25.6			0.5	9.3	- 13.7	5.4	THE REAL PROPERTY.	5,4	4.9		0.8	- 0.5		
ay 29 - July 2	43.2		13.2	48.2	1633		-	31.9	+ 5.0	10.1		10.1	5.8	4.5	13.0			
uly 3 - July 30 uly 31 - Aug. 27																		
8/29/40-8/27/41)																		
ug. 28 - Oct. 1																		
ot. 2 - Oot. 29																		
et. 30 - Dec. 3																		
	11	1		7 .								1		1		7		
Jame 25	4.51		4.1	5.4	2.9			2.5	+ 1.3	0.9		0.9		4.3	0.1	+ 3.5		
July 2	10.3	100.00	10.3	2.9	2.5		- Table	0.4	377	2.2	107.75	2.2	0.4	0.2	0.2			
	1.9		157.72	5.8	Mary Mary	42.10			+ 3.9	17.72		B F B	0.1		0.1	ALC: NO		
16			1 7 1					2.7	- 2.9	2.11		2.4	5.4	4.0	0.6	+ 1.0		

Through July 16, 1941 \$ 7.4 million
For monthly breakdown see tabulations prior to april 25, 1941.

AF

PLAIN
London
Dated June 26, 1941
Rec'd 2:15 p.m.

Scoretary of State, Washington.

> 2663, twenty-sixth FOR TREASURY

1. Considerable anxiety has been evident in the press of late over the negotiations for the purchase by Warner Brothers of a block of shares in the Associated British Picture Corporation owned by the late John Maxwell. The TIMES city column yesterday contained the following paragraphs on the negotiations:

"It has already been authoritatively stated in connection with the negotiations proceeding for the sale of half of the ordinary shareholding of the late John Maxwell in the Associated British Picture Corporation, that the proposed transaction will in no sense involve the transfer of the control of the corporation to an American company. On the contrary it is expressly contemplated that control shall remain in this country.

"It should

-2- 2663, June 26 - from London.

"It should be made clear that the control of the Gaumont-British Picture Corporation is not affected by the proposed sale either. Though it is believed that Mr. Maxwell in 1936 acquired a five-year option on behalf of Associated British on a majority interest in the 'A' voting shares of the Metropolis and Bradford Trust (which controls the Gaumont-British), this option is now worthless to Associated British and there is no prospect whatsoever of it being exercised. Nor is there any question, it is understood, of Messrs. Warner Brothers using any remittable sterling balances in this country for the proposed transaction or going in any other way outside the agreement of last October between the Board of Trade and the Treasury and all American Companies.

"The mutual advantages of the suggested shareholding interest between two companies which are already
in a trade sense mutually dependent must be obvious.
But it is clear that both parties have also shown a
readiness in the negotiations to recognize that more
than mere commercial interests are involved."

2. Press comment today welcomes the announcement of the contemplated Reconstruction Finance Corporation loan against British direct and other investments in much

-3- 2663, June 26 - from London.

much the same terms as those reported in the Embassy's no. 1835 of May 9. The TIMES city editor notes that the loan "Would avoid the sort of situation in which, because of the inevitable forced-sale atmosphere about piecemeal realizations, there is likely to be a discrepancy between market values and real values" and observes that "the question at what values the assets would be taken for the purpose of the collateral in any such arrangement is clearly important".

3. When presenting a vote of credit for 11,000 million to the House of Commons the Chancellor of the Exchaquer stated that the vote for \$1,000 million passed on February 6 (reported in the Embassy's telegram no. 465 of February 7) is now approaching exhaustion. He stated that up to June 21 some 1810 million of the previous vote had been issued and that if expenditure continues at an increasing rate the February vote will be exhausted early in July. Over the five weeks to June 21 the average rate of expenditure was 512 million a day, Of this war expenditure had been about 110-1/4 million per day, which compared with \$10-1/2 million for the five weeks previous to February 6, the small reduction having occurred not in the vital but in miscellaneous services such as evacuation, Ministry

-4- 2663, June 26 - from London.

Ministry of Food and Ministry of Transport, etc. But he pointed out that the figure given for the later period when compared with that given for the earlier period indicated not a decline but an increase in the rate of war expenditure at home, the supplies now available under the Lease-and-Lend Act being excluded in the present fiscal year's figures. The Chancellor of the Exchequer further stated that since the presentation of the budget on April 7 weekly average subscriptions to war loans large and small at 139.3 million had increased by 30 per cent compared with the corresponding figure for the months preceding the budget and by 82 per cent over the weekly average in the first year of the savings campaign. Since this increase was due in part to the London war weapons week which ended on May 24, it afforded no ground for complacency but he expressed his confidence that an increase in the rate of genuine savings could be achieved which would fulfill the expectations on which the budget was based. He asserted that the Government would endeavor to borrow only by methods consistent with a sound financial and economic basis and would continue to borrow as cheaply as possible. He also announced that a new savings drive to extend groups of small savers is about to be launched.

Incidentally

-5- 2663, June 26 - from London.

Incidentally the strength of the gilt-edged market is now such that it has given rise to suggestions that the government is in so strong a position that it can open up a new era of cheap money. The FINANCIAL TIMES index of Government securities (November 15, 1926 equals 100) which was already 112.2 on February 23, or 11.3 points above the level at the outbreak of war (see the Embassy's no. 707 of February 24) now stands at 113.3 having remained over 113 since May 1 except for a slight set-back in the first week of June when the Crete evacuation affected sentiment.

With 2-1/2 per cent on tap national war bonds now being dealt in at a premium the termination of the present issue is expected daily and speculation as to the nature of its successor ranges from a possible similar security of longer term to suggestions that the time is propitious for a major step comparable to the war loan conversion of 1932 on a smaller scale.

In reply to questions in the House of Commons
yesterday, asked no doubt with the recent increases in
coal miners! wages in mind, the Chancellor of the Exchequer stated that "the policy of the Government as
was explained at length in my budget speech is to
guard against such dangers (inflation) by a variety of
measures

-6- 2663, June 26 - from London.

measures and in particular to create conditions to enable the wages situation to be held about where it then was. The government propose to maintain that policy."

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GRAY BERLIN

Dated July 26, 1941 Rec'd 10:20 p.m.

Secretary of State,

Washington.

2986, July 26, 2 p.m.

The press this afternoon reports with considerable. prominence the freezing of Japanese assets by the United States and the British Empire and Japan's intention to take counter measures. Brief editorial comment says that the initiative for this step obviously came from Washington and that it constitutes a new "flagrant provocation" in President Roosevelt's alleged world wide policy of aggression. It is insisted that Tokyo and Vichy have acted within their legitimate rights in regard to Indochina and confidence is expressed that Japan "is determined not to allow itself to be intimidated."

MORRIS

DAS

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PARTIAL PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Changking, China, via N.R.

DATE: July 26, 1941, 7 p.m.

NO.: 167

THE FOLLOWING IS FROM THE SECRETARY OF THE TREASURY FOR FOX.

(Not in paraphrase) Extension of freezing order to China and Japan. New Executive Order simply applies usual freezing control to China and Japan. By general license Japanese and Chinese living in the United States since June 17, 1940 are unfrozen. All trade between the United States and free and occupied China excluding Manchuria has been generally licensed. All American, British. Russian, Dutch and Chinese Governmental banks in China have been given general licenses covering their own transactions and also covering transactions relating to trade between China and the United States, British Empire, Dutch East Indies, Latin America and Russia on account of persons living in China excluding Manchuria. (End of non-paraphrased section.)

(In paraphrase.) Permission has been granted for the clearings of other Chinese banks with the generally licensed banks to be made through the Central Bank of China. (End of paraphrased section.) General license given to the Chinese Government and Central Bank in effect take them out of the freezing order and also permit all funds in the United States of Chinese nationals to be transferred to accounts

accounts in the names of Chinese Government and the Chinese Central Bank. A general license has also been given to the Chine Defense Supplies Company, the Universal Trading Company and the New York Branch of the Bank of Chine.

Although Hongkong is not a part of Chine within the meaning of the freezing order since so many Chinese and Japanese operate out of Hongkong a general license has been issued applying the general license to Hongkong to the same extent as though Hongkong were a part of China.

As far as Japan is concerned no general licenses have been given to agencies in the United States of Japanese banks except those agencies which are also banks of deposit. (In paraphrase) Examiners of the Comptroller's Office have been stationed in banks of deposit to which general licenses have been issued by the Comptroller's Office. (End of paraphrased section.) Trade between the continental United States (including Hawaii) and Japan will be handled on a specific application basis.

A series of general licenses has been issued covering
the relationships between the Philippines and China and
Japan. The general licenses cover all Japanese and Chinese
banking and business institutions in the Philippines and
all trade between the Philippines and Japan and China.
(In paraphrase.) In regard to our attitude toward Japan
and China, we will adhere to a policy of liberality and
continuity of normal business for the present time in the
Philippines.

Philippines. (End of paraphrased section.) In Hawaii general licenses have been furnished to Japanese and Chinese banks and business institutions. Hawaiian trade with Japan will require specific applications. Hawaiian trade with China is covered by the general trade license. We will try to forward to you as soon as possible copies of the general licenses.

WELLES, ACTING (DA)

A-A: DH: MFA

EA: PAK

COPY: MEW 7/31/41

O P

CONFIDENTIAL

PARAPHRASE

A telegram (no. 1096) of July 26, 1941 from the American Ambassador at Tokyo reads substantially as follows:

American firms in Tokyo have during the past few
days received visits from officials of the Ministry of Finance
who demanded that they be supplied with full reports in
regard to all financial and business transactions, including
details concerning property holdings, bank balances and
reserves. It was demanded that these reports be submitted
by July 25. It was demanded also that by July 31 a detailed
report be submitted concerning the personal property of
American individuals. This procedure was begun apparently
as a prelude to extending freezing control to the credits
of Americans in Japan as a retaliatory measure against
the expected extension of freezing control by the United
States to Japanese credits.

O P

GRAY

TOKYO

Dated July 26, 1941 Rec'd 1:47 p.m.

Secretary of State,

Washington.

1100, July 26, 9 p.m.

In a note handed to the Japanese Foreign Minister this afternoon the British Ambassador served notice of the termination of the Treaty of Commerce and Navigation of April 3, 1911, between Japan and Great Britain, and of the conventions regarding commercial relations and trade and commerce between India, Burms and Japan of July 12, 1934, and June 7, 1937, respectively, on the grounds that these instruments can no longer be regarded as fulfilling the objects which the British, Indian and Burmen Governments had in view at the time of their conclusion. The note states that in accordance with the terms of the treaty and conventions the Treaty of Commerce and Navigation with Great Britain will expire one year and the conventions six months from today's date.

GREW

WSB

MP

PLAIN

Tokyo

Dated July 26, 1941

Rec'd. 7:08 a. m.;

Secretary of State,

Washington

1095, July 26th.

Tonight's ASAHI, MIYAKO, HOCHI carry identical article commenting American Government's action freezing Japanese credits declaring move not unexpected and that Japan fully prepared take counter measures. Grave effect on Japanese trade not only with United States but also Latin America and British Empire termed inevitable. Japanese Government will watch alertly further developments and will take proper action.

GREW

EMB

PARAPHRASE

A telegram of July 26, 1941 from the American Legation at Canberra reads substantially as follows:

Freezing of Japanese assets and unqualified cessation of trade will be announced soon by the Australian Government according to Hodgson.

Copy:bj:7-30-41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Singapore, Straits Settlements

DATE: July 26, 1941, 1 p.m.

NO.: 179

Reference telegram of Euly 26, 11 a.m., no. 178 from the Consulate General.

The Colonial Secretary has just informed me that the freezing order on assets of the Japanese in the Straits Settlements will probably be issued in the very near future.

This telegram has been sent to the Department and repeated to Tokyo, Saigon, Batavia, and Chungking.

PATTON.

TECHNIC AND AREA

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TRU / SUZ - PEPAUSICHE

EA:LWW

TELEGRAN BENT

TO: AMERICAN LEGATION

TANGIER (MOROCOO)

26

DATE: July 83, 1941.

NO.: 95

Your 264, July 17, 10 a.m.

On July 25 the Treasury Department issued General Ruling No. 9 which reads as follows:

QUOTE Inquiry has been made as to whether a person within Tanglers may engage in transactions pursuant to General License No. 52 relating to Spain. General License No. 52 does not permit such transactions and, accordingly, any such transactions which are not authorized by a general license other than General License No. 52 may only be effected pursuant to a specific license. UNQUOTE.

This in effect means: (a) that the General License relating to Spain does not apply to transactions of residents of Tangier and (b) that Tangier is frozen under Executive Order No. 8389 as amended. Hence transactions specified in the Executive Order between the United States and residents of Tangier cannot be carried out except under individual license applications, with the exception of certain classes of transactions permitted under General Licenses other than General License No. 52 relating to Spain.

It is the understanding of the Department that General Ruling No. 9 conforms closely with the suggestions contained in your telegram under reference.

840.51 Frozen Gredits/2550

WELLES, ACTING

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil

DATE: July 22, 1941, 10 p.m.

RO.: 910

A transfer is being made by the Yokohama Specie Bank from its dollar balance held in the Bank of Brazil of \$1,000,000 to the Peruvian Central Reserve Bank. This amount is then to be transferred again, \$550,000 to Buenos Aires to the Bank of the Republic, and the rest to the Banco Italiano, through the Chase National Bank.

This telegram was repeated to the American Embassy at Lima and to the American Embassy at Busnos Aires.

It is requested that the Treasury be informed of the above.

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1941 JUL 24 PM 1 37

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EA: LWY

RESTRICTED

G-3/2667-220; No. 451

M. I.D. W.D.

12:00 M., July 26, 1941.

SITUATION REPORT

I. Eastern Theater.

Ground: Russians are counterattacking Finns at Petrosavonak.
New German advances, probably slight, towards Leningrad from West, Southwest, and Southeast.

Germans acknowledge strong Russian counterattacks in Smolensk sector. Russian reserves have been brought up to VYAZNA.

Capture of Odessa seems imminent.

Airt German bombing of Moscow appears to have damaged defense industry seriously.

II. Western Theater.

Air: German. Slight activity.

British. Limited daylight operations. Normal night operations, centered on Hanover and Hamburg. Berlin was attacked by a few heavy bombers. British admit loss of nine bombers in all.

III. Mediterranean Theater.

Ground and Air: Unimportant activity.

Maval: The British convoy which fought its way through the mediterrenean, has arrived at Malta. There the British report repulse of an Italian torpedo boat attack on the ships.

RESTRICTED

Paraphress of Code Cablegree Reserved at the Var Superiment at 18:01, July 26, 1941.

London, filed 16:15, July 26, 1941.

- 1. British Air Activity over the Continent.
- 9. Dir of fulr ft. A total of 106 tens of high explosive bests were dropped as follows: fifteen 2000 pound armor-planning and fifty-three 500 pound nomi-armor-planning on the Schurcheret, 16 tens of high explosives on Charlesing, breaky 2000 pound neutro-planning bests on the Sanionna.
- b. Eight of July 26-25. 36 tens of high explosives and 6000 inscribing core dropped on Rules. On Elel 47 tens of high explosives, including five 1900 pound bends and three 4000 pound bends, and 3300 inscribing core dropped.
- g. Day of July 25. So bombing activity has to bot venther.

 The fighter effort equipted of a total of \$39 fighters on missions as
 follows: 159 on interception; 251 protection of shipping; 30 on a special
 patrol and 39 on offensive operations.
- 4. Hight of July 25-26. A total of 109 bombers were next out as follows: 45 to the railway center at Hasburg, 95 to the Hasser railway center, 2 to Raise, and 7 Stirlings and two Halifux bombers to the industrial center of Borlin.
 - 2. Germa Air Activity over Britain.
- a. Day of July 26. 10 recommissions alterest and 15 long range bushers were employed.
- b. Blant of July 20-45. 5 recommissioner aircraft, 10 fighters and 15 long range beabers were disputched.

CONFIDENTIAL

\$10-70 WAUS LOVE

- 2. By of fulr E. Operations on a reduced scale, consisting of recommissense of oblyping and the maintenance of righter patrols constrol.
- 4. Fight of July 25-26. Cornen night fighters operated in the areas of Lincolnehiro, Torkshire, Suffolk and Borfolk.
 - 3. Aircraft Lesses Reported.
- 2. British losses. Someon during the night of July 25-26 were as follows: 5 bushers unreported and 1 busher created in the raid against Energy, 1 busher unreported and 1 down at see in the Englary raid, and 2 Stirlings and 1 Enlists unreported from the raid on Berlin. So fighters were lost on July 25.

III

Distribution:
State Department
Assistantificate of Staff, G-2
Var Plane Division
Office of Bural Intelligence
G. E. Q.
Chief of the Army Air Forces
Socretary of Treasury
Assistant Secretary of Var for Air
Assistant Chief of Staff, G-3
Air Corps

CONFIDENTIAL.

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Peraphrase of a Code Cablegram Received at the War Department at 12:61, July 26, 1941.

London, filed July 26, 1941.

The following is a summary of Sritish Military Intelligence information to the morning of July 26:

- 1. Japan. On July 24, twelve Japanese troop ships embarked at Hainan for Saigon. The increased troop novements by rail from Tokio to Siigata are taken to mean that the Japanese in Korea or Manchukus are to be strengthened by way of Seishin.
- Libya. On the night of July 25-24, patrols were active in the neighborhood of Tobruk. On July 24, a dense sandstorm resulted in an interruption to all troop activities.

S. Rusela.

- a. Southern Sector. German advances in the sector south to southwest of Kiev are thought to be sining at making limited with Axis forces which have pressed beyond the Dalester and are proceeding east of Podolsh-Megilev with a mederately extended front. Another German advance to the southeast from south of Kiev has also been revealed.
- b. Central Sector. In the northern and southern vicinity of Smelenak, German columns are preceing to widen the salient and throughout this area German activity is in the nature of mopping up. Northeast of the city German advances are being maintained.

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INFORMATION COLT

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e. <u>Morthern Sector</u>. Masi troops appear to be making an effort to consolidate their lines along the railroad south of Dag.

LEE

Distribution:
State Department
Assistant Chief of Staff, G-2
War Plans Division
Office of Maval Intelligence
G. H. Q.
Secretary of Treasury
G-3
Air Corps

CONFIDENTIAL

INFORMATION COPY

THE AMIERICAN FORUM OF THE AIR

Vol. 3

SUNDAY, JULY 27, 1941

No. 30

"Your New Jaxes"

REPRESENTATIVE ROBERT L. DOUGHTON

of North Carolina

REPRESENTATIVE ALLEN T. TREADWAY

of Massachusetts

REPRESENTATIVE JERE COOPER

of Tennessee

REPRESENTATIVE FRANK CROWTHER

of New York

REPRESENTATIVE WESLEY E. DISNEY

of Oklahoma

REPRESENTATIVE THOMAS A. JENKINS

of Ohio

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Announcer Fronk Blair: WOL and WOR present over the Mutual network the "American Forum of the Air," arranged and directed by Theodore Transk, attorney and nationally syndicated newspaper columnist. Copies of conight's program which emanates from the Hotel Willard in the Nation's Capital, may be obtained from Ransdell Incorporated, printers and publishers in Washington, D. C. And now your chairman, Mr. Granik.

