

## ASSISTANT SECRETARY OF THE TREASURY

December 12, 1941.

MEMORANDUM

To: Secretary Morgenthau  
From: Mr. Gaston

We are negotiating with Budget for a reapportionment of customs appropriations which will permit the immediate employment of 1,000 additional customs guards for services at sea-ports and on the Mexican Border. This has nothing to do with Foreign Funds but is due to the necessity of providing adequate customs guard service in the war emergency. Other customs personnel cannot be detailed to this work since it is necessary to draw men from other customs work to administer the search and license provisions of section 3(c) of the Trading with the Enemy Act. As to this last function I signed regulations as Acting Secretary last night.



CHINA DEFENSE SUPPLIES, INC.  
1601 V STREET N. W.  
WASHINGTON, D. C.

150

December 12, 1941

Personal - by hand

*Copy of telegram  
Let Henry White read  
read & return to me*

Dear Mr. Secretary:

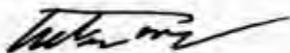
I am enclosing a copy of telegram from General Chiang Kai-shek relative to some joint council of war to be set up. Since events are now pressing, I shall be grateful if you could give me any suggestion how to push the matter in this country.

*noted  
by  
White  
12/12/41*

I am sending also a copy of a communication I was charged to present to the Secretary of War and the Secretary of Navy yesterday.

With kind regards,

Yours sincerely,



T. V. Soong

Enclosures (2)

The Secretary of the Treasury  
Washington, D.C.

TELEGRAM FROM GENERAL CHIANG KAI-SHEK

By the sinking of the two British battleships off Singapore the British fleet in the Far East has been practically put out of action.

Two days ago I made the following proposal to the American and British military representatives in Chungking:

(1) The United States, Great Britain, the Netherlands, and China immediately to formulate a unified war plan aiming at the coordination of all military movements.

(2) The four Powers immediately to set up for the Far East a central command, or a central war council, with headquarters at Chungking. This organization may either be under the direction of the American representative, or function as a committee. This organization shall decide on all questions concerning joint war efforts against Japan.

(3) The four Powers immediately to enter into a military alliance, and to undertake not to make separate peace with the enemy.

(4) The Soviet Union to be requested to join as soon as practicable.

I have requested the American and the British representatives to cable their respective Governments of the above suggestions, with the request that a concrete procedure of action be decided upon with a week's time. Only in this way can we avoid being defeated in detail by the strongly united Axis Powers.

The Soviet Chief Advisor expressed his personal opinion when I saw him today that Soviet declaration of war against Japan is merely a matter of time and a matter of procedure. The Soviet Union, he believes, will make the open declaration only after a general coordinated war plan has been decided upon among the United States, Great Britain, China and the Soviet Union. This differs considerably with the attitude of scepticism and disappointment which he evinced

Telegram from General Chiang Kai-Shek

Page 2

two days ago. I cannot fathom whether this change in his attitude is due to new instructions received from his government to be communicated to me. However, any student of military strategy will feel disheartened at the lack even now of a general plan of war against Japan between the United States, Great Britain, and China, and the consequent lack of coordination among the democratic front. And the Axis Powers will not fail to be profited thereby.

Please transmit this message to the American authorities, and to work for the consumation of a coordinated plan.

Chiang Kai-Shek

Chungking, December 10, 1941

TELEGRAM FROM GENERAL CHIANG-SHEK

Please convey to the Secretary of War and the Secretary of the Navy my utmost indignation at the dastardly Japanese attack on Pearl Harbor, and my deepest sympathy for the losses sustained by the armed forces of the United States.

In the Far Eastern zone of hostilities I have already given orders for immediate operations to relieve Hongkong. We have also decided upon an attack on the Japanese in Indo-China, which will be launched as soon as a joint Far Eastern plan of campaign has been definitely agreed upon.

I summoned the British and American military attaches last night and conveyed to them China's unalterable decision to do its utmost and share the fortunes of the war with the two countries unflinchingly.

What is urgently needed now is the immediate creation of an Inter-Allied War Council, under the leadership of the United States, which should begin to function at once. Otherwise all our countries are in danger of being beaten in detail.

Chiang Kai-shek

Chungking, December 9, 1941

12/12/41

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Secretary took this with him to the White  
House today and showed it to the President.



TREASURY DEPARTMENT  
Washington,

December 12, 1941

MEMORANDUM FOR THE SECRETARY:

Herewith the figures for selected  
Post Offices which I promised you.