Chairman Granik: Thank you, Mr. Blair,

Tonight the United States is under full steam ahead, in the greatest practime mubilization of military resources, in its history. Every day, every hour, new recopons for the defense of America . . . guns, tanks, planes, bombs, buttleships . . . flow, in ever increasing numbers, into the

hands of our land and naval forces.

The nation is building its defenses, but the cost of arming a nation is great. Some forty billion dollars has already been appropriated for that purpose. Other billions will follow. So far, most of the money for defense has come from government borrowing. But now the time has come, as it must, when part of the cost of our huge defense program must be raised through direct taxation.

Mindful of this necessity, the Ways and Means Committee of the House of Representatives has labored countless hours in the past three months, drafting new lax legislation. The fruit of their efforts, the "Revenue Act of 1911" was formally introduced in the House branch of Congress yesterday.

1941." was formally introduced in the House branch of Congress yesterday. The bill is far-reaching. In its present form it will affect virtually every wage carner and consumer in the country. Debate on this all important tax measure is scheduled to start on Tuesday. And tonight the "American Forum of the Air" brings you a preview of expected House action on "Your New Toxes." Our speakers, three Democrats and three Republicans, are all members of the Ways and Means Committee.

They are: Congressman Robert L. Doughton (D.) of North Carolina, Charman of the Committee; Congressman Allen T. Treadway, of Massachusetts, Ranking Republican Member; Congressman Jere Cooper (D.), of Tennessee; Congressman Wesley E. Disney (D.), of Oklahoma; Congressman Frank Crowther (R.), of New York; and Congressman Thomas A.

Jenkins (R.), of Ohio.

Following short opening statements by Congressmen Doughton and Treadway, we will continue with an informal round-table panel discussion.

We invite your letters and comments on tonight's presentation. And now Congressman Doughton.

ADDRESS BY REPRESENTATIVE ROBERT L. DOUGHTON

Ladies and Gentlemen: My subject tonight is national defense and taxation. The national defense program is of paramount interest to the American people. In addition, peoples in every part of the world, to whom freedom of action, freedom of speech and freedom of spirit are dear, are tremendously concerned in the success of our preparedness effort.

The tax bill, which the Committee on Ways and Means has just reported to the House, is a vitally necessary part of this program. Taxation with very life blood of governmental finance. All other methods of finance are but delayed taxation and the anticipation of future taxes. If any governmental program is to be brought to a successful fruition, it must have closely integrated with its other aspects an adequate plan of taxation.

War today is, to a great degree, mechanical. Enormous numbers of machines are necessary to successfully stand against the engines of aggres-

PAGE THREE

sion. Ships, planes, tanks, guns, and the countless other accourrements of

modern wurfare are fabulously expensive.

Regardless of the cost, the American people are united in their deter minution to have these implements, and the trained personnel to man them, in a quantity and of a quality sufficient to make our safety certain. The m a quantity and the expenditures contemplated to complete this program expands almost daily. We now have appropriations, authorizations, and recommends. tions for national defense totaling 50 billions of dollars. This does not mean that this entire sum is to be spent in this fiscal year. It means simply that our defense program, as far as we can see today, calls for the eventual expenditure of this amount.

For this fiscal year 1942 our total expenditures are expected to exceed 22 billions of dollars. The financing of these expenditures can be accomplished only by two methods, taxation and borrowing, and the latter must also be met by taxation in the end. There can be no doubt but that we should pay as much as our economy will justify as we go. This limit, matter of judgment, about which opinions differ, has been given very care-

ful consideration.

From taxes now in force, it is estimated that we will secure \$9,400. 000,000 in the fiscal year 1942. This would be about 43 percent of the apticipated expenditures. The tax bill just reported to the House will prodiese 31/2 billion, annually. With this additional revenue, our total receipts will be more than 60 percent of our total expenditures for all purposes. The figure, 31/2 billion, was agreed to at the outset of our deliberations by representatives of the Committee on Finance, the Committee on Ways and Means, and officials of the Treasury Department, and represents the added handen which, in our best judgment, should be imposed at this time.

In its consideration of this bill during the last three months, the Commillion on Ways and Means has continually kept in mind the principles of equity and fair play. It was urged by some that we adopt this or that extreme, and by others that we resort to some novel or fanciful method and that matried plan. In general, we endeavored to steer a middle coarse, distributing the weight of the tax burden as carefully as we could among

the various classes and types of taxpayers.

In this connection, I wish to thank the American people for the splendid attitude they have evidenced during the consideration of this bill. A great deal of interest has been shown. Many thousands of letters and telegrams have been received, clearly demonstrating the willingness of our

people to wonne the burden which the bill imposes.

The hill is, of course, not perfect, nor is the fruit of any democratic action. It does not represent precisely the result of anyone of us, working independently, would have achieved. That fact alone constitutes a considerable virtue. I can assure you that the bill as presented represents the very less efforts and considered judgment of the membership of our committee.

In the entire 16 years during which I have been a member of the Committee on Ways and Means I have never seen the committee work quite so hard or more conscientiously to achieve a just goal. While there were many differences of opinion to be reconciled by deliberation and debate, I take great pride in the fact that never once was there shown the slightest degree of partisanship in debate or in the votes taken by the committee. No observer of our deliberations could have ascertained from the actions of the members any indication of their party affiliations.

This I take to be a convincing proof of the success of the democratic process. It demonstrates that unity can be had under our system when the PARE FOUR

need for concerted emergency action demands it, and that a democracy can function quickly and effectively when their safety is threatened.

This tax bill is without parallel in the amount of revenue it will produce. It lays a substantially increased burden upon the American people and will entail considerable sacrifice. Not only will the burden of this bill be heavy but even heavier levies evidently will be necessary before we have attained success in our defense undertaking.

If I understand the temper of the American people, however, I can say with assurance that they place no dollar sign on their LIBERTY AND FREEDOM and will uncomplainingly bear any burden that is considered necessary to assure to us and to our children the blendings handed down to

us by our forefathers.

Chairman Granik: Thank you, Chairman Doughton. And now we present Congressman Allen T. Treadway.

ADDRESS BY REPRESENTATIVE ALLEN T. TREADWAY

Mr. TREADWAY: Due to the critical condition of the national fluances resulting from past governmental extravagances-which is now aggravated by the necessity of making staggering outlays for defense-a substantial increase in the tax burden at this time is inescapable.

During the last several years, it has been the practice to present the

American people with at least one new tax measure each year.

The tax load has now grown to such an extent that during the present fiscal year, approximately 9 billion 400 million dollars will be collected under existing tax laws.

This amount is 50 per cent more than the highest receipts under the world War Revenue Acts. Neveretheless, it is far from adequate to meet

the present cost of Government.

Appropriations for national defense have already reached the 43 billion dollar mark, not including some 7 billions of recent requests for supplemental items, and there is no telling how much more will be required in

Fortunately for the Treasury, not all of this amount will be spent

in one year.

Actual expenditures for national defese in the period beginning July 1, 1941 and ending June 30, 1942 will be in the neighborhood of 151/2 billions.

Including non-defense functions, the total cost of Government this year will be more than 22 billions.

Thus, without additional tax revenues, and in the absence of any economy in expenditures, the Treasury would be faced this year with a deficit of nearly 13 billions.

Even under the most favorable conditions, a deficit of this size would be alarming. It is particularly so at this time when we have just completed

the eleventh successive year of unbalanced budgets.

In this period, expenditures have exceeded revenus by 32 billions. The national debt has been piled up to a total of 50 billions, making further borrowing extremely hazardons from the standpoint of the national credit. Therefore, we must hold it to a minimum-to what we cannot avoid after mercasing taxes and reducing expenditures.

In view of the heavy taxes already imposed, there is a limit to how much further we can go without unduly burdening the people or crippling production. Moreover, we have to face the fact that the available sources of Federal taxation have been pretty much exhausted in the apparently

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futile effort to try to keep pace with the ever-increasing cost of Government

in the pre-emergency period.

Under the new tax bill—which is the largest single revenue measure ever presented—it is proposed to increase existing taxes by 31/2 billions. This will bring the total tax load to approximately 13 billions, or more than double the World War burden. Even with this increase, however, the Gov. ernment will spend this year approximately 10 billions more than it collects in revenue.

Although the bill contains less than 100 pages of text, it has been some three months in preparation. Public hearings began on April 24th and extended for a month. Over 200 witnesses appeared before the committee, and nearly 2,000 pages of testimony were taken. For two months, the committee has been engaged in the actual drafting of the bill, which was just com-

pleted on Wednesday of last week.

There of course is not time, in the brief period allotted to me, to go into any details concerning the bill as presented to the House of Representatives. Needless to say, the task of finding ways and means of raising 31/2 billions in new revenue was a difficult one. In considering various tax proposals the committee had always to keep in mind the necessity of equitably spreading the burden among the different classes of taxpayers.

For the most part, the additional revenue will come from raising the rates on individual and corporate incomes, from higher excess-profits taxes. higher estate and gift taxes, and from increasing the rates of most of the existing excise levies. In addition, new excise taxes are imposed on a num-

ber of articles of every-day use.

Some criticism has been made of the bill in that it places the increased burden too much on existing taxpayers instead of spreading it more generally upon the people. In this connection, I might say that the committee considered the question of broadening the income-tax base by lowering the exemptions, but a majority opposed such action, principally on the ground that the amount of revenue to be derived from so doing would not much more than pay the cost of collection.

On the other hand, it may very well be argued that even if this were so, it would be worth while since it would make our citizens more tax conscious if they were required to make a direct contribution for the support

of their government.

Of course at the present time they are now paying much more than they suspect in indirect levies, and this is a further argument which is used against the proposition of lowering the income-tax exemptions. One Government agency has estimated that even the lowest paid wage-earner pays from 18 to 21 cents out of every dollar he earns in hidden taxes.

One of the most controversial provisions of the bill is that which makes husbands and wives file a joint income-tax return, thus bringing their income into a higher surtax bracket. The committee had two principal motives in including this provision, namely, to prevent tax avoidance and to raise 300 millions of revenue which would otherwise have to be imposed on persons less able to pay. It has been vehemently criticized on the false ground that it will encourage divorce and immorality. Secretary of the Treasury Morgenthan effectively disposed of this argument when he said that "when a man's wedded life depends on his tax return, it hangs on a pretty slim thread." It should be pointed out that where the joint income does not exceed \$4,000, no increased tax liability results from combining the income in one return.

Although the tax bill contains no item in reference to economy in expenditures, due to the fact that the Ways and Means Committee has no juris PAGE BIR

diction of appropriation matters, I can not refrain from mentioning this subject briefly. Secretary Morgenthau told the committee that in his opinion he Government ought to be able to reduce non-defense expenditures by one oillion dollars. Other responsible persons and organizations have made even higher estimates of possible savings. It seems to me that if the citizens of the country are to be required to make sacrifices for defense, the civil agencies of the Government should do likewise. From the standpoint of preserving the Nation's credit, the reduction of non-defense expenditures is no less imperative than the proposed increase in taxation.

Charan Granik: Thank you, Congressman Treadway.

And now we continue with our informal round table panel discussion. Congressman Cooper, will you open the panel?

CONGRESSMAN COOPER: Ladies and Gentlemen: It is my purpose very briefly to discuss some of the provisions of the pending tax bill. Realizing the interest manifested by the people throughout the country, we feel that members of the committee, charged with the responsibility of drafting the logislation, should convey as much information as possible to the people

who will have to pay the taxes.

The new bill provides for the additional taxes to be effective January first of this year. The present 10 per cent defense tax is made permanent. Personal exemptions of \$800 for single persons and \$2,000 for married persons are continued. Likewise, the \$400 credit for dependents is continued. Surtax rates are increased substantially under the provisions of this bill. beginning at 5 per cent on the first \$2,000 and graduated on upward, so as to apply to the first dollar of net income.

The present normal corporation tax is continued under the provisions of this bill. The new bill imposes upon corporations a surtax of 5 per cent on the first \$25,000 and 6 per cent on the balance. The surtax is employed as the only means of reaching income from the large volume of partially tax-

exempt Federal securities held by corporations of the country.

The present rates are increased 10 percentage points in the excess profits tax, which applies only to corporations. An important change in his respect is the difference in the method of computation of the excess profits tax. Under the present law, you deduct the normal corporation tax before you deduct the amount of income subject to excess profits tax. This is changed so that you compute the excess profits tax before the deduction of normal tax.

The present exemptions for the estate and gift taxes above \$40,000 in continued, and the rates are increased so as to yield \$152,000,000 additional

revenue.

With respect to individual income tax payers and directly on the subject announced for this discussion, "Your New Taxes" mean that people with net income of about \$15,000 will be required to pay double or more the amount of taxes now paid. People with \$50,000 net income will be required to pay 40 per cent more; \$100,000 net income people will be required to pay 23 per cent more.

As was indicated by Mr. Treadway, one of the questions receiving very serious consideration of the committee was that with respect to lowering the exemptions for personal income tax. I remember that Dr. Crowther, of New York, has taken a special interest in this, and I feel sure that he will be glad to give us some further information on that point.

CONGRESSMAN CROWTHER: Well, Mr. Cooper, the matter of exemptions is a matter that has been considered by all committees writing tax bills. Exemptions are based on the question of subsistence. It was finally decided

that \$800 for a single person and \$2,000 for a married man, whether or not with family, but particularly with family, certainly could be considered nothing more than subsistence. A great many people object to exemption of any character and think that they ought to be removed altogether, and the complaint has been made in the press and by the commentators and others that the committee is politically cowardly and that they don't days to reduce the exemptions because the proleteriat, the body politic, that would be affected, vote. There is no rhyme or reason in that sort of charge, The fact is and I can state it very briefly—last year we reduced the ar. emptions for married people \$500, and we reduced the exemptions for a single person \$200. The net result of that was that there came to the Treasury-not to Washington, but in the field of the Internal Revenue offices some ten and a half million new tax returns, and out of the ten and a half million, only two million had any tax return to the Treasury, vary ing from eleven cents up to seven, eight, or nine dollars. The total amount collected was between twelve and thirteen million, and it cost eight million dollars to collect it and required 3,900 new employees in the Internal Revenue Department, which was probably a very joyous thing for my colleagues who had the opportunity of naming some of them.

CONGRESSMAN COOPER: Doctor, I am sure you will also recall that the present exemptions mean the person receiving \$15 a week as a single person,

and \$38 a week as a married person.

CONGRESSMAN CROWTHER: Yes, and then there is another thing to be taken into consideration. When the critic says that these people don't pay any taxes, you must remember that the Brookings Institute and the National Life Insurance Company, about three or four years ago, made a very complete study of the hidden taxes on gasoline and on oil and on tobacco and on liquor, and such things, and they found that the person who had an income of \$1,800 a year, \$150 a month, who doesn't go on many champagne parties, and whose wife doesn't buy many fur coats, paid \$235 in hidden taxes, which are included largely in our excise taxes,

CONGRESSMAN DISNEY: Doctor, what do you think of the suggestion of \$500 a head for all dependents in lieu of the exemptions that have

been made?

PAGE ECONT

CONGRESSMAN CROWTHER: That might be a compromise, but I think that we ought to stick to the old rule, providing a sum that really means subsistence. That isn't a very great thing to brag about, but you have to have a figure starting somewhere.

CONGRESSMAN JENKINS: Mr. Granik, I think that the discussions to far have been very elucidating and very interesting. This tax subject is a tremendous subject. It is difficult for anybody, in the length of time we have, to scratch even the surface, but, you know, somehow I think that the people in this country are more interested than the members of this tax committee in the matter of economy. Just as Mr. Treadway and Mr. Doughton both have said, this is the heaviest tax bill ever levied on the American people. From the very beginning in the discussion of this bill before the committee, I took the position, and sometimes by myself, that I thought the tax bill need not necessarily be this great colossel sum of three and a half billion dollars and we shouldn't lay this load on the people until we had economized. I have maintained—and the members of this panel and of the House (especially on the Ways and Means Committee) have stood with us in that position-that that Administration-not because it is the opposite party from ours-has been too extravagant. It has been too expensive; it is too expensive now. Whenever we get this tax bill passed, that will mean ten million dollars a day in addition to the twenty million dollars

a day that we are collecting. That will be thirty million dollars a day that we spend, but we are going to spend in the next year \$100,000,000. How are we going to do it! How are we going to reach it! I say to you that we can economize \$100,000,000 a year on non-defense expenses, and we could economize a billion dollars a year also in defense expenses.

CONGRESSMAN DIENEY: How are you going to do that, anyhow! I have been talking for six weeks or two months on that subject, and I made such a motion in the committee and got my eye shot out with a point of order, which was probably properly sustained. What plan have you got to

do that very thing you are talking about?

Congressman Jenkins: You can't formulate a plan like that in a minute. I made a speech upon the floor of the House a day or two ago,

going into full detail. I will cite you one instance.

CONGRESSMAN DISNEY: Another question: How are you going to do it when the Ways and Means Committee raises the money, on the one hand, and the Appropriations Committee spends it on the other, without any sign of a chance on the part of either committee to have anything to say as

to spending or as to collecting?

CONGRESSMAN TREADWAY: If Mr. Jenkins will allow me to answer that question my way, I have had a resolution before the House for a long time covering that very point, setting up a committee, from the Ways and Means Committee and the Appropriations Committee, to coordinate the expenditures and appropriations. It is a metter that ought to be done in the interest of trying to economize in government and I hope some day that the Congress will see fit to pass such a resolution, because it is a method that everybody uses in their own business and in their own family.

CONGRESSMAN DISNEY: What would you have that committee do! Up to the Civil War, the Ways and Means Committee raised the money and spent it. What would your committee do? Would you have a new

committee !

CONGRESSMAN TREADWAY: What you are endeavoring to secure being done, namely, to coordinate expenditures and appropriations!

CONGRESSMAN DISNEY: The main thing is just to stop non-defense ex-

penditures. That won't be a big job.

CONGRESSMAN CROWTHER: Let me say, gentlemen, that that is a big job. It is a big job to stop these non-defense expenditures, because all through them for a period of years there has run the theme of Santa Claus. That is one of the hardest things to defeat in the world. It is a very difficult proposition.

CONGRESSMAN DISNEY: Only 25 per cent of this money goes for government per se, that is, the protection of life and property. The rest of it goes

for things that are not government per se.

CONGRESSMAN CROWTHER: Let me say to the Gentleman from Oklahome that cutting down non-defense expenditures is just like stopping taxes. Everybody says they want to do taxed, but they came before our committee and told us of the responsibility and the difficulty they had raising the money and didn't want us to feel that they were shirking their responsibility. Then they usually humped their backs to show the load they were carrying. Everybody wants somebody else to be taxed and thinks they can carry it. It is just as hard to stop these non-defense expenditures, It is harder than you have any idea.

CONGRESSMAN JENKINS: Then I conclude that the Gentleman from New York doesn't quite agree with the Chairman when he said that everybody in the country is going to accept the next tax bill graciously.

CONGRESSMAN CROWTHER: I don't think so, unless they are assured

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that there will be some reduction in expenditure, and I don't know by

CONGRESSMAN JENEURS: Don't you think that the only way to curied expenses, the way it is set up now, with the Bureau of the Budget operating directly under the President, is for the President himself to take the initiative?

CONGRESSMAN COOPER: Mr. Chairman, everybody knows that every dollar that is taken in by the Government and every dollar that is paid out by the Government has to be by an act of Congress. You talk about what the President can do and what he can't do! It is the action of the American people, through their representatives in Congress, that determines the question of revenue and expenditures, and the people pass upon their representatives every two years.

Another important question that has been under discussion in this bill which I feel sure that people would like to have some information on is that with respect to the mandatory joint returns. Mr. Disney has given special attention to that, and I feel sure that he will be interested in discussing that briefly.

CONGRESSMAN DISNEY: I thought Mr. Jenkins was going into that sub-

ject first. He acted like it.

CONGRESSMAN CROWTHER: May I say, before you start, that all the money that is paid out isn't always by Congressional action. A lot has been paid out by Executive Order, by Executive Decree, that wouldn't have been paid out.

CONGRESSMAN DISNEY: Originally it had to be voted by Congressmen

elected by the people.

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Congressman Chowther: That is true, but you and I (I think you were) were opposed to the giving of blank checks which make such conditions possible.

CONGRESSMAN JENKINS: So Was I.

Conorassman Doughton: There is a good deal of criticism of the New Deal for extravagance and lavish expenditures, and doubtless some of it is justified. At the same time, the Members of Congress are not in much position to east stones, because they are not without sin on the subject.

CONGRESSMAN JENKINS: Mr. Disney asked me a question awhile ago. Here is one item I remember outlining in my speech the other day, where an item was put in as a matter of national defense, and we appropriated \$338,000,000 for material and child welfare under the heading of national defense. I wonder how that could be under national defense.

CONGRESSMAN DISNEY: Well, I noticed that the W.P.A., according to an article this morning, is going into the subject of social disease as well, that is, the Works Projects Administration. So, we run into a lot of things that are alleged to be defense that are really non-defense subjects.

Mr. Jenkins, are you going to discuss this matter of joint returns?

Congressman Jenkins: No. I know a little about it, and I am
against it.

CONGRESSMAN DISNEY: Go ahead, then.

CONGRESSMAN JENKINS: I think Mr. Disney ought to have the floor. He hasn't had the floor yet in his own right.

Congressman Disney: Some of our friends are disturbed about this proposal of mandatory joint returns for husband and wife, arguing that it puts a premium on divorce and a burden on marriage. Well, sometimes both of those things are burdens, but it hasn't worked that way in England. England has had the compulsory, mandatory returns upon husband and wife since 1914, so if anybody wants to be really informed on the subject.

the libraries contain the report of a commission that went into the subject thoroughly many years ago.

The practical effect of this proposal is to prevent legal tax avoidance. Summed up in a nutshell, that is what it amounts to, in my judgment. It makes for tax equality. It prevents a small number of people from having a tax advantage over the larger portion. You of the radio audience should remember that you can't divide your salary and earnings to get a tax advantage over the other fellow (except in the eight community property States), but you can divide your income-producing property, like stocks and bonds, by the simple process of giving it to your spouse, paying a gift tax, which is paid only once, and from then on, with the income divided, you can defeat annual surtaxes by the divided income.

From 1932 to 1938 gifts in the United States, according to certain calculations, have amounted to the enormous sum of \$4,792,399,000, where gift taxes were paid. Certain gifts are tax free, so some authorities figure that the total gifts, both tax-paid and free, will run over seven billion dollars in that period of time. It is clear to me that a large portion of this amount represents family transfers.

CONGRESSEMAN JENKINS: Will you yield to me a minute, Wesley? While I am against compulsory joint returns of husband and wife—

CONGRESSMAN DISNEY (Interposing): Let me finish here just a minute before we get into a discussion, will you?

CONGRESSMAN JENKINS: Yes.

Congressman Disney: A widow wrote Chairman Doughton that she and her husband had been making separate returns until he died. Now she has the whole estate and has to pay the regular surtaxes. She lost both her husband and her separate return advantage. She is not complaining. Would our friends advise that she rush out and marry some man in order to have the advantage of separate returns?

For example, a \$10,000 income represents a tax of \$1,166. If it were divided equally, the total tax would be only \$880. In other words, the husband and wife who separate their returns get a tax advantage of \$286. A 50,000 income represents a tax of \$20,002. Divided equally between husband and wife, the tax would be \$13,956, or a tax advantage of nearly \$7,000.

On the other hand, a Marine sergeant from Tulsa, married, with a wife and two babies, told me that of his monthly wage of \$66, \$6 went to his widowed mother, \$25 a month for the cheapest rent, for his little family, possible at the Marine Base at Quantico, Virginia, and \$10 a month for milk for the babies. Asked what he had left, he said, piscasantly, "Cigarette money, but I have my family."

Congressman Jenkins: Let me ask you this, Wesley. As I said before, while I am opposed to this compulsory joint return. I am not opposed to it so strenuously on the ground that it might create divorces and things that cause divorces and things of that sort, but I am against it on this ground. You are a lawyer and a good one—

CONGRESSMAN DISNEY (Interposing): I plead guilty to that.

Congressman Jenkins:—and you don't agree with me. We lawyers know that in this country for a hundred years from the beginning of the Government, the women made a battle to get themselves free economically. It used to be that when a women married a man, she was almost a chattel. That was a shame. They fought their way up to freedom, and in every state in the Union, without exception, there are statutes that give to the wife absolute freedom from her husband as far as her property is concerned. This is the first time that that program has ever been invaded.

CONGRESSMAN DISNEY: All right, let me answer that.

PAGE BLEVEN

If you do defeat the surtax, by dividing property, the rest of the taxpayers who have not done likewise have to take up the slack, so it is pertinent to find out who does take up the slack when somebody else is no paying the taxes. The figures showed that 5.77 per cent of the people, by filling separate returns, avoid the surtax. So the remaining 94.23 per cent have to take up the slack and pay the taxes thus avoided. England stopped that long ago, and this proposal will stop it in this country.

CONGRESSMAN JENKINS: Wesley, you realize the fact, however, don't you, that in our committee we are going to raise \$323,000,000 through the process? In our committee, as on every other proposition, we gave every body that was interested opportunity to be heard, but not a woman in this whole United States had a chance to come in and present her cause in this

great problem.

CONGRESSMAN CROWTHER: We didn't have any witnesses to appear cither, for or against taxes on the radio, and we didn't have anybody about hillboards. We had plenty of witnesses on tobacco and beer and gazoline as as not to have any taxes on them.

Congressman Turadoway: May I add one sentence!

CONDRESSMAN DOUGHTON: It wasn't a one-sided question as far as the committee was concerned.

CONGRESSMAN COOPER: I am sure you will recall, Mr. Chairman, that the committee has repeatedly held special hearings on this subject alone, and reports have been made from time to time throughout the year,

Congressman Jenkins: That was years ago, and that was on the joint

return in those states like California that have compulsory-CONGRESSMAN DISNEY (Interposing): -community property laws,

CONDRESSMAN JENKINS: And like Oklahoma. But we never had a hearing of this session of Congress on this proposition where any man or woman had a chance to come before the committee.

CONGRESSMAN CROWTHER: And we never advocated such a policy to this before. When we did discuss it, it was not a proposal of this kind.

CONGRESSMAN TREADWAY: Mr. Granik, I think that we have gone for enough in this round table here in the last three-quarters of an hour to corvince the audience listening in tonight, both in this room and outside, of the tremendous task the Ways and Means Committee has had in the last few months, and I think it is only fair to invite them to participate in the disconsion of these subjects during the next three days on the Floor of the House. I want just to add this one word, if I may, Mr. Granik, and that is that Chairman Doughton and I have participated under your auspices on previous occasions, and this is a unique occasion in that we are in total accord. There is no partisanship here and no politics. We are simply interexted in the well-being of the American people, and it is a pleasure to have participated with you and him here tonight.

CONGRESSMAN DOUGHTON: We are all trying to write an excellent to bill to impose the hurden necessary for national defense on the people as a whole, as economically and as reasonably as it is possible for the Committee on Ways and Means to do. I concur in what Mr. Treadway, my good friend has said. that every effort has been made to put the consideration of this tax bill on a high plane and to divorce it entirely and segregate it from the question of partisan polities. I think the committee has made a wonderful success in that respect, and I feel under obligation to every member, minority and majority, for their fine cooperation and effort to arrive at an honest, non-partisan tax bill,

CONGRESSMAN CROWTHER: Now that "The biscuits have been passed Pappy" by both sides. I want to say that you realize, the same as we all do PAGE TWELVE

after our experience, that there is no such thing as a good tax bill, and you will remember Chief Justice Marshall's admonition that the power of tax is he power to destroy, and that is something we have got to keep in consideration. People complained and many of them asked us why we didn't raise more money. There is a limit to taxation, if you are going to keep business going and continue the capitalistic system, with its desire for profit. If you destroy it, there is no telling where we may go. We have thirteen billions which are going to be collected in taxes this year, thirteen billions in the 1942 fiscal year. That is about one-sixth of the entire general revenue for that period.

CONGRESSMAN COOPER: Of course, Doctor, you will bear in mind that with the enactment of this revenue measure, it will mean that this defense program will be paid for about 60 per cent out of tax revenue. During the World War we only attempted to pay for one-third of the expenses of the war by tax revenue, and the other two-thirds were by borrowing. We are now endeavoring to pay 60 per cent of the cost of the defense program by tax revenue and only borrow 40 per cent.

Congressman Crowther: That is a very boulable ambition that may lead us into a better place. When we got through with the other war, remember, folks, we owed twenty-six billion dollars. We paid eleven billion of it off in eleven months. That left fifteen billion dollars, which is still standing in the present debt as attributable to the World War, and we have paid in that time, up to last December, fifteen billion dollars in interest.

CONGRESSMAN COOPER: Will you yield, Doctor. It will be remembered, Doctor, that already in sight you have two and a half times as much expense for the present emergency as you had for the World War. We already see lifty billion dollars in sight now.

Conordssman Jenkins: But that is for this emergency, Mr. Cooper. and the World War cost us twenty billion dollars.

CONGRESSMAN CHOWTHER: That is what I am eatling to your attention. What will the picture be twenty years after this as regards the interest harge and the continuation of deficit financing!

Congressman Disney: Are you trying to make everybody feel good! CONGRESSMAN JENRINS: With reference to what you said about 60:40, that is not going to work out that way. It is just a supposition that sounds

pretty good in the report, but it will not work out that way.

CONGRESSMAN DOUGHTON: We all admit that as long as we have a national income of ninety billion dollars, fifteen billion or twenty billion of Federal taxes would not be a staggering assessment. We admit we are in a better position to pay taxes. Our ability to pay is far superior to what it has over been before.

CONGRESSMAN CROWTHER: That may sound all right, Mr. Chairman, but national income is not a sound process of figuring out what tax returns

should be, and it is not so considered by economists.

Congressman Doughton: Income is a sound yardstick to govern how

am able to pay taxes.

CONGRESSMAN CROWTHER: That depends on prices and their effect on the individual, agriculture and otherwise. It is a very poor basis to use for figuring.

CONORESSMAN DOUGHTON: What would be your basis? CONGRESSMAN CROWTHER: The same basis that we use now. CONGRESSMAN DOUGHTON: That is exactly what we are doing

CONGRESSMAN CROWTHER: We are not figuring these on national income, not by any means.

PAGE THIRTEEN

CONGRESSMAN DOUGHTON: On the national income, which constitutes the national income,

the national income.

CONGRESSMAN CROWTHER: On ability to pay, and we threw that away when we put the five-dollar tax on automobiles.

Chairman Granik: I'm sorry but our time is up. Thank you, gentlemen.

And now for a final word from our announcer, Mr. Blair.

Announcer Blair: The "American Forum of the Air" is a Public Sereice Feature of WOR and WOL. This series is arranged by Theodore Granik, attorney and nationally syndicated newspaper columnist. Ransdell Incorporated—printers and publishers, distribute a limited number of copies of the entire proceedings. When requesting copies by mail, kindly enclose ten cents to defray mailing costs. Address your request to Ransdell Incorporated, that is R-A-N-S-D-E-L-L Incorporated, Washington, D. C. "The American Forum of the Air" emanated from the Hotel Willard in Washington, D. C. You are invited to witness these broadcasts which originate through the facilities of WOL in the Nation's Capital.

Frank Blair, speaking. This is the Mutual Broadcasting System.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Singapore, Straits Settlements

DATE: July 27, 1941, 1 p.m.

NO. 1 180

Yesterday an order was made effective for freezing assets of the Japanese in Malaya. This order is applicable to all territory of the Japanese - including mandated and leased islands - as well as to the Republic of China, with Manchuria included. The Government here has given authorization that contracts which were concluded before July 26 may be carried out. The Consulate General is told by the Controller of Restricted Exports that shipments of iron ore from mines which are owned and operated by the Japanese here in this country are not covered by the order. However, instructions on this question are awaited.

There is unqualified approval and general satisfaction here over the retaliatory measures which the United States and Britain have taken against the Japanese. A feeling of relief that a definite stand against aggression by the Japanese has been taken is unquestionably evident.

This telegram has been forwarded to the Department and repeated to Saigon, Indochina, and to Tokyo.

PATTON.

BAT JULY MAIN 49

Direction of the state of the

EA:LWW

RS

PLAIN TOKYO Dated July 27, 1941 Rec'd 1:25 p.m.

Secretary of State, Washington.

1102, July 27, 4 p.m.

Today's press reports decision Japanese Government retaliate against foreign freezing Japanese assets and credits, pertinent regulations to be promulgated July 28 under authority foreign exchange control law. Regulations applicable nationals, corporations and residents of "designated countries," presumably United States including Philippines and Britain, and provide comprehensive prohibitions against financial transactions, including acquisition and disposal Japanese currency exceeding five hundred yen monthly, without permission Finance Minister.

Vernacular newspapers consider American freezing order occasioned by conclusion Indochina Joint Defense Agreement but assert American attempts coerce Japan by economic pressure merely harden Japanese determination pursue its immutable policy. KOKUMIN reports Finance Minister Ogura statement to effect since

-2-, No. 1102, from Tokyo July 27, 1941; 1:25 p.m.

States already greatly reduced and furthermore since American-Japanese trade already greatly curtailed by increasing American export control, effect upon Japanese economy latest American move will be comparatively slight and already adequate preparations made cope with this development. ASAHI suggests as possible added motive American intention disrupt Japanese trade with Central South Americans through control dollar exchange. Special article ASAHI deplores American misunderstanding which led to freezing but expresses belief that if not followed by oil embargo or other economic sanctions, road to adjustment relations still not closed.

CHUGAI points out manner in which United States will apply freezing order to Japan cannot be fore-told but ASAHI mentions possibility that it may be used to halt trade as completely as with other Axis Powers.

Commenting British abrogation trade treaties no serious new developments anticipated since war conditions already have largely disrupted Japanese British trade but it is emphasized this action and British freezing Japanese credits coinciding American freezing order demonstrate British American solidarity and determination act in concert to curb Japane

Editorial

-3-, No. 1102, from Tokyo July 27, 1941; 1:25 p.m.

elaims defensive character of agreement and accuses third powers of intrigues to alienate French Colony by encouraging De Gaullist Separatist movement. MIYAKO attributes French confidence in Japan to Japan's eminently fair attitude demonstrated toward Indochina during past year. Agreement intended to forestall efforts encircle Japan and sabotage prosperity sphere.

GREW

ALC

HM Jr said at group meeting this morning lat in view of the President's letter to cles, dated 8/1/41, on this subject, ne was not going to do anything about Henderson's letter.

July 26, 1941

Dear Leant

In the absence of the Secretary I seknowledge receipt of your letter of July 25, 1941, regarding the proposed executive order to control consumer credit under the administration of the Federal Reserve Reard.

The Secretary will not return to the Transmry until the first of next week, at which time I shall be glad to bring your letter to his attention.

Your truly years,

S TOW

Honorable Loon Henderson, Administrator, Office of Price Administration and Civilian Supply, Machington, B. C.

MINE

OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUFFLY

Wasnington, D. C.

July 25, 1941

The konorable Henry Morgenthau, Jr. Secretary of the Treasury Washington:

Re: Proposed Consumer Credit Order

Dear Henry:

I have been discussing the proposal of the Treasury Department for a veto power under the consumer credit Order with several members of my staff who have been working on the Order. Among them are Rolf Nugent of the Russell Sage Foundation and Frank Hubschek, a lawyer long prominently associated with legislation and litigation in the consumer credit field, both of whom are acting as OPACS consultants. I have known them both for a long time and nave great confidence in their knowledge of the facts and their judgment on this matter. This fact and the grave necessity for prompt action in this field impel me to pass their comments on to you.

Both Nugent and Hubachek assure me that they can see no way in which any action within reason which might be taken by the rederal Reserve Board under the proposed Order could interfere with Treasury financing or general fiscal policy. On the contrary, they believe that action taken under the order would, to the extent that it affects the Treasury at all, almost necessarily be nelpful. The only foreseeable effects of the intended program on Treasury are indirect and rather remote. It is an area in which rulings and interpretations will be frequently required and time will be an important factor in effective administration. Knowing that the regulation of consumer credit will be difficult at best, they have considerable sympathy with are Eccles' unwillingness to take on the job unless he has undivided administrative authority and responsibility.

It seems to me that the interests of the Treasury would be adequately safeguarded by changing the present provision to read as follows:

"The Board shall also maintain such liaison with the Secretary of the Treasury, the Federal Loan Administrator, and with other departments and agencies of the Federal Government and with such other public or private agencies and persons, as the Board may deem necessary or appropriate to carry out the purposes of this Order." OPACS has a substantial stake in whatever action might be taken by the Board under the proposed Order. Nevertheless, we are willing to leave the administrative power with the Board in the belief that administration must be the responsibility of one agency, that this job which deals with credit comes naturally within the Board's field, and that the Board is better equipped than any other agency to undertake the task. The final veto power on any action taken by the Board lies, of course, with the President who can at any time rescind or amend the Order and I believe that both of us can rely on our right of appeal at the top should it become desirable. This would seem to make unnecessary the unusual power of veto by one executive agency or another.

OPACS already has a considerable investment of time and energy in exploring the use of consumer credit controls to further our program and we are very anxious to get whatever help we can from this plan as promptly as possible. Consequently, I hope you can see your way clear to go along without insisting upon a veto power over the Board's Regulations.

Sincerely yours,

(Signed) Leon

Leon Henderson Administrator



TREASURY DEPARTMENT WESHIngton,

July 28, 1941

Dear Mr. Secretary:

This is a first report on what has been done to carry out the radio suggestions you made on July 25. Graves, Odegard, Callahan and I think that most of them are good suggestions. At least four out of the six can be put into effect easily, and two of them are already "in the works". Ferhaps I had better number my items as you did.

- (1) The Life of George Gershwin, with "Rhapsody in Blue" and other excerpts from Gershwin music, will be a part of the Treasury Hour on August 27.
- (2) The John Fhilip Sousa number is now being prepared by the Treasury Hour people in New York, and should be produced early in September.
- (3) Paul Munroe is a close friend of Ira Gershwin, and is going to take up with him the matter of a new Treasury Bond song, perhaps with Cole Porter as collaborator.
- (4) Adolf Busch has already promised to play for us on one of our Sunday musical programs, and as Serkin often accompanies him, there should be no difficulty in getting both of them for a single occasion.
- (5) Yehudi Menuhin has also agreed tentatively to play for us one Sunday in the near future. The Mendelssohn violin concerto is out of the question, as It lasts for approximately thirty minutes, and, what is more, we have no symphony orchestra at our disposal. The same purpose might just as well be served, however, by asking Yehudi to play one of the Mendelssohn violin and piano sonatas. We could easily point out that this music is "verboten" in Germany. We also are thinking of a German program in connection with the "Songs of America" on the Treasury Hour, a program

reminding people of the old, romantic Germany of pre-Nazi days. We might have the chorus sing the Lorelei by Heine, whose poems are likewise "verboten".

(6) The Beethoven Fifth Symphony is the only one of your six suggestions that is going to be difficult and expensive. For one thing, we have no program on which a big symphony lasting approximately fifty-five minutes could be played. We would have to arrange a special broadcast for it. The practical difficulty is that we have no symphony orchestra at our disposal. Al Goodman has about twenty musicians in the Treasury Hour; Frank Black has forty-four in the N. B. C. program, but they constitute a "band" rather than a real orchestra, and they probably would murder teethoven. Moreover, the N. B. C. half-hour on Tuesday evenings is devoted to American songs exclusively, and the Beethoven Fifth would be entirely out of place.

A symphony orchestra of sixty pieces, the minimum number that could do justice to Beethoven, would cost at least \$3,000 for a single performance. If we want to bear this expense, we might call on Mrs. Hull, our vice-chairman in New York, who is also prominent on the board of the New York Philharmonic. She might get the Philharmonic to appear for us, but as the orchestra already operates at a huge deficit, I don't see how we could ask the Philharmonic to contribute. The musicians themselves are unionized and would have to be paid by someone.

My other suggestion, which seems more practicable, is to wait until the Fall when both the New York Philharmonic and the N. B. C. Symphony orchestra will be playing regularly on the radio. It would be an easy matter to get either of these organizations to dedicate one of their programs to Defense Savings, and to play the Beethoven Fifth, perhaps with Mr. MacLeish as narrator.

Greetings from all of us here.

Francisco Rues 9.

Mon. Henry Morgenthau, Jr. o/o Mr. Sam Lewishon, Twin Fonds, Malone, New York.

July 25, 1941

MEMORANDUM FOR: MR. HAROLD GRAVES

MR. ODEGARD MR. CALLAHAN

FROM

THE SECRETARY

I suggest on the Treasury Hour Wednesdays we do:

- (1) The Life of George Gershwin, Oscar Levent to be interlocutor, and play "Rhapsedie in Blue", excerpts to fit his life from "Lady Be Good", "Strike up the Band", "Porgy", etc.
- (2) The life and works of John Philip Souss, treated similarly to Irving Berlin program.

At an appropriate hour - preferably the Treasury Hour, we have Menuhin do the Mendelssohn violin concerto -- someone to state that both artist and composer are "Merboten" in dictator countries today and could not be heard.

That we get Ira Gershwin to write words for another Treasury Bond song and get suggestions from him who could write music to them, possibly Cole Porter?

That on Tuesday evening, RBC, Vth Symphony of Beethoven. Archibald MacLeich to explain V Symbol. This to be played soon.

That Busch (violinht) and Serkin, pianist, be used on a Sunday program.

Please write me your reaction. I mant ACTIONS



TREASURY DEPARTMENT

WASHINGTON

Columbia, S. C. July 23, 1941

Honorable Henry Morgantheu, Jr. Secretary of the Treasury Weshington, D. C.

Daer Mr. Morganthau:

Last week at the regular meeting in your office, I made some mention of the fact that quite a number of the smaller state banks throughout the country had failed to qualify us issuing agents for Series E Defence Bonds. These are being followed up actively through the state speciations and through the ABA and its committees, etc., and I think that quite a large percentage of the missing ones will be in with us in the near future.

You said something about my speaking to Mr. White emi soliciting his help. I thought of this three months ago and had planned to have a meeting of the Executive Committee of the State Supervisors Association to no into the situation with them fully and solicit their cooperation throughout the entire nation. The meeting, however, did not materialize, because those who were thinking of calling the meeting for me decided to postpone it for a while due to a matter of friction about which I would rather tell you than write.

Since talking with you last week, I have been told that this meeting would be called now if we wanted it, and I am planning to request that it be done. They have promised to bring in all two ve members of the Executive Committee and also some twelve or fifteen other state supervisors, so if we can get twenty or twenty-five of these gentlemen together in ashington and put the situation definitely before them, it no coult will accomplish some good.

With my best regards, I am

B. M. Mowards Assistant to the Secretary

DE:mtb Copy to: Mr. Harold N. Graves, isst. to the Secretary, Washington, D. C.



TREASURY DEPARTMENT WASHINGTON

July 28, 1941

Memorandum for THE SECRETARY:

The following report is made of Stamp sales at "Treasury House":

July 1-25 119,473.75 July 26 595.90

Total \$20,069.65

GRAVES



TREASURY DEPARTMENT

WASHINGTON

July 28, 1941

Memorandum for THE SECHETARY:

The following report is made of Stamp sales at "Treasury House":

July 1-26

\$20,069.65

July 27

152,30

Total

\$20,221.95

GRAVES



TREASURY DEPARTMENT

WASHINGTON

July 28, 1941

Memorandum for THE SECRETARY

The following report is made of requests received for "Any Bonds Today?" from the experimental mailing of 10,000 cards:

	No. Requests	No. Copies
July 1 - 25	1076	6263
July 26	4	15_
Total	1080	6278

GRAVES

UNITED STATES SAVINGS BONDS

Sales in July Compared with June, 1941 On Basis of Issue Price

First Twenty-two Business Days (June 1-26, July 1-26)

(Amounts in thousands of dollars)

-	: 1	Sales	: Increase or Decrease (-)		
Item	July	June June	Amount	Percent	
Series E - Post Offices Series E - Banks	\$ 43,296 81,189	\$ 35,138 54,259	\$ 8,158 26,930	23.25 49.6	
Series E - Total Series F - Banks Series G - Banks	124,485 21,467 137,543	89,396 25,788 167,021	35,089 - 4,321 - 29,478	- 16.8 - 17.6	
Total	\$283,495	\$282,204	\$ <u>1,291</u>	0.5%	

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

July 28, 1941.

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

Note: Figures have been rounded to nearest thousand and will not

necessarily add to totals.

Onily Sales - July 1941 On Basis of Issue Price (In thousands of dollars)

	All Bond Sales			Fost Office Bond Sales	Bank Bond Sales				
Date	Total	and the second of the second of the second		Series G	Series E	Total	Serles E	Series F	Series G
fuly 1941		CULC		2 00 00 V	4 600	4	4 1 707	\$ 957	\$ 6,160
	\$ 9,505	\$ 2,387	\$ 957 845	\$ 6,160	\$ 595	\$ 8,910	\$ 1,793	\$ 957 845	6,701
2	11,612	4,066	845	6,701	1.735	9.877	2,331	20-7	0,700
2 3	15,045	4,903	843	9,299	2,077	12,969	2,827	843	9,299
5	22,900	9,589	2.437	10,875	3,191	19,709	6,397	2,437	10,875
9	221,700	17 A		t also	7 007	7,120	2,407	472	4,242
7	11,028	6,315	472	4,242	3,908 1,346	0 003	3,522	1,197	5,16
8	11,226	4,867	1,197	5,162	1,346	9.881	4,048	880	9,413
7 8 9 10	16,570	6,277	880	9,413	2,229	14,341	7,040	605	4,808
10	11,430	6,018	605	4,808	2,459	8,972	3,559		6,610
11	16,311	8,504	1,197	6,610	2,405	13,905	6,098	1,197	7 30
12	12,689	8,504 4,482	860	7.347	1,672	11,017	2,810	860	7.347
100	100000		2 42	1. 606	7.060	10,375	4,693	1,046	4,636
14	13,435	7.754	1,046	4,636	3,060 1,458	8,625	3,296	602	4,72
15	10,083	7.754 4.754 5.541 6,213	602	4,728	1,400	10,349	3,896	808	5,645
15 16	11,994	5,541	808	5,645	1,645	17 577	4,414	1,189	7.930
17	15,332	6,213	1,189	7.930 4.837	1,799	13,533	4,689	836	4,837
18	12,404	6,730	836	4,837	2,042	10,362	3,007	926	2,111
18 19	7,553	4,513	926	2,114	1,505	6,048	3,001	1	2,20
	1 2 3 2	2 4 4 5		6 016	3,060	11,076	4.046	1,015	6,016
21	14,136	7,105	1,015	6,016	1,001	11,191	2,819	1,208	7,161
22	12,191	3,820	1,208	7.164	1,514	13,163	3,505	1,208	8,451
23	14,677	5,018	1,208	8,451	1,514	10,011	3,759	959	5,293
23	11,634	5,382	959	5,293	1,623	8,919	4,158	904	3,857
25	10,589	5,828	904	3,857	1,670	9,846	3,117	904 474	6,256
25 26	11,149	4,420	474	6,256	1,303	3,040	100000	Marie And	LATAT
Total	\$283,495	\$124,485	\$ 21,467	\$137.543	\$ 43,296	\$ 240,199	\$ 81,189	\$ 21,467	\$1.37.54

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

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

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

Regraded Unclassified

A supply of this form letter was sent to the Federal Reserve Bank in each district and they in turn addressed them to the banks within their district.



THE SECRETARY OF THE TREASURY

July 28, 1941

You have doubtless learned through the press or your district Federal Reserve Bank the basic features of the two tax series of Treasury notes which I propose to affer for sale on August 1. The Series A-1943 notes in the denominations of \$25, \$50 and \$100, providing a return of about 1.92 percent a year, are designed to be attractive to the small taxpayer and their presentation in payment of income taxes will be limited to \$1,200 from any taxpayer in any one tax year. The Series B-1943 notes will be issued in denominations of \$100, \$500, \$1,000. \$10,000 and \$100,000, they will provide a return of about 0.48 percent a year, and the amount of these notes which can be presented in payment of taxes will be limited only by the amount of taxes due.

A table of values appears on each note and in Treasury Department Circular No. 667 governing the issue. It should be understood that principal and accrued interest will be credited by the Collector of Internal Revenue against the owner's tax liability at the value stated in the table for the month in which the notes are presented in payment of that liability. If the owner purchases more notes than he requires for his tax payments, or if for any other reason he wishes to cash the notes in, he will get back only the purchase price paid for the notes. Cash redemption may be accomplished only through the Feieral Reserve Bank of issue and under the conditions specified in the official circular.

I have asked the Federal Reserve Bank of your district to send you copies of the official offering circular, a booklet giving the salient features of the notes, for quick reference purposes, and a supply of application forms. It is my feeling that the procedure to be followed

in handling the sale of these notes should be very similar to that now in effect with respect to United States Savings Bonds of Defense Series F and G. I very much appreciate the valuable assistance being rendered in that connection by the banking institutions of the country as well as in the handling of our regular Treasury issues. I am certain that I can count on your cooperation in this further important phase of the National Defense Program.

It is important that the taxpayers of the Nation become aware of the unprecedented taxes they will have to pay next year on this year's income, and they should be encouraged to set aside funds now with which to meet those later payments. The new tax series notes provide an orderly method of laying aside the amounts each taxpayer will require for that purpose. I would therefore appreciate it if the Treasury could have your continued cooperation in acquainting your customers with the facts concerning these tax notes and your assistance in handling their applications and remittances with your Federal Reserve Bank.

Very truly yours,

Secretary of the Treasury.

Amorgenthan J.

A23

117

MEMORANDUM

FROM British Supply Council in North America

TO Mrs. Henrietta Klotz

Compliments of E.N. Gray

STATEMENT NUMBER 25.

ATRCRAFT SHIPPED TO U. K. AND OVERSEAS COMMANDS

TYPE	DESTINATION	ASSEMBLY POINT	Week endir	By Air during ng Week ending l. July 27,41	
airacobra	U. K.	U. K.	4	_	
Tomahawks	Middle East	Port Sudan	20		
Eoston III	U. K.	v. K.	18	-	-
LOCKHEED Hudson V	v. K.	U. K. (via Gander)	-	27	
TOTALS			42	27	5

ritish Air Commission, July 28, 1941.

July 25, 1941

Piles

Mr. Cockran

Hr. Review of the British Pressury called on me at 10:15 this norming. During his visit he mentioned that Hr. Archer of the British Purchasing Consission had reported to him carlier in the norming that his purchases of rew materials and agricultural machinery were being hold up. They thought this came as a result of the question which had been relead by the Secretary of the Treasury concerning possible profits made by private distributors in England of goods which were lond-lessed by the United States. Hr. Bowley asked if some arrangements scale not be made to arrange for this situation temperarily, say for a period of ten days, until Mr. Leynon, who is leaving the United States temperary, may have time to arrive in lemma and work out this problem.

After returning to his office, Mr. Review called me back to give me the further information which I had requested, that was, whether Mr. Archer felt that the requisitions were being held up by our Procurement Division, through which it is unforsteed that the goods under reference are being orught, or by the Lend-Lease authorities. Mr. Bewley stated that he had again talked with Mr. Archer and had learned from the latter that the requisitions had been placed with the Procurement Division of the Treasury but that Mr. Nack had felt that he must have some further instructions in the procuses. Mr. Nack had passed them along to Mr. Cox with this sessage, and it is understood they are new hald up in the office of Mr. Cox. After speaking with Asting Secretary Bell at 12:30 meen, I have understood throughout the day to talk with Mr. Cox, but have not succeeded.

July 30, 1941

At 10:15 a.m. posterday Mr. Our returned my call. He confirmed that Mr. Made of the Procurement Division had passed on to him portain British requisitions but had refrained from recommending approval thereof because of the position which the lecretary of the Treasury had taken some days ago with respect to possible profit on the distribution of articles obtained by the British under Land-Lease. Mr. Our estated that his office was drawing up a letter addressed to the British which might stated that his office was drawing up a letter addressed to the British which might possibly be used as the basis for an interim arrangement. He presided to send a copy of this draft to asting Secretary Boll during the day.

At 10:20 posterday morning I telephoned Mr. Newley to report the above progress.

Wr. Devicy told me, in term, that Mr. Pervis had received a letter from Mr. Philip

Wr. Devicy told me, in term, that Mr. Pervis had received a letter from Mr. Philip

Toung to the effect that Lond-Lones and Francusy officials would discuse the problems

Taised under the Secretary's question above not forth. Bowley pointed out that it

raised under the Secretary's question above not in question since it is found that

is urgent to clear some of the requisitions now in question since it is found that

shipping space will be excitable in angust to transport an important questity of the

articles now requested.

DIC:1ap-7/29/41

Mr. Rockey mentioned that Mr. Espace had left herrically for Nov York to and his place and had not had the time to call at the freezery to may goodly .

My 18, 1941

riles

Mr. Goobres

Then talking by tolephone with Mr. Berlay of the British Processry at 11:30 this morning I asked whether he had any recent word as to the plane of Sir Otto Riceyer. Bowley teld me that Assistant Secretary Assesses of the Department of State had asked him some ten days age whether it was planned that Sir Otto would be the British representative on the Stabilization Beard. If not, Ashessa inquired whether it would be legical for the United States to send another conscist to China to be Hiemsyer's opposite number as an occassic advisor, assuming that Fox would give his attention to the Stabilization Beard. Mr. Bowley has received a roply from Leaden, which he has not yet had an opportunity to occay to Ashessa, to the effect that Hiemsyer will not be a number of the Stabilization Beard. His temperary visit to China will be for breader connects conversations. Occasionally, the British thought that some American other than Mr. For might be legically selected as Hiemsyer's opposite number. When I raised the question as its whether the situation might not now be changed by freezing of Chinese assets by the British and Americans, Bowley admitted this, agreeing with me that the operations of the Stabilization Beard might be loss important, and not require all of Nr. Fox' time.

my

For Miss Chauncel

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE

July 28, 1941

-

Secretary Morgenthau

FROM

Mr. Cochran

STRICTLY CONFIDENTIAL

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

		\$ Proceeds of Shares Sold	\$ Proceeds of Bonds Sold	Total	
	July 21 22 23 24 25 26	199,417 215,541 183,577 144,723 205,114 5,167	28,513 11,988 36,152 43,765 44,404 N11	327,930 227,529 219,729 188,488 249,518 5,167	
		953,539	164,822	1,118,361	1
r	July 22 Gift to Treasury	6	28	314	
٠		953,545	164,850	1,118,395	
	Sales from Feb.22,1940 to July 19, 1941	274,923,912	36,317,343	311,241,255	
	Total Feb.22,1940 to July 26, 1941	275,877,457	36,482,193	312,359,650	312,359,650
	\$ proceeds of non-	vested securities	ss sold	500,000	
	\$ proceeds of non-	vested securities	es sold	229,200,000	1
	a proceeds of non-	vested securitie	es sola	229,700,000	229,700,000
				GRAND TOTAL	542,059,650

\$ proceeds of rights sold - 1,500 for \$18,937 - July 24 1,500 for \$18,703 - July 25 3,000 \$37,640

my

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 28, 1941

TO

Secretary Morgenthau

PROM Mr. Cochran

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the vesting order effective February 19, 19^{10} :

	No. of Shares Sold	\$ Proceeds of Shares Sold	Nominal Value of Bonds Sold	Bonds Sold
July 21 22 23 24 25 26	8,860 8,969 9,523 6,712 7,521	199,417 215,541 183,577 144,723 205,114 5,167	35,000 20,000 141,500 45,000 57,000 N11	28,513 11,988 36,152 13,765 14,404 N11
	41,685	953.539	201,500	164,822
July 22 Gift to Treas.	2	6	66	28
320 1 10 12 10 10	41,687	953,545	201,566	164,850
Seles from Feb.22,1040 to July 19, 1941	9,605,563-1/2	274,923,912	44,175,650	36,317,343
Total Feb.22,1940 to July 26, 1941	9,647,250-1/2	275,877,457	44,377,216	36,482,193
July 2h, 1941 July 25, 1941	1,500 1,500 3,000	rights sold for rights sold for	\$18,937 \$18,703 \$37,640	
	1	111/18	,	

11.11.19.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 28, 1941

so Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns.....£31,000
Purchased from commercial concerns.....£10,000

Open market sterling was quoted at 4.03-1/2. The only reported transactions consisted of £10,000 sold to commercial concerns.

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

Canadian dollar 11-1/26 discount
Argentine peso (free) .2380
Brazilian milreis (free) .0505
Uruguayan peso (free) .4380
Colombian peso .5800
Mexican peso .2070
Cuban peso 1-1/46 discount

The Chinese yuan and Japanese yen were not quoted in New York today.

Actual quotations for the dollar and British pound were again received from Shanghai today, according to New York banks. In terms of our currency, the yuan remained unchanged at 5-3/16¢, and sterling was again quoted at 3.96-3/8.

There were no purchases or sales of gold effected by us today.

The Treasury issued licenses under both the Gold Reserve Act and Executive Order No. 8389, as amended, permitting the Federal Reserve Bank of New York to effect the following transfer of gold in its vaulte:

\$200,506 from the Bank of Portugal's Gold Account G to the ordinary account of the Bank of Portugal. Gold in Account G is the property of the Portuguese Government.

We understand that the Portuguese Bank purchased the above amount of gold from the Government.

No new gold engagements were reported.

A price of 23-7/16d was again fixed in London for both spot and forward silver, equivalent to 42.55%.

The Treasury's purchase price for foreign silver was unchanged at 35¢.

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

We made five purchases of silver totaling 400,000 ounces under the Silver Purchase Act. Of this amount, 300,000 ounces represented new production from various-foreign countries, purchased for forward delivery. The remaining 100,000 ounces represented inventory silver, for spot delivery.

The Federal Reserve Bank's report of July 23, listing deposits of banks in Asia with the New York agencies of Japanese banks, showed that such deposits totaled \$55,765,000, an increase of \$3,398,000 since July 16. Most of the change in deposits took place on the books of the Yokohama Specie Bank's New York agency. The latter's principal dollar liabilities to and dollar claims on Japanese banks in Asia stood as follows on July 23:

	July 23	Change from July 16
440222	Deposits for Japan and Manchuria\$39,925,000 Deposits for China	+ \$5,165,000
Claims	U.S. Treas. Bills, comm. paper, etc 25,730,000 Loans	- 3,808,000 + \$4,967,000
Ola ins	Other - mainly Jap. import bills 6,836,000	- 32,000

It will be noted that, despite further Agency loans of \$4,967,000, the Agency's dollar liabilities to banks in Japan, Manchuria and China increased no more than \$27,000 on balance. This suggests the withdrawal of \$4,940,000 during the week ended July 23, in comparison with the apparent withdrawal of nearly \$8,500,000 in the preceding week.



CONFIDENTIAL

EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN AS SHOWN BY DEPARTURE PERMITS GRANTED

Week ended July 26, 1941

	JAPAN	1	RUSSIA	1	SPAIN	GREAT BRITAIN	
PROBLEM PRODUCTS							
Fuel and Gas Oil (including Dioxel Oil)	254,400 361	۹.	4		22	716,500 Bbls.	
Orude -							
Blended or California High Octane Crude* All Other Crude	86,000 Bb1 68,820 Bb1		2		=	2	
Gasoline -							
Gasoline A** Gasoline B* All Other Gasoline	98,328		=		111	245,500 Bble. 409,000 Bble.	7.00
(bricating Oil -							Ĭ,
Aviation Lubricating Oil*** All Other Lubricating Oil	1,213 Bb	ls.	-		=	6,762 Bbls. 83,260 Bbls.	1
Tetraethyl Lead***			-			-	4
"Boosters", such as Iso- Octane, Iso-Hexane, or Iso-Pentane	22		_		-	4	-
SCHAP IRON AND SCRAP STEEL							
Number 1 Heavy Melting Scrap	**		-		**	16,098 Tons	-
All Other Scrap	-		- 12		77	6,296 Tons	1

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

July 28, 1941.

Source: Office of Merchant Ship Control, Treasury Department,

Any material from which by commercial distillation there can be separated more than 3 percent of aviation motor fuel, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940.

Aviation Gasoline.

As defined in the President's regulations of July 26, 1940.

Piles

STRICTLY CONFIDENTIAL

Mr. Ancietz, an efficer of the Estional Bank of Belgium with present bookquarters in lenden, called on me today, at 11:15 a.m. Mr. Ancienz has been in New York recently to press the litigation of the Bank of Belgium against the Bank of France in connection with the alleged failure of the latter to safeguard some \$250,000,000 worth of gold which had been entrusted to it. This was the gold which had been taken from France to Dakar at the time of the colleges of the French Republic.

Ar. Assigns teld me that the case had been taken under deliberation o few lays ago by the Supreme Court of New York. A decision is expected from this court seasting within the next few days. The immediate decision will simply deal with the point as to whether the above-mentioned court is competent to hear the case. If the decision is in the affirmative, it is anticipated that the Bank of France will appeal therefrom. It is expected that the case will be tried on its merita is about November, at which time Ar. Assigns will again be in the United States. We present plane are to leave for Leaden within the next fortnight.

In answer to my inquiry, Mr. Assisum said that the gold heldings of the Sational Bank of Belgium are see all abread. The principal reserves are in the United States and Ganada, with a small assemt carnarked in the Central Bank of South Africa. The gold with the South African bank resulted from gold produced in the Belgian Congo being shipped to South African between the date that England entered the war and that on which Belgium came into the war. Since Belgium entered the war gold produced in the Belgian Congo has been made available to the British against storling. The Belgian heldings with the Bank of South Africa, therefore, will not increase above the present small figure.

Mr. instant informed no for the first time that Mr. Janesen, who was deverser of the Sational Bank of Belgium when the war broke out and who was later intermed in France, died in the mouth of June in Belgium, to which sountry he had returned from France seme menths ago. Mr. instant said that Severnor Janesen had been this for several weeks prior to his death. Mr. Ancient speke in highest terms of Severnor Janesen, saying that he had really been the strongest leader in Belgium against Sermany since his return to Brussels.

Mr. Ancieux eaid that the National Bank of Belgium is Drussels is for all present purposes only a demostic bank. With Mr. Bustowns and himself in London as representatives of the Sational Bank of Belgium, verking in close seoperation with Minister of Finance Outs, the fereign beldings and business of the National with Minister of Finance Outs, the fereign beldings and business of the National Pank of Belgium are handled from London. Mr. inciant let me know that the Delgian Bank of Belgium are handled from London. Mr. inciant let me know that the Delgian Strike Government.

placetod. There is no plan to diminish the Bolgian gold stocks in the United States. On the contrary, the purpose is to concerve the stocks for the Bolgian people when the war is terminated. By vicitor was particularly provided of the shoring that has been made by the Bolgian Songe in providing gold, copper, and other resources of much help to Great Britain in the purposit of war activities, and also in showing the colf-oufficiency of this Bolgian colony which, prior to the war, was considered a liability rather than a matternal accost.

mos

PARAPHPASE OF TELEGRAM RECEIVED

FROM: American Embassy, London

DATE: July 28, 1941, 10 p.m.

TO. 1 3252

SECTION ONE

THE FOLLOWING IS CONFIDENTIAL FROM (?) COE FOR THE SECRETARY OF THE THEASURY.

Today, July 28, I sat in at a conference which was held with the Chinese Ambassador by officials of the British Treasury and the Bank of England. The Chinese Ambassador was informed by the British that all Chinese accounts in the sterling area were being frozen today. The British also told the Chinese Ambassador that they expected to bring Hong Kong into the sterling area tonight.

As was explained to the Chinese Ambassador, the freezing was a friendly action; the British Government would have to look to the Chinese Government for considerable advice as to the accounts which are to be unfrozen.

Tonight the British will unfreeze for payment within the sterling area.

the accounts of the Chinese Government and its organs and the accounts of
the four Government banks and of American and British banks residing in
China which possess balances in the sterling area.

The inclusion of Hong Kong in the sterling area, it was noted, would place the dollar as well as the sterling balances which Hong Kong holds under the control of the British.

A number of inquiries were suggested to the Chinese Ambassador by the British; inquiries which the Ambassador might wish to make of his Government. A copy of these inquiries should reach me tomorrow, and I shall telegraph them at once for the information of the Treasury Department.

A:PAK WINANT

OOPY

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London

DATE: July 28, 1941, 10 p.m.

NO. : 3252

SECTION TWO.

One of the points which the British suggested the Chinese Ambassador inquire about was whether the Ministry of Finance, the Bank of China, the Stabilization Board or some other agency would be the organization constituting the Chinese Exchange Control. Another was what Chinese agencies or organizations in Shanghai, Hongkong, Singapore, Rangoon, and other places would be available to make recommendations to the British on the treatment Chinese balances held in those places should be accorded.

It was explained to the Ambassador that, unlike the United States freezing control which contemplates a control of transactions, the British control as now constituted is a control of accounts, so that when the Chinese told the British that certain accounts should be free, the British would understand this to mean that it was the wish of the Chinese that all transactions in relation to those accounts should be allowed to take place.

The British told Coe they feel that the British

Government and the United States Government should keep

one another closely informed in detail as to what action
each is taking with respect to Chinese balances.

This Embassy has no copies of the general licenses issued under the United States Government orders freezing Chinese and Japanese property. It would be of assistance to the Embassy if the contents of these general licenses could be provided the Embassy by telegraph, if the licenses are not too long.

End of message.

EA: FL: PAK

Copy:MEW 7/30/41

DEPARTMENT OF STATE WASHINGTON

In reply refer to EA 893.51/7255

July 28, 1941.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses six copies of a paraphrase of a telegram from the American Consulate General at Hong Kong, China, dated July 23, 1941, 11 a.m., which gives the itinerary of Mr. A. Manuel Fox and his associates.

Enclosure:

From Consulate General, Hong Kong, July 23, 1941. (Six Copies.) O P

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Hong Kong, China, via N.R.

DATE: July 23, 1941, 11 a.m.

This is to inform the Department that Fox and his associates will leave this p.m. for Chungking.

This message was sent to Chungking and also repeated to the Department for its information.

BRUINS

EA: PAK

893.51/7255

Copy:alm 7-28-41

C P P

PARAPHRASE OF TELEGRAM PROGIVED

FROM: American Embassy, Chungking, China, via N.R.

DATE: July 28, 1941, 3 p.m.

NO. : 311

THE FOLLOWING IS CONFIDENTIAL FOR THE SECRETARY OF THE TREASURY FROM FOX.

We are greatly handicapped by the delay in making available the services of a private secretary. There is a scarcity of competent and reliable help here. Difficulty in securing available service in Chungking is being experienced by the Board even to the extent that it has found it necessary to appeal to Doctor Kung for the loan of his private secretary to help with the work. Although the Consulate in Hong Kong has been most helpful, he could make available—part-time—only one stenographer.

The need for and the advisability of obtaining confidential male secretary from the United States is readily confirmed by E. P. Chen and Ambassador

Is there some difficulty which prevents Hewlett from being sent? He has worked with Frese and the latter thinks he would do the work satisfactorily. Others have also given good recommendations.

GAUSS

LA: FL: PAK

Copyrals 7-29-41

O P

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China, via N.R.

DATE: July 28, 1941, 4 p.m.

NO.: 312

THE FOLLOWING IS FOR THE SECRETARY OF THE TREASURY

FROM FOX.

"I have been confidentially informed that Hall Patch will be appointed as the British member temporarily."

GAUSS

EA: PAK

Copy:MEW 7/29/41

BITME BELLET

THEY KIND OF DIVINERS

SHANGHAI

JULY 28, 1941

TO:

DIVISION OF INVESTIGATION AND PATROL

FROM:

CAMPBELL

HAVING JUST RETURNED FROM HANOI OUR FRENCH INDO CHINA CONTACT
SAYS THERE IS GROWING DISSATISFACTION AMONG FRENCH GOVERNMENT
EMPLOYEES OVER GOVERNOR GENERAL DECOUX STRONG VICHY ATTACHMENT
STOP FIRST ACTION OF JAPS WILL PROBABLY BE TO STOP EXPORTS OF
RICE FROM THAI KANG AND INDO CHINA WHICH WILL ADVERSELY AFFECT
CHINESE AND VICINITY STOP RECENTLY ARRIVING IN INDO CHINA WERE
TWO THOUSAND MEN FROM FRENCH FOREIGN LEGICN

o P

GS

PLAIN Teingtec via N.R. Dated July 28, 1941 Rec'd 4 a.m.

Secretary of State,

Washington, RUSH

140. Twenty-eighth

Japanese armed forces this morning placed under protective custody or in some cases actually occupied the properties of American and British firms. Principle American firms affected are Standard Vacuum Cil Company, Texas Company and Universal Leaf Tobacco Company. Ingress and egress by staffs of American firms not denied but removal of stocks and property prohibited. Funds in Japanese banks belonging to American and British firms have been frozen. Please inform head offices.

It is reported that beginning tomorrow all Japanese firms will be prohibited from dealing with American firms except under special permit.

Local Japanese Consul General refused to see me and the British Consul General this morning.

Sent to the Department. Repeated to Peiping and Chungking.

MEYER

EMB

Copy:16 7/30/41

O P

(CONFIDENTIAL)

PARAPHRASE

A telegram of July 28, 1941 from the American Embassy at Peiping reads substantially as follows:

In view of the situation and the possibility of confiscation the National City Bank, located in the Legation quarter, urgently requests authority to destroy, in the presence of a consular officer attached to the American Embassy, United States notes to the value of \$160,000 which it has in its vaults. Approximately half of these notes are official funds of the United States Marine Corps on deposit.

Copy:1g 7/30/41

O P

GRAY

Swatow via N. R.

Dated July 25, 1941

Roc'd. 11:40 a.m.

Secretary of State,

Washington.

17. July 28, noon.

Chinese puppet police were stationed outside
the Hong Kong Shanghai Banking Corporation "British"
last night and this morning their places were taken
by Japanese plain-clothes men. Persons entering and
leaving the bank are searched and are unable to take
money into or out of the bank. Several foreigners had
to remove their shoes during the examination. These
measures were taken without advance notice.

As no American bank is located at Swatow most merchants in the drawn work industry, and this Consulate, depend on the British bank although some firms began to transact business with the Japanese Bank of Taiwan about 8 months ago. They are now concerned over present measures which prevent their obtaining funds to meet obligations including the payment of wages to native workers.

Leunches proceeding up the harbor this morning, carrying handkerchief materials to the interior for (*).

were turned back by the authorities. Foreign merchants are preparing a shipment of merchandise for
the United States, scheduled to leave Swatow on August two for Shanghai by Japanese vessel, but it is now
uncertain whether shipment will be made. The Foreign
Drawn Work Association is negotiating with the Japanese
agency handling the ship and the Department will be informed of further developments.

Sent to the Department, repeated to Peiping, Chungking, Hongkong, Shanghai.

YEARN

CSB

(*) Apparent omission.

Copy: dtg: 8-1-41

C P

CONFIDENTIAL

PARAPHRASE

A telegram (no. 4) of July 28, 1941 from the American Consul at Chefoo reads substantially as follows:

Acting under orders from the Japanese military mission Japanese gendarmes and Chinese police are now engaged in closing the Hong Kong and Shanghai Banking Corporation, Bank of China and Bank of Communications, and also all American and British firms. In order to stop all business activities armed guards are being placed on (?)

Copy: bj:8-2-41

PARAPHRASE

A telegram (no. 8) of July 28, 1941 from the American Consul at Chefoo reads substantially as follows:

Without communicating even with the American and British Consulates the police detained the Chinese and foreign staffs of all American and British firms on the premises until Japanese authorities obtained information in regard to assets and completed inventories. These restrictions affect the Standard-Vacuum Oil Company, the Texas Oil Company and three other American firms. The firms were told that no business activities of any kind can be carried on and no stocks can be moved. Code messages from American citizens and British subjects are refused by the telegraph office in Chefoo.

0 P

TEM

PLAIN Tokyo Dated July 28, 1941 Rec'd 9:09 a.m.

Secretary of State,

Washington.

1106, July 28, 1 p.m.

According today's press Finance Ministry yesterday issued following statement regarding Japanese ordinance freezing American Philippine assets: "The present step against United States has been taken as counter-measure to American ordinance freezing assets. As for policy of its operation, we shall take full cognisance of manner in which freezing order is enforced in United States and by means of general licensing and other methods we shall give it as much flexibility as possible so that the effect upon economic relations between Japan and United States may be minimized."

GREW

PEG Copy:rg 7/31/41 TEM

GRAY Tokyo

Dated July 28, 1941 Rec'd 10:25 a.m.

Secretary of State, Washington.

1108, July 28, 8 p.m. (SECTION ONE)

A Finance Ministry ordinance setting forth "regulations for the control of transactions concerned with
forcigners" was today promulgated. The ordinance consists
of 31 articles and numerous addenda, the complete translation of which runs into more than 5,000 words. The
following summary has therefore been prepared and the
complete text in translation will be forwarded via air
mail to Shanghai for transmission to the Department by
Naval Radio unless the Embassy is otherwise instructed:

One. The regulations will effect nationals and juridical persons of nationalities to be designated by the Minister of Finance. Certain other juridical persons whose capital or management is controlled by nationals of the designated country or who have certain connections with the designated country will likewise come within the purview of the ordinance.

Two. Designated foreign nationals may not acquire or dispose of the following:

GREW

LET

GRAY
Tokyo
Dated July 28, 1941
Rec'd. 1:52 p.m.

Secretary of State, Washington.

1108, July 28, 8 p.m. (SECTION TWO)

Immovable property; perpetual leases; movable property valued at yen 100 or more; capital, pledge, mortgage, mining, fishing, deforestation, or industrial property rights; copyrights; business investments and enterprises; negotiable securities exceeding yen 20 in value (railrosd, ship or other tickets for travel within Japan excluded); domestic exchange; foreign currency.

Three. Designated foreign nationals may not perform the following acts without permission of the Ministry of Finance:

Dispose of obligations in foreign or Japanese currency (including offsetting); acquire obligations in Japanese currency; assume or guarantee obligations; consign or receive consignment of immovables, movables valued at yen 100 or more, or negotiable securities valued at yen 20 or more; execute or transfer loans, or acquire or dispose of lease rights in the cases of immovable

-2- 1108, July 28, 8 p.m. (SECTION TWO)

immovable property, movable property valued at yen 100 or more, or negotiable instruments valued at yen 20 or more; extend or collect loan; make or withdraw deposits.

GREW

HSM

LET

GRAY Tokyo Dated July 28, 1941 Rec'd. 3:45 p.m.

Secretary of State, Washington.

1108, July 28, 8 p.m. (SECTION THREE)

Four. Designated foreign nationals may not acquire or dispose of Japanese currency exceeding yen 500 monthly (one household will be entitled only to yen 500) without permission from the Ministry of Finance.

Five. Permission of the Ministry of Finance is not required for the payment of taxes, salaries of Japanese employees residing in Japan and in special cases designated by the Minister of Finance.

Six. The restrictions provided in the ordinance shall apply equally to persons executing acts on behalf of designated foreign nationals or who are party to such acts except in case of receipt of taxes or in cases designated by the Finance Minister.

Seven. Persons not designated foreign nationals may not without permission of the Minister of Finance sell foreign exchange in case the payer is a designated foreign national or for export of goods to a designated foreign country.

Eight,

-2- 1108, July 28, 8 p.m. (SECTION THREE), From Tokyo

Eight. Designated foreign nationals shall report within two weeks the amount of their property and holdings.

GREW

CSB

LET

GRAY

Tokyo

Dated July 28, 1941

Rec'd. 1:12 p.m.

Secretary of State, Washington.

1108, July 28, 8 p.m. (SECTION FOUR)

as of the day of designation of the country by the Minister of Finance and at the end of each succeeding month any increase or decrease in these holdings.

Nine. Any person who is a creditor or debtor
to a designated national shall report the amounts of
such debts or credits within two weeks of the designation of the foreign country and the status of these
debits and credits at the end of each succeeding month.

Ten. The Minister of Finance may when necessary waive the restrictions stipulated in this "ordinance."

(END OF MESSAGE)

GREW

HSM

DES

GRAY

TOKYO

Dated July 28, 1941

REC'd 11: 48 a.m.

Secretary of State,

Washington.

1111, July 28, 11 p.m.

Embassy's 1108, July 28, 8 p.m., numbered paragraph four.

The attention of the Department is called to the fact that whereas the American Government's order freezing Japanese assets restricts monthly expenditures of Japanese nationals to \$500, the Japanese ordinance provides for a sum of only 500 yea.

GREW

HSM

ML

PLAIN Tokyo via N.R. Dated July 28, 1941 Rec'd 1:10 p.m.

Secretary of State Washington

1110, twentyeighth 10 p.m.

Tone of press comment today American British freezing orders continues non-inflammatory moderate. ASAHI states American British actions against Japan not unexpected in view previous cooperative policy these nations simed at defeat Japan's co-prosperity sphere plans. American Government's action freezing Chinese assets reveals complete misunderstanding trend developments China. America reaped only tripartite alliance from her abrogation Trade Treaty with Japan can expect no contribution Pacific peace through present action. NICHI NICHI states Britain's abrogation commercial treaties welcomed Japan since most favored nation clauses compelled Japan accord hostile nations some special treatment given co-prosperity sphere countries. British American action will spur Japan overcome resultant grave difficulties and develop East Asia resources. YOMIURI

ML-2- Telegram from Tokyo via N.R. #1110 July 28,1941 Rec'd 1:10 p.m.

YOMIURI calls British American economic measures against Japan challenging motivated political designs but anticipated. Scope American freezing order will depend Far Eastern diplomatic developments and Japan can now be neither optimistic nor pessimistic. Japan will never take offensive but proper counter measures will meet further British or American steps.

KOKUMIN emphasizes calm reserved attitude Japanese people in face British American economic measures, points out Japanese determination face situation with unity strength.

GREW

HPD

C O P Y

FLAIN
Tokyo via Shanghai & N.R.
Dated July 28, 1941
Rec'd 10:55 p.m.,
August 3.

Secretary of State
Washington.

Attache Commerce

35, July 28.

circles. Result stoppage of sharp limitation Japanese industries: (one), three from curtailed imports from U. S. A.: spinning and weaving, lumber, rayon and stapel fiber, transportation, fisheries, aviation, shipping, all industries using gasoline lubricating and fuel oil, three using steel manufactures and iron and steel advanced manufactures, those using copper sinc and lead, machine tool and metal working machinery, industrial chemical especially those using borax and carbon black, fertilizer, leather, rubber, and asbestos

products industries. (Two), three from curtailed exports to U. S. A.; raw silk, canned fish, fur, bristle, rubber soled footwear, spinning and weaving, hat braid, hat porcelain, alide fastener, electric lamp, camphor, toy and brush industries. Also numerous foodstuff items for Japanese residents in U. S. A. One of most serious blows will fall on shipping industry if American ports closed to Japanese ships. Cessation trade with British Empire will deprive Japan main source supply wool, wheat, nickel, iron, manganese, tanning materials and sizable quentity of cotton, zinc and lead. Cutting off trade with N.E.I. Japan will lose supplies of rubber time copra nickel and bauxite. Interruption trade with Latin America will be serious blow export general merchandise lines and will cut off needed sumplies cotton from Brazil and concentrates from Chile. In general Japanese industrial economic financial structure will be very substantially weakened through inability maintain those foreign trade relations upon which her prosperity depends. Rice rubber and tea which Japan can now obtain from French Indochina and Thatland will in apprecable measure compensate for the above mentioned trade loses. Japan has taken retaliationy measures freezing all American British and N.E.I. assets in Japan Manchuria and occupied areas China effective twenty eighth. Press adopted moderate tone critisims and expressed some satisfaction and hope flexibility American order and interprets this as possibility continuation trade relations on basis license system. Upon

receipt news on twenty sixth American freezing order stock exchange prices broke sharply with Tokyo new dropping from one naught one point fifty to ninety four point eighty, lowest since October mineteen hundred thirty one when reimposition gold embargo occurred. Many other issues lost from two to three yen. Decline undoubtedly would have been sharper had Concord Security Company not bought heavily on Government order. Textile prices dropped from apprehension over freezing order and general world situation. Sharp gain American raw cotton utterly ignored. Silk prices tumbled with trade offering to sell at one four five naught for July. Both Yokohama and Kobe futures market suspended transactions and were still closed on twenty sighth. Money market somewhat strenghtened but approaching month end settlement. Bank Japan note issue four naught two one two six nine thousand yen up one six seven eight eight two thousand over nineteenth. Ministry Agriculture estimates this year's crop wheat barley and naked barley Japan proper at one three naught million bushels representing increase twelve million over average production past five years but decline four point four million bushels from last year's production and fourteen million from goal set by Ministry for nineteen hundred forty one. Press announced stapel fiber output August September will show decline from thirty to forty percent complume due decrease about fifty percent in supply caustic sods and gloomy outlook result strenghthened trade control.. Ministry Commerce wholesale commodity price index June one seven six point six representing rise one point six percent compliay and six point four percent companies. Textiles rose eight point four percent compliay while building materials chemicals and fuel registered lesser advance. Provision metal goods and fertilizer dropped slightly. Industrial share prices twenty sixth average seventy one point twenty seven index seventy three point seventy five weeks average seventy one point eighty one index seventy four point thirty two. (END) Signed Williams. Inform Commerce.

GREW

CSB

Copy:bj:8-5-41

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PARAPHRASE

A telegram of July 28, 1941 from the American Consul at Dairen reads substantially as follows:

According to information received from the manager of the Dairen branch of the National City Bank of New York, he has been informed by the manager of the Dairen branch of the Yokohama Specie Bank that it was decided at a meeting on the morning of July 28 of Japanese bankers called by the Governor of the Kwantung Leased Territory that (a) clearing house facilities for the National City Bank are suspended; (b) the National City Bank may make no payments to depositors of any nationality pending the receipt of further instructions; (c) the bank must report to the authorities by the morning of July 29 the name and nationality of each depositor, the type and amount of the deposit, the date on which the deposit was made, and in the case of time deposits the due date. The name and nationality of every borrower must be reported at the same time together with the amount and date of the loan, the security offered and the due date.

It was hinted that before long there will be evolved a formula for paying all depositors with the exception of British and Americans and that there will be a reasonable provision made for British and American depositors to obtain sufficient money for living expenses. According to the

manager of the Dairen branch of the National City Bank, Chinese owing the bank who tried to obtain from Japanese banks in Dairen cash to repay loans now due to the National City Bank were refused cash for such use. These measures amount practically to a closing of the bank, the manager says. The measures all apply also to the Hong Kong and Shanghai Banking Incorporation. In response to an inquiry from the manager of the Dairen branch of the Yokohama Specie Bank as to how the American Consulate was to obtain cash for current expenses, the Government of the Kwantung Leased Territory is said to have asked for a delay of a day or two before this matter is brought up.

Copy:bj:8-5-41

o P

CONFIDENTIAL

PARAPHRASE

A telegram (no. 90) of July 25, 1941 from the American Consul General at Batavia reads substantially as follows:

A decision in regard to freezing of Japanese assets was reached by the Netherlands Indies Government after it had remained in conference all day and almost all night on July 27. Van Mook sent for the American Consul General immediately after the decision was reached and informed the Consul General to the following effect:

All transactions in foreign exchange between the Netherlands
Indies and Japan are temporarily suspended beginning on July 28.

Banks must not pay to or receive money from Japanese subjects without special permits from the Director of Economic Affairs. Special permits will be required for all exports to the Japanese Empire,

"Manchukuo", China and Indochina from the Netherlands Indies. Money and goods traffic with Japan are frozen by these measures. It was not the intention to put any obstacles in the way of domestic operations of Japanese firms in the Netherlands Indies. Van Mook said.

According to Van Mook, imports from Japan had practically ceased by July 20 as a result of the new export restrictions which the Japanese Government promulgated on July 7, 1941, although Netherlands purchasers in Japan were required to pay for and take delivery of goods when goods were delivered to warehouses in Japan.

Copy:1g 7/30/41

RECEIVED

E. H. Cochran

PARAPHRASE OF TELEGRAN RECEIVED

FROM: American Consulate General, Singapore, Straits Settlements

DATE: July 28, 1941, 5 p.m.

NO.: INTEREST LON

Reference is made to telegram of July 27, 1 p.m., no. 180 from the Consulate General.

The Embasey is told by the Controller of Foreign Exchange that the order for freezing Japanese assets will effectively serve to cut out all trade, (imports and exports) between the Japanese Empire and Malaya - subject to any arrangements for barter which might be negotiated in cooperation with the Government of the U.S.

The Controller said that this will apply to exports of iron ore for which payment was not made - at a fixed rate of exchange - before the twenty-sixth day of July, the effective date of the freezing order. The Government here is taking up the question of whether to permit the export of such iron ore as had been paid for before the twenty-sixth of July. The Government here will not permit any shipments to Japa of rubber and tin at all, no matter when payment therefor was made.

The Consulate General understands that Japanese residents who leave Malaya cannot take with them more than the equivalent of 100 Straits dollars when they leave.

This telegram was repeated to the Embassy at Tokyo, Japan.
PATTON.

EA:LWW

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara, Turkey

DATE: July 28, 1941, 5 p.m.

NO. 1 276

Reference is made to telegram of July 12, 2 p.m., no. 25 to Istanbul from the Department.

- (1) No information is available either in Ankara or in Istanbul about the reported purchase by German bankers of holdings in Turkey of interests in French and Belgian hands. We have learned from the correspondent in question that he got his information from a French banker whom he knew in Paris, and that he had run into him by accident here in Ankara. However, the interest of the Treasury in this matter will be kept in mind by the Embassy. Inquiries will be made in banking circles when the opportunity arises.
- (2) The Embassy does not think that efforts would be made by Germany to get control of the rest of the concessions belonging to the French and Belgians in Turkey, as there are not many of them, and their size is small. Furthermore, the fixed policy of the Turkish Government has been to repurchase foreign concessions in Turkey. The transfer of such concessions to another foreign government would undoubtedly be opposed by the Turkish Government.

Inquiry was made by the Embassy about the acquisition of obligations of the Turkish Government which were issued to replace the debt obligations of the Ottoman Government, which

which are held for the most part in France and Belgium, and whose service is now paid with Turkish pounds in Turkey, which sums are to be utilized for buying goods to export to France. A responsible officer on the staff of the French Embassy here has told the Embassy that there is no evidence that these obligations are being acquired by the Germans. He said no such evidence appeared in the recent correspondence on the servicing of these obligations which has taken place between Vicky and the French Embassy here.

MACMURRAY.

TECHNICAL ASPSTANT TO THE SECONTARY

EA:LWW

841 JUL 30 AM 11 46

RECEIVED TREASURY DEPARTMENT COPY

DEPARTMENT OF STATE WASHINGTON

July 28, 1941.

In reply refer to EA 840.51 Frozen Credits/2617

> The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses six copies of a paraphrase of telegram No. 339, dated July 22, 1941, from the American Embassy at Mexico, in regard to the measures taken by Germans in Mexico in preparation against possible freezing action by Mexico.

Enclosure:

From Embassy, Mexico, No. 339, July 22, 1941. PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Mexico City, Mexico

DATE: July 22, 1941, 4 p.m.

NO. : 339

The Germans have withdrawn practically all of their bank deposits and such funds have been invested in mortgage and other types of bonds payable to bearer in view of the fact that they fear the Mexican Government might take measures which would freeze German accounts. Heavy purchases of Swiss francs are being made through Shanghai by the Germans.

Today, Lockett was informed that foreign clients had been advised by the Chase Bank in New York to buy Swiss francs through Shanghai instead of New York. This has opened for German funds an avenue of escape.

DANIELS

EA: PAK

Copy:bj:7-28-41

BRITISH EMBASSY, WASHINGTON.

PERSONAL AND SECRET

28th July, 1941.

Dear Mr. Secretary,

I enclose herein for your personal and secret information two copies of the latest reports received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

TELEGRAM FROM LONDON DATED JULY MOTH

Strongly escorted convoy of six merchant ships carrying stores and reinforcements afrived safely at Halta after continuous high-level and dive-bombing and torpedo bombing but only one ship (already reported) of over 12,000 tons hit by E boat torpedo in early morning. Her speed reduced to 10 knots but her cargo suffered little damage.

- 2. A.E. July 23rd explosion in number 1 bay of Alexandra Dook, Hull, demage to merchant ship, sank three lighters and was attributed to mine reported on night may 3rd, May 4th.
- Royal Air Force. Daylight June 24th. Heavy sir attack on Frest, medium attack on Cherbourg, light attack on La Pallice: except for latter fighters provided sacort. Claims made that Gnelsensu, Prince Eugen and Beharnhorst were stradeled by sticks of bombs. Smoke screen made observation difficult therefore no hit could be ascertained. Merchant ship 10,000 tons may also have been hit. Heavy air fighting resulted in destruction by our bombers of 22 enemy fighters certain, four probably, eight damaged. Our fighters destroyed 12 enemy fighters certain, 5 probably, six damaged. He lost 16 bombers, 7 fighters. Off Norwegian coast 4.0. July 24th small merchant ship hit by coastal command sircraft left beached and burning. Another small ship was attacked; ores abandoned the ship though bombs not seen to explode. Hight/

Night of July 24th-25th bembers attacked Kiel and Emden with satisfactory results. A.M. July 25th small force despatched five hours to attack Scharnhorst at La Pallice, results (word omitted). Four missing.

- 4. Military. Japanese making military preparations Manchoukuo where Northern movements of troops is reported.
- date position along railway running south from Porkhov area. No further advance towards Leningrad reported.

 German pressure continues north east of Smolensk also south of Kiev where thrust is south eastwards. German advance east of Mogilev Podolsk apparently on fairly wide front.

TELEGRAM FROM LONDON DATED JULY 27TH

- 1. Ashetes mined July 25th 40 miles south east Iceland
 (c) arrived in herbour.
- 2. British oruiser on July 25th intercepted German
 Erlangen 6000 tons 480 miles south east Montevideo. She was
 set on fire and flooded while endeavour was being made to save
 her.
- Grienex betteries unsuccessfully attempted to shell channel convoy night of July 25th/July 26th.
- 4. Attempt to locate Schernhorst on July 25th failed.
 Pifty reconnaiseance Brest and La Pallice also unsuccessful.
- 5. 0500/26 Grand harbour Malta heavily attacked by E-boats and one-man T/Bs. St. Elmo mobile visduct damaged by torpedo. About 10 E-boats and one-man T/Bs sunk by shore batteries and Royal Air Force fighters. Twenty prisoners captured and various bodies recovered.
- 6. ROYAL AIR FORCE Night of July 24th/July 25th attacks on Kiel and Emden satisfactory especially in Deutsch and Erupp's shippards. Night of July 25th/26th medium attack Hanover and Hamburg and light attack on Berlin. Hine bombers missing.
- 7. MEDITERRANEAN July 23rd.

An E-boat east of Pantelleris left sinking by Beau fighters which also destroyed two dive-bombers. One Beau fighter missing. Four Blenheims attacked chipping at Trapani Sicily. One merchant vessel about 7000 tons lest seen heavily on fire; another merchant vessel about 3000 tons received two direct hits, set on fire, believed sunk. On July 25th at welts Hurricanes shot down 5 enemy siroraft;

one enemy fighter fell into cellar of demolished shop at valetta.

8. RUSSIA German efforts directed mainly north east of Smolensk and clearing up Mogilev area. Russian formations west of armoured spearheads apparently still offering considerable resistance to enveloping forces.

RESTRICTED

MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, July 28, 1941

TENTATIVE LESSONS BULLETIN No. 137 G-2/2657-235

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and in no sense mature studies.

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GERLIAN PANZER UNITS IN JUCOSLAVIA

SOURCE

This bulletin is based upon the report of an American official observer in Berlin, dated May 5, 1941, containing a translation of an article appearing April 27, 1941, in <u>Voslkischer Beobachter</u>, a Berlin daily newspaper.

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- 1. GENERAL
- 2. EN ROUTE TO BELGRADE WITH TANKS
- 3. COLUMENT

RESTRICTED

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GERMAN PANZER UNITS IN JUGOSLAVIA

1. GENERAL

In spite of mountainous terrain with numerous defiles, and the limited number of suitable routes for supply and advance to combat, the Germans employed an undetermined number of tank and motorized divisions during their operations in Jugoslavia. Most of the divisions of this type operated under the command of Colonel General von Meist.

Some of these divisions moved northwest from the area around Sofia and reached the Morava River valley, near Nich, on April 9. These units then continued northwest to Belgrade, arriving there on April 13. Northwest of Nish, near Krusevac, a part of this force branched off and moved toward Sarajevo, eventually gaining contact with Italian forces near Mostar on April 15.

Another motor-mechanized force, also a part of von Kleist's group, moved southwest from the Sofia area into the Vardar River valley and reached Uskub and Velec on April 8. The Uskub column continued west to Tetova, arriving there on April 9, and then turned south; some of its elements gained contact with elements of the Italian XI Army near Ochrida on April 11.

It is believed that the Veles column continued nouthwest and southeast after passing Veles. One part of it, moving southwest through Frilep on April 9, pushed on through Monastir into Greece; the other part headed southeast down the Vardar River valley toward Saloniki.

2. EN ROUTE TO BELGRADE WITH TANKS

While the powerful German attack on Uskub was separating the Serbians from the Greco-British forces, Colonel General von Kleist's panzer troops advanced toward Belgrade. A participant in these operations gives the following description of his experiences:

"The von Kleist pancer group, which began to advance on April 6, encountered Serbian units that fought stubbornly. While the armored divisions were moving along the main highway toward Mish, infantry and mountain divisions in the lead forced their way into the mountains. Although this was the first time that these divisions had taken part in a battle, they broke enemy resistance after a struggle lasting two days. On the second day the weather after a struggle lasting two days. On the second day the weather became bad and continued so until just before the leading elerents became bad and continued so until just before the leading elerents reached Belgrade. During that period, the pancer group advanced in heavy snow storms and pouring rain over highways covered with mud.

RESTRICTED

"By the time Nish was reached, the fighting spirit of the Serbs had been broken. Their units retreated into the forests, leaving only their antitank weapons - drawn by oxen - to continue the fight against our tanks.

"These tanks advanced so far ahead of the other troops that the supply columns, which had been considerably impeded by the Serbians, followed at a distance of 20 to 25 miles. In this field of operation the baggage trains encountered more resistance than the tanks. The latter, however, had all they could do to overcome the difficulties incident to the bad condition of the highways. Vehicles and wheels sank into the mud, often up to the axles, and hours of effort were required to dig them out.

"The Serbians had estimated that the principal effort of the Germans would come from the north; they had thought it impossible for a tank division to advance from the southeast, through this difficult terrain. For that reason the tanks were able to advance to Nish and take the city completely by surprise, so completely that freshly prepared food was found in the barracks. The panzer divisions then rushed on to the north, while other units moved toward Bor and secured the copper mines there, the largest in Europe.

"In the meantime the Serbian regiments were beginning to disband. Soldiers came out of the woods by the thousands and gave up their rifles when they saw that all important points on the highways were occupied by Germans. It was not even necessary to send them to the rear under guard; signs in the Serbian language, pointing out the route to the prison camps, were all that was needed.

"Although English propagands had tired to convince the Serbians that the Germans would kill all young men, it soon became apparent that the Serbs trusted their conquerors. In many cases they proved helpful in pulling vehicles out of the mud. Prisoners who came from Belgrade gladly marched to the north immediately in rear of the panzer columns. About 35 miles from Belgrade, elite groups from the Officers' School and the Royal Guards offered strong resistance. But these were also subdued - the armored division wished to be the first unit in Belgrade and its men did their utmost to accomplish this desire.

"On the Saturday before Easter, the panzer division was about 20 miles south of Belgrade. During the night the weather changed very suddenly; the rain stopped, and on Sunday morning the sun was shining from a blue sky. Reconnaissance detachments which had entered Belgrade during the night discovered that the city had been evacuated, and the panzer units marched without opposition into the Serbian capitol.

"Complete anarchy prevailed in Belgrade. Neither policemen nor firemen were at their posts. Plunderers, including numerous gypsies, had stolen everything they could get their hands on, especially in the parts of the city which had been bombed. Power plants and water works had been destroyed.

"In the meantime the Serbians tried to open negotiations for an armistice conference. A major reported first as a negotiator, but as he did not possess full authority he was sent back. He was followed by a general who stated that he had been in three wars, but had never experienced anything like this one. The general said that he had been led from the Serbian lines through positions held by German troops and then through an area occupied by the Serbians. As evidence of his authority he carried a paper on which was written: 'You have full authority. Simovich.'

"Soon afterwards Simovich fled, and a little later he arrived in Athens accompanied by King Peter."

3. COLDENT

- a. The second section of this bulletin indicates that infantry and mountain troops cleared the way through the mountain defiles for the armored units. The Germans probably had previous knowledge of the inadequate antitank defenses of the Jugoslavian Army. .
- b. Using the same tactics that they used on the Western Front, German panzer units, once committed, continued to advance whenever possible, leaving infantry and supplies to follow in rear as best they could. It should be kept in mind that such procedure was possible not only because hostile defense was weak, but also because the panzer divisions themselves were capable of considerable defensive action. When this system is used, supply trains should be provided with defensive fire.

G-2/2657-220; No. 452 M.I.D., W.D. 12:00 M., July 28, 1941

SITUATION REPORT

I. Eastern Theater.

Ground The situation on the Finnish-Russian front is not

Volceovo, 45 miles couthwest of Leningrad. In this area it therefore appears that the Luga River has been crossed.

Elements of the armored force of Colonel General Ouderian which had advanced on Moscow without supports are isolated in an area immediately west and northwest of Moscow. These troops are being supplied and reinforced from the air. Their situation was not deemed critical by Berlin on July 25th. German troops advancing northeast from Smolensk on Moscow reached the area, west and southwest of Viasma on July 25th. Near Mchilev the Germans report the capture of 23,000 men belonging to two Russian divisions.

Axis forced hold the line of the Dniester rivers from Tighina to the Black Bea. Behind the front in southern Bessarabia. Eussian forces of considerable size have been surrounded but are resisting strongly.

of Rumanian oil shifted to Constants. Russian bombing

II. Western Theater.

Air: German. London was lightly raided on the night of the 27th-28th.

British, Relatively limited activity by day and night.

III. Mediterranean Theater.

Ground: Nothing of importance.

Air: Hormal harassing raids.

TREASURY DEFARTMENT Washington

rol Palibada, LOHNING MEMSPAPERS, Tuesday, July 29, 1941. Press Service No. 26-77

6.094

The Secretary of the Treasury announced last evening that the tenders for \$100,000,000 or thereabouts, of 91-day Treasury bills, to be deted July 30, and to mature October 29, 1941, which were offered or July 25, were opened at the Federal Reserve Banks on July 28:

The details of this issue are as follows:

Total applied for - \$256,617,000 Total accepted - 100,015,000

Range of accepted bids:

High - 100. Low - 99.872 Equivalent rate approximately 0.111 percent.

Average price - 99.076 " " "

(29 percent of the amount bid for at the low price was accepted)

-000-



TREASURY DEPARTMENT

WASHINGTON

July 29, 1941.

MEMORANDUM FOR THE SECRETARY:

* I have your memorandums of July 25 and 28, making a number of suggestions with regard to the Treasury Hour programs.

At my request, Mr. Kuhn has consented to take these matters in hand, and he will report to you in due course.

I enclose a memorandum from Mr. Callahan giving the "artist schedule" for the Treasury Hour for July 30, August 6, and August 13.

GRAVES.

MOTE: Your memo of 7/25 was the airmail letter with suggestions re George Gershwin, John Philip Sousa, Menuhin, wtc.

The memo of 7/28 was the suggestion that William Shirer, of Berlin Diary, appear on some Treesury hour; consider Deems Taylor as one of the musical advisers.

n.m.c.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 28, 1941

to lir. Graves

FROM Er. Callahan

Attached you will find the artist schedule for the "Treasury Hour - Millions for Defense" for July 30th, August 6th, and August 13th.

MZ

Enclosure

TREASURY HOUR - MILLIONS FOR DEFENSE

July 30th

Jack Benny and Company, including Mary Livingstone, Claudette Colbert, and Don Ameche Tyrone Power Jane Frohman Bette Davis - in special play written by Arch Oboler

August 6th

John Charles Thomas Robert Ripley Miriam Hopkins Fannie Brice as "Baby Snooks"

August 13th

Al Jolson Bidu Sayao Charlie McCarthy and Edgar Bergen (tentative) Joan Crawford



TREASURY DEPARTMENT WASHINGTON

July 29, 1941

Memorandum for THE SECHETARY:

The following report is made of Stamp sales at "Treasury House":

July 1-27

\$20,221.95

July 28

828.20

Total \$21,050.15

GRAVES



TREASURY DEPARTMENT

WASHINGTON

July 29, 1941

Memorandum for THE SECRETARY

The following report is made of requests received for "Any Bonds Today?" from the experimental mailing of 10,000 eards:

	No. Requests	No. Copies
July 1 - 26	1080	6278
July 28	19_	91
Total	1099	6369

GRAVES

CONFIDENTIAL

UNITED STATES SAVINGS BONDS

Sales in July Compared with June, 1941 On Basis of Issue Price

First Twenty-three Business Days (June 1-27, July 1-28)

(Amounts in thousands of dollars)

	1	Sales				: Increase or Decrease (-) : in July Compared with June			
Item		July	June		1	Amount	;	Percent	
Series E - Post Offices Series E - Banks		\$ 46,279 85,192		\$ 36,803 56,558		\$ 9,476 28,634		25.76 50.6	
Series E - Total Series F - Banks Series G - Banks		131,471 22,576 144,497		93,361 26,774 170,635		38,110 - 4,198 - 26,138		40.8 - 15.7 - 15.3	
Total		298,545		\$290,770		\$ 7.775		2.7%	

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

July 29, 1941.

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

Note: Figures have been rounded to nearest thousand and will not

necessarily add to totals.

On Basis of Issus Price (In thousands of dollars)

4200		All Bon	d Sales		Foat Office Bond Sales Bank B			ond Sales		
Date	Total	Series E	Series F	Series G	Series E	Total	Series E S	Series F	Series G	
July 1941	V CONTRACTOR	4 2 22	4	4 7 350	\$ 595	\$ 8,910	\$ 1,793	\$ 957	\$ 6,160	
1	\$ 9,505	\$ 2,387	\$ 957 845	\$ 6,160	4 222		2,331	\$ 957 845	6,701	
2	11,612	4,066	845	6,701	1.735	9,877	2 827	843	9,299	
3	15,045	4,903	843	9,299	2,077	12,969	2,827	043	31-33	
5	22,900	9.589	2,437	10,875	3,191	19,709	6,397	2,437	10,875	
	11 000	6,315	472	4,242	3,908	7,120	2,407	472	4,242	
1	11,028	4,867	1,197	5,162	1,346	9,881	3,522	1,197	5,162	
8	11,226	6,277	880	9,413	2,229	14,341	4,048	880	9,413	
9	16,570	6,018	605	4,808	2,459	8,972	3,559	605	4,808	
10	11,430	8,504	1,197	6,610	2,405	13,905	6,098	1,197	6,610	
11	16,311	4,482	860	7.347	1,672	11,017	2,810	860	7.347	
12	12,689	4,402	500	11071	41412			10000		
24	22 620	7 701	1,046	4,636	3,060	10,375	4,693	1,046	4,636	
14 15 16 17	13,435	7.754	602	4,728	1,458	8,625	3,296	602	4,728	
15	10,083	4,754	808	5,645	1,645	10,349	3,896	808	5,645	
16	11,994	5,541		7.030	1.799	13,533	4,414	1,189	7,930	
17	15,332	6,213	1,189	7,930	2,042	10,362	4,689	836	4,837	
18	12,404	6,730	836	2,114	1,505	6,048	3,007	926	2,114	
19	7.553	4,513	926	6,114	2,505	0.0.0	21611	0.100	0.00	
100	-1	2362	1 015	6,016	3,060	11,076	4,046	1,015	6,016	
21	14,136	7,105	1,015	7,164	1,001	11,191	2,819	1,205	7,164	
22	12,191	3,820		8,451	1,514	13,163	3,505	1,208	8,451	
23 24	14,677	5,018	1,208	5,293	1,623	10,011	3,759	959	5,293	
24	11,634	5.382	959 904	3,857	1,670	8,919	4,158	904	3,857	
25 26	10,589	5,828	474	6,256	1,303	9,846	3,117	904 474	6,256	
26	11,149	4,420	4/4	0,250	2,,00	25.00		2 5 5 5	10000	
28	15,050	6,986	1,109	6,954	2,983	12,067	4,003	1,109	6,954	
Total	\$298,545	\$131,471	\$ 22,576	\$1,44,497	\$ 46,279	\$252,266	\$ 85,192	\$ 22,576	\$144,497	

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

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

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

Regraded Unclassified



TREASURY DEPARTMENT

WASHINGTON

July 29, 1941

Dear Mr. Morgenthau:

Following your suggestion about calling in Mr. White, Supervisor of the New York State Banks, I wish to advise that the Federal Deposit Insurance Corporation is calling a meeting of the Advisory Committee of the State Supervisors of Banks to be held in Washington August 12. Mr. White is a member of this Committee, along with the State Supervisors of eleven other states.

In addition to the Committee, the State Supervisors from ten other states are being invited.

I believe that we will be able to cover the situation fully in this way.

With sincere regards, I am

Cordially yours,

B. M. Edwards

Homorable Henry Morgenthau, Jr.

Secretary of the Treasury

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 29, 1941

to Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns.....£34,000 Purchased from commercial concerns.....£17,000

Open market sterling held steady at 4.03-1/2. The only reported transaction consisted of £4,000 purchased from a commercial concern.

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

Canadian dollar 11-1/2% discount Argentine peso (free) .2380
Brazilian milreis (free) .0505
Urugusyan peso (free) .4380
Colombian peso .5800
Mexican peso .2070
Cuban peso 1-3/16% discount

In Shanghai, the yuan advanced 1/32¢ to 5-7/32¢. Sterling was quoted at 3.94-3/4, off 1-5/5¢.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In London, spot and forward silver were fixed at 23-1/2d, up 1/16d. The U.S. equivalent of this price is 42.67#.

The Tressury's purchase price for foreign silver was unchanged at 354.

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

We made three purchases of silver totaling 300,000 ounces under the Silver Purchase Act. Of this amount, 200,000 ounces represented inventory silver, purchased for spot delivery, and the remaining 100,000 ounces consisted of new production from Peru, bought for forward delivery.

- 2- CONFIDENTIAL

The report of July 23 received from the Federal Reserve Bank of New York, siving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$5,068,000, an increase of \$14,000 in the short position since July 16. Net changes were as follows:

Country	Short Position July 16	Short Position July 23	Change in Short Position		
England** Europe Canada Latin America Japan Other Asia All others	\$ 627,000 2,878,000 475,000 (Long) 172,000 48,000 1,819,000 15,000 (Long)	\$ 447,000 2,982,000 469,000 (Long) 237,000 57,000 1,914,000 100,000 (Long)	- \$180,000 + 104,000 + 6,000 + 65,000 + 95,000 - 85,000		
Total	\$5,054,000	\$5,068,000	+ \$ 14,000		

^{*}Plus sign (+) indicates increase in short position, or decrease in long position. Mims sign (-) indicates decrease in short position, or increase in long position.

^{**}Combined position in registered and open market sterling.



G-2/2657-220; No. 453 M.I.D., W.D. 12:00 M., July 29, 1941

SITUATION REPORT

I. Eastern Theater.

Ground: There is no further information from the Finnish-Russian front.

The German forces south of Leningrad did not advance on July 28. The front extends on a line between 45 and 50 miles south of Leningrad.

The great battle between Smolensk and Viasma continues. There is no evidence that the main German forces have made contact with the armored spearheads of Colonel General Guderian, isolated to the west and northwest of Moscow.

The situation in the Ukraine is obscure. Balta, a city in the southern Ukraine 50 miles east of the Dniester River, has been captured by the Axis. Citeata Alba (Ackerman), a Bessarabian town at the mouth of the Dniester, has been captured by a Roumanian division.

Air: No change in the general situation.

II. Western Theater.

Air: German. Extremely light activity.

British. Apparently no offensive operations.

III. Mediterranean Theater.

Ground: No developments.

Sicily. British raids on Benghasi and on airfields in

TREASURY DEPARTMENT

For Miss Chauncey

INTER-OFFICE COMMUNICATION

INTERIOR COMMONICATION

DATE July 30, 1941

to Secretary Morgenthan

CONFIDENTIAL

FROM Mr. Cochran

Registered sterling transactions of the reporting banks were as follows:

Open market sterling was again quoted at 4.03-1/2, and there were no reported transactions.

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

Canadian dollar 11-3/8% discount
Argentine peso (free) .2380
Brazilian milreis (free) .0505
Uruguayan peso (free) .4380
Colombian peso .5800
Mexican peso .2070
Cuben peso 1-1/8% discount

In Shanghai, the year advanced 1/32d to 5-1/4d. In contrast to its isprovement against the dollar, the year declined in terms of the British bound, with the result that sterling rose 6-1/4d to 4.01.

There were no gold transactions consummated by us today.

The State Department forwarded a cable to us reporting the following gold shipments from Australia, which will be sold to the San Francisco Mint upon arrival:

16,559,000 shipped by the Commonwealth Bank of Australia, Sydney, to the Federal Reserve Bank of San Francisco.

185,000 shipped by the Bank of New South Wales, Sydney, to the American Trust Company, San Francisco.

6.744,000 Total

A price of 23-1/34 was again fixed in London for spot and forward silver, equivalent to 42.67%.

CONFIDENTIAL

- 2 -

The Treasury's purchase price for foreign silver was unchanged at 35%.

Handy and Harman's settlement price for foreign silver was also unchanged at 34-3/44.

We purchased 225,000 ounces of silver from the Bank of Canada under our regular monthly agreement. Today's purchase raises the total amount of silver bought from that source during July to 1,200,000 ounces, or the agreed monthly limit.

5:MP.

O P

DEPARTMENT OF STATE

Washington

July 29, 1941.

My dear Mr. Secretary:

I enclose herewith a paraphrase of a message to you from Ambassador Winant in London (no. 3251 dated July 28).

Sincerely yours,

/s/ Herbert Feis

Herbert Feis Adviser on International Economic Affairs

Enclosures

No. 3251 from London.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

Copy:alm 7-29-41

PARAPHRASE OF TELEGRAM RECEIVED

FROM; American Embassy, London, England

DATE: July 28, 1941, 9 p.m.

NO.: 3251

The following telegram is strictly confidential for the Secretary of the Treasury.

Reference, telegram of July 18, 3 p.m., no. 2657 from the Department.

This morning I talked with the Chancellor of the Exchequer; Sir John
Anderson, Privy Council head; Lord Woolton, Food Minister, and the Deputy
Minister of Supply, Lord Portal. We discussed the handling of goods under
the Lease-Lend Act. Consideration was also given to the question of the export
of products from Great Britain which the British are asking the United States
to supplement for their own use and for which a shortage in the United States
exists.

The British authorities promised that they would give us a statement within the next two days; it is my belief that a genuinely sincere effort to meet the situation is being made by the British. The statement from Anderson was so limited in scope that I believe complete information should be contained in the memorandum promised by the Chancellor of the Exchequer. It is my belief that such will be the case, and that appropriate action will support it.

I am being helped by Coe, and as soon as the promised information is available, we will forward it for your criticism and comment.

WINAMT.

EA: LWW

Copyralm 7-29-41

BB

PLAIN London Dated July 29, 1961 Rec'd. 1:55 p.m.

Secretary of State,

Washington.

3274, Twenty-ninth.

FOR TREASURY.

As will be seen in despatch being sent Treasury
by air the first reaction of the Landon press concerning joint freezing of Japan was that appeasement was
ended and that as a result of freezing Japanese world
trade would be almost completely stopped. Today a
long and well informed article in the TIMES displays
more uncertainty as to the way in which the freezing
controls will be applied. The following are excerpts
from this article dealing with this question of policy:

"The economic measures taken by Gre-t Britain and the United States of America against Japan form a total weapon. Whether the weapon will be used totally at once rests largely with the ag ressor in the Far East."

"The immediate effect of the financial freezing is a complete desertion of trade with Japan but unless the Japanese make it impossible it is likely that licenses will be granted by both Britain and America to enable

-2- #3274 July 29 from London

much it is too soon to say."

"Should some trade still be possible, silk, canned salmon and cotton piece-goods for India might be taken in exchange for, say, some cotton, surplus Australian wheat and other foodstuffs. American supplies of oil to Japan may not be reduced much immediately and assurance of full backing would be needed by the Netherlands East Indies if they were to refuse to supply say all to Japan. Should the measures taken by the two sides be applied in full and resolutely, an balance Japan will suffer and suffer severely. As far as our trade with Japan goes it may be unconfortable for the Dominions, India and the Colonies but far from ruinous; whereas for Japan complete loss of oil, cotton, wool and other commodities would be fatal in a year or so.

TINANT

WSB

38

PLAIN London Dated July 29, 1941 Rec'd. 1:53 p.n.

Secretary of State,

Mashington.

3278, 29th.

The full text of Churchill's production statement in the House of Commons is being sent by air.

There were several passages dealing with the unfortunate effect in the United States and elsewhere of criticisms of Britain's production. The

Prime Minister said in effect that other countries
would get the impression that Britain was not making
a full effort.

When he said: We have of course to come to very clean out agreements with our American friends and helpers.

They are making an immense effort for the common cause and they naturally ask for the very fullest and clearest information about what is happening to their goods and whether there is waste or misdirection. It is our duty to satisfy them that there is no middle or that muddle is reduced to a minimum and that they are getting value for their money. The improvement in the ordering of imports

-2- # 3278 July 29 from London

of imports and of the British purchases in the United States and in the relations of the very large number of competent persons who work night and day on both sides of the ocean in this sphere is, I am plad to say, steady and progressive.

The Prime Minister also dealt with a charge which had been ande by Garro Jones in the July 9 and 10 production delete that American airplanes were lying around unproxed because the British Government had not ordered the necessary complementary equipment and spare parts when it ordered the planes, He denied that this statement was true of any niveraft ordered by the British Government. He said that the circraft which had arrived in Britain as a result of the toking over of French orders in the United States had lacked spare engines and had been built for French guns, with wireless and other instruments that could not be used. Consequently there had been delay in using these miroraft. The Prime Minister said that as swiftly as resaille these aircraft were being nofifier and prompt into use and that many are now in efficient operation. (END SECTION ONE)

THANT

AF

GRAY

London

Dated July 29, 1941

Rec'd 1:51 p.m.

Secretary of State,

Washington.

3278, July 29 (SECTION TWO)

Please send copy of this telegram to Treasury and General Bureau of Hopkins! Office.

Three. Copy of the full report of the debate follow by air. (END OF MESSAGE)

WINANT

WSB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN CONSULATE, Chefco, China, via N.R.

DATE: July 29, 1941, 11 p.m.

NO.: 9

A survey has been completed by the representatives of the Japanese special military mission of the assets of United States and British firms and staffs who have assess to premises. In order to prevent the removal of stocks and other property, police guards are still stationed on the premises. Clients were prevented from leaving the Hong Kong and Shanghai Bank because of the pickets. Therefore, in order to avoid insidents, the bank closed its doors.

Koreover, all of the British and U.S. credits appear
to be frozen. He definite information in regard to the
policy in dealing with frozen assets at Chefoo is available.
However, it was stated by minor officials of the Japanese
special military mission that firms would be allowed to
withdraw funds that are available in order that, at the
end of the month, wages and salaries might be paid.

Yesterday morning, telephones and electric power were out off at British and American places. They were restored at British and American Consulates on the afternoon of the twenty-eighth.

Manahor, a British stemship, which was held at Chefos more than twenty-four hours was allowed to sail today for Changhal. After twenty-four hours, the Hain Paking, a British steemer, was released from quarantime. British and increase maticals (1) mationals (?) are to visit steamers in port or to go on wharves.

The mail for both the Americans and the Spitish is detained. It is believed that it is being sent for consoring to Pelping,

This telegram was sent to the Department for its information; repeated to Ghungking, Shanghai, and Peiping.

BUTRICE

THE SE STARY

DAI AUG, 20 PM 3 29

RECEIVED
TREASURY DEPARTMENT

P

BS

PLAIN

Amoy

Dated July 29, 1941

Rec'd. 5:20 a.m. 30th.

Secretary of State,

Washington.

35, July twenty-nine.

In what is described in local press as retaliatory measure against American Government action in freezing Japanese credits in United States, the Japanese sponsored Amoy Municipal Government issued late yesterday regulations effective immediately governing foreign trade and installing licensing system which press claims extends to International Settlement Kulangsu. The regulations are detailed, cover small as well as large transactions and authorize Mayor to issue licenses. It is reported that local Japanese Consul General issued regulations of similar nature at same time.

Notwithstanding new regulations, for past two years no merchant vessel has been able to enter or depart from Amoy harbor, or to discharge or load cargo without specific approval of Japanese Navy.

In so far as Consulate is aware only American assets in Japanese occupied holdings of Fhilippine Chinese on Amoy Island.

No indication thus far of interference with normal operations of American or other firms on Kulangsu.

Sent to the Department. Repeated to Chungking, Peiping and Shanghai.

KLP

Copy:bj:8-5-41

PARAPHRASE

A telegram (no. 1119) of July 29, 1941 from the American Ambassador at Tokyo transmits a message of July 25 from the Consul at Kobe which reads substantially as follows:

General passes bearing photographs which are now required for entry to the docks have been refused to Japanese and foreign personnel of the President Lines. However, the authorities say that when needed specific passes may be issued to such personnel for visits to particular ships.

The Consul General of the Netherlands estimates there are approximately ten million guilders tied up in cotton goods awaiting shipment for which the Japenese authorities will not issue export permits.

During the last few days west-bound traffic on the railway has been especially heavy. Each day there is an average of possibly eight freighters departing from Osaka Bay, including some troop transports, the troops also sailing from Kobe. On July 34 the Tjisaroes, which sailed from Yokohama, was forced to carry Japanese pilot, (7) having stayed on board while anchored at Kobe.

CONFIDENTIAL

PARAPHRASE

A telegram (no. 1120) of July 29, 1941 from the American Embessy at Tokyo transmits a telegram of July 25 from the American Consul General at Singapore which reads substantially as follows:

According to information received by the Controller of Foreign Exchange the freezing order will serve effectively to do away with all export and import trade between the Japanese Empire and Malaya, subject to any barter arrangements which may be made in cooperation with the Government of the United States. The Controller of Foreign Exchange said also that this applies to exports of iron ore for which payment had not been made (exchange fixed) prior to July 26.

The Government is now considering the matter of allowing iron ore for which payment had been made before July 26 to be exported. Regardless of date of payment, shipments of tin and rubber will not be allowed to be made to Japan. Japanese residents leaving Malaya will not be permitted to withdraw a sum greater than the equivalent of \$100 (Straits currency), it is understood.

GRAY

(CONFIDENTIAL)

Foochow vis N.R. Dated July 29, 1941 Rec'd 3:40 a.m., 30th

Secretary of State,

Washington.

July 29, 6 p.m.

The head of the Japanese army special service section this afternoon informed me he had received preliminary instructions that American assets in Japanese occupied territory including the Foochow area were to be frozen as of July 28. He stated sales of American property and financial transactions involving Americans will require prior approval of his section, that Americans will be allowed limited sums for "living expenses", that he will furnish further details when they are available and that British interests will be accorded similar treatment.

He stated he desires that Americans prepare and
furnish customs authorities preferably through this
Consulate and prior to August 5th lists showing valuations
of American owned real estate and at such customs offices
more valuable movable property as American nationals and
firms may wish later to sell or transport from this area.
I pointed out that he was furnished lists of the principal
American real properties in Foochow in connection with a
request that he accord them protection, that it is not taken

as (?) valuations (?) and that I would have to be guided by my superiors with reference to the matter of preparation and submission of lists of movable property.

The Embassy's instructions are respectfully requested.

Sent to Peiping, repeated to the Department and
Chungking.

RICE.

DCA:MGS copy:jba - 8-6-41 JT

PIAIN Tientsin via N.R. Dated July 29, 1941 Rec.d 10:42 a.m.

Scoretary of State, Washington.

82, July 29, 11 a.m.

According to DOMEI yesterday Japaness Consul
General here issued regulations prohibiting Japanese
from engaging without his permission in practically all
kinds of business transactions with nationals of the
United States and its possessions, the Philippines and
Great Britain; similar regulations governing Chinese
issued by North China Folitical Affairs Commission.
As full regulations carried in press report they will
not be telegraphed unless instructed.

The Federal Reserve Bank of China at Tientsin yesterday ceased issuing export and import permits pending instructions from its head office in Peiping.

Sent to Department; repeated to Peiping, Chungking

CALDWELL

HPD

DES

PLAIN
PEIPING VIA N.R.
Dated July 29, 1941
Rec'd 3:05 p.m. 30th.

Secretary of State, Washington.

189, July 29, 5 p.m.

In retaliation against the freezing of Japanese and Chinese assets by the United States and Great Britain, the North China Political Affairs Commission promulgated yesterday (published in local vernacular newspapers today) new regulation entitled "provisional procedure for restricting special transactions", of which the following is a summary.

(Begin summary) Unless permission first be obtained from the Federal Reserve Bank of North China either the Government of the United States, the Government of the Philippine Commonwealth, the citizens or juristic persons thereof, no British subject and juristic persons shall be permitted to (one) receive or dispose of immovable property, personal property valued over FRB five hundred, businesses or investments therein, securities, foreign or domestic exchange, foreign currencies, and domestic currencies exceeding FRB dollars five hundred a month including checks; (two) grant or recall loans, borrow money or repay debts, deposit or withdraw money from banking institutions, and offset or guarantee loans or debts; and (three) receive or dispose

-2- 189, July 29, 1941 from Priping via N. R.

dispose of assets other than those mentioned in (one) and (two). The only clearly specified exception to the above are the payment of rents, taxes, and similar levies and the payment of salaries and wages of employees of the Government, nationals, and juristic persons mentioned. The term "juristic persons" includes joint-enterprises of which any of the nationals mentioned controls, or manages the enterprises or owns more than one half of the capital.

Application for permission to do any of the acts prohibited must be on prescribed form and submitted to the head office or branches in North China or the Federal Reserve Bank.

Penalties for violations range from total or partial confiscation of the money or other property involved to punishment prescribed by the "law governing offices disturbing the money market" (end of summary).

In an interview with local Chinese and foreign pressmen here yesterday Mr. Wang I-Tang, chairman of the North China Political Affairs Commission, reportedly described the new regulations as "necessary counter measures adopted by North China in view of the action of United States, the Philippines, and Great Britain in freezing the assets of China and our friendly neighbor".

Sent to the Department, repeated to Chungking, Tientsin and Shanghai. Air mail to Tokyo.

BUTRICK

CSB

LET

GRAY

Swatow via N.R. Dated July 29, 1941 Rec'd. 2:45 p.m.

Secretary of State.

Washington.

18, July 29, 5 p.m.

My 17, July 28, noon.

The local banking situation remains unsatisfactory as no funds can be taken to or from the British bank. The Japanese Consul states that the question of obtaining funds from the bank was being studied by "higher authorities" but did not know what measures would be taken. He indicated that such measures if any would be similar to those taken by the United States but claims local authorities uninformed concerning the situation in the United States and the extent of the exemptions given Japanese subjects and Consular Officers residing there in the matter of obtaining funds for the payment of living expenses, salaries of personal and official employees, et cetera.

In connection with further discussions of this subject on behalf of consular employees and local American residents it is respectfully suggested that the Department supply information by redio concerning the exemptions being granted Japanese subjects, Consular Officers and employees in the United States.

Sent to the Department.

JRL Copying 7/31/41 TRARNS

C P P

TRE

GRAY Swatow Dated July 29, 1941 Rec'd. 10:40 a.m.

Secretary of State,

Washington.

19, July 29, 6 p.m.

Japanese authorities have notified the Foreign
Drawn Work Association merchandise mentioned in my
telegram 17 July 28, noon cannot be shipped from
Swatow. The drawn work business is at a standstill
and conditions at the British bank unchanged today.

Japanese gendarmes visited a few firms and asked
General Ungui regarding stocks, the number of workers
and the operation of the industry.

Sent to the Department, repeated to Peiping, Chungking, Shanghai, Hong Kong.

YEARNS.

WSB

Copy:rg 7/31/41

DES

PLAIN SHANGHAI VIA N.R. Dated July 29, 1941

Rec'd 6:53 p.m.

Secretary of State,
Washington,

963. Twenty-ninth.

Yesterday afternoon the Japanese Consulate General issued a notice to Japanese placing under immediate control all transactions by Japanese with American citizens. The text of the notice as carried by Domei is quoted below:

"As regards control of transactions involving foreigners, transactions which come under such control are
those involving United States nationals, including citizens
of United States territories and the Philippine Commonwealth,
and applicable to United States corporations, United States
controlled corporations, and residents in United States
territories.

Transactions which come under control in accordance with the above notice follow: (one) rights regarding immovable property; (two) enterprises, business and funds usable in business; (three) sureties valued at more than yen twenty; (four) foreign and domestic exchange and (five) acquirement or transfer of Japanese military notes or its equivalent

-2- 963, July 29, 1941 from Shanghai via N. R.

equivalent in Chinese currency amounting to more than yen five hundred monthly."

Another restrictive measure taken yesterday by the Japanese was the posting in the Shanghai customs of the following notification:

Applications for exportation (including transshipments, reexport and shipment ex-bond) abroad (excluding Japan) and interport exportation for Chinese ports (excluding occupied ports) of following goods should be temporarily referred to me before being released; (one) machinery; (two) provisions; (three) oils; (four) chemicals; (five) cereals and fodder; (six) fertilizers; (seven) cotton piece goods and yarn; (eight) metal and ores; (nine) chemicals including medicine (including Chinese-made); (ten) cotton; (eleven) analine dyes. Signed Koyamada for Administrative Commissioner".

INFORM COMMERCE.

Sent to the Department, repeated to Chungking, Peiping, by mir mail to Tokyo.

LOCKH RT

GW

O P

DEPARTMENT OF STATE Washington

In reply refer to EA 840.51 Frozen Credits/2667

July 29, 1941.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury, and encloses 7 copies of paraphrase of telegram no. 76 of July 26, 1941, from the American Legation, Pretoria, Union of South Africa, reporting on an order freezing Japanese assets in the Union of South Africa.

Enclosure:

no. 76 of July 26 from Pretoria.

Copy: atg: 7-30-41

C P

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Pretoria, Union of South

DATE: July 26, 1941, 6 p.m.

NO. 1 76

An order was issued today by the Government of the U. of S.A. whereby all assets of the Japanese in the Union of South Africa are frozen.

KEENA.

EA: LWW

Copy:alm 7-30-41

DAT JUL = PM 1 23

WECE UED

BRITISH EMBASSY, WASHINGTON, D.C.

PERSONAL AND SECRET

July 29th, 1941

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

The Honourable

Henry Morgenthau, Jr.,

United States Treasury, Washington, D.C.

SELECTAM RECEIVED PROM LONDON

MAVAL

Photographs of Brest p.m. July 27th show battle cruisers and Prinz Eugen all in dry dock. Camouflage natting over Scharnhorst.

- 2. F.M. July 87th, three squadrons of fighters operating off Calais destroyed one enemy aircraft and probably destroyed three more, one Hurrisane is missing.
- 3. Yesterday enemy E boat of: Le Troport appeared to be severely damaged after attacks by Spitfire.
- 4. Lest night small raid by siroraft made Dunkirk dooks. Considerable mine laying was carried out by Royal Air Porce. One siroraft missing.
- 5. Engmy raids night of July 27th/28th on United Kingdom larger scale than recently. About 50 aircraft South Bastern area; London main objective. Bombing London widespread but not severe three impidents of damage to railways. Casualties not heavy. Hight fighters destroyed three and damaged one.

6. TOPRUL

Hight of July 25th/86th. Indian patrol attacked enemy posts killing 26 mostly with bayons? Allied other patrols active and successful.

7. Euclide Little change.

BRITISH EMBASSY, WASHINGTON, D.C.

PERSONAL A ND SECRET

July 29th, 1941

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary, Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

Eis Majesty's submarine Union now presumed lest.

- 2. Reference Optel of July 26th, 65 ratings missing from Achates. German 5.5. Erlangen has mink. Scharnhorst located at Brest morning of 26th/27th.
- So. Considerable shipping casualties suffered by enemy shipping from our air attacks. Comparatively successful passage of supply convey United Kingdom to Malta all covering forces have returned to Gibraltar safely except Pearless. During these operations one E-boat was sink and at least 18 enemy aircraft destroyed.

4. ROYAL AIR FORCE.

Daylight 25th, one Fortress bombed Enden starting fires.

Wight 25th/26th, results Hamburg particularly successful.

Benghasi. 25th enoug air activaty over the United Kingdom remains very slight.

Hight 24th/25th. Alexandria attacked by 5 enemy aircraft. Some bemba fell in town and mines believed to have been dropped.

STRIAL Sureids in Jabel Druse ecoupled

RU-IA. No important changes reported.

CONFIDENTIAL

Paraphrase of a Gode Cablegram Received at the War Department at 15:10 July 29, 1941

Lendon, filed July 29, 1941.

- 1. British Air Astivity over the Continent.
- a. Hight of July 27. 15 tens of high explosives and 720 incendiary beads were dropped on Dunkirk.
- b. Day of July 28. No bumber missions carried out due to bad weather. Total of 308 fighters disputched as follows: 146 on shipping protection, on interception mission 102, 30 operating on offensive missions and 30 on special missions. (No essention sustained.)
- e. <u>Right of July 28.</u> 15 see mining in Riel area, 15 to mine Februara channel, 12 to Selt of Langeland.
 - 2. Gorman Air Activity over Britain.
- a. Day of July 27. 10 long range bombers and 20 recomnaissence planes.
- b. <u>Hight of July 27</u>. There were 45 long range bombers and only 5 recommissance planes. 15 fighters on offensive mission. It is indicated that twin engine fighters which are usually assigned to fighter operations, carried a bomb load of 5 to 10 kilograms and took part in a raid on London.
- s. Day of July 28. All operations on a small scale, only representations over the son and defensive patrols oscried out.
- d. Blok of July 25. Small scale activity directed against shipping off East inglices Coast.

CONFIDENTIAL

THEOREMATION COPY

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- I. Aircraft Losses Reported.
- a. British lesses. One on mining mission, with

three unreported.

LER

Distribution:
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Assistant Chief of Staff, G-2
War Plans Division
Office of Haval Intelligence
G. H. Q.
Chief of the Army Air Forces
Secretary of Treasury
Assistant Secretary of War for Air

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