GRAVES.

**BOND SALES**  
 Nine additional Postoffices

4 days	Mon.	Tues.	Wed.	Thurs.	Mon.	Tues.	Wed.	Thurs.	Increase	% Increase	
Columbus, Ohio		26,768.16			53,418.75				26,650.59	100	
Springfield, Mass.		13,554.52			26,400				12,845.48	95	
Toledo, Ohio		17,604.00			36,281				18,677.00	106	
Cheyenne, Wyo.		2,222.52			14,925				12,702.48	572	
Fort Wayne, Ind.		9,436.36			12,187.50				2,751.14	29	
Huntington, W. Va.		12,313.44			9,300				- 3,013.44	-24	
Baltimore, Md.		51,954.56			133,012				81,057.44	156	
Charlotte, N. C.		5,304.52			10,143.75				4,839.23	91	
Lewiston, Me.		700.00			2,300				1,600.00	229	
		<hr/>			<hr/>			<hr/>			
TOTALS:		139,858.08			297,968.00					113	

**BOND SALES**  
 Nine additional Postoffices

4 days	Mon. Tues. Wed. Thurs.				Mon. Tues. Wed. Thurs.				Increase	% Increase
	Mon.	Tues.	Wed.	Thurs.	Mon.	Tues.	Wed.	Thurs.		
Columbus, Ohio			26,768.16				53,418.75		26,650.59	100
Springfield, Mass.			13,554.52				26,400		12,845.48	95
Toledo, Ohio			17,604.00				36,281		18,677.00	106
Cheyenne, Wyo.			2,222.52				14,925		12,702.48	572
Fort Wayne, Ind.			9,436.36				12,187.50		2,751.14	29
Huntington, W. Va.			12,313.44				9,300	-	3,013.44	-24
Baltimore, Md.			51,954.56				133,012		81,057.44	156
Charlotte, N. C.			5,304.52				10,143.75		4,839.23	91
Clewiston, Me.			700.00				2,300		1,600.00	229
			<hr/>				<hr/>		<hr/>	<hr/>
<b>TOTALS:</b>			139,858.08				297,968.00			113

SALE OF BONDS AND STAMPS

This is a preliminary report. It includes bank reports from various cities, but does not include all banks in cities listed. Post Office reports do include all post offices in cities mentioned.

## BOND SALES (E, F AND G)

## Banks\*\*

	Last Week			This Week			\$ Increase	% Increase
	Mon.	Tues.	Wed.	Mon.	Tues.	Wed.		
Boston, Mass.	\$202,718			\$480,425			\$277,707	137
Providence, R. I.	23,550			80,725			57,175	243
New York, N. Y.	461,697			1,159,425			697,728	151
Brooklyn, N. Y.	270,950			380,875			109,925	41
Newark, N. J.	92,200			205,975			113,775	123
Philadelphia, Pa.	221,900			500,300			278,400	125
Atlanta, Ga.	31,770			64,012			32,242	101
New Orleans, La.	39,950			99,586			59,636	149
Cleveland, Ohio	264,375			561,100			296,725	112
Minneapolis, Minn.	56,300			105,800			49,500	88
St. Paul, Minn.	60,600			100,200			39,600	65
Detroit, Mich.	483,300			1,076,250			592,950	123
Denver, Colorado	101,175			297,200			196,025	194
Seattle, Wash.	99,900			266,050			166,150	166
Houston, Texas	63,908			214,836			150,928	236
<b>TOTAL BANKS</b>	<b>\$2,474,293</b>			<b>\$5,592,759</b>			<b>\$3,118,466</b>	<b>126</b>

\*\*These are totals for representative banks

## Post Offices

Boston, Mass.	\$94,888.65	\$181,837.50	\$86,948.85	92
New York, N. Y.	322,159.08	614,075.00	291,915.92	91
Philadelphia, Pa.	135,651.69	176,681.25	41,029.56	30
Cincinnati, Ohio	35,795.46	67,537.50	31,742.04	89
Chicago, Ill.	264,330.00	469,968.75	205,638.75	78
<b>TOTAL POST OFFICES</b>	<b>\$852,824.88</b>	<b>\$1,510,100.00</b>	<b>\$657,275.12</b>	<b>77</b>
<b>GRAND TOTAL - BONDS</b>	<b>\$3,327,117.88</b>	<b>\$7,102,859.00</b>	<b>\$3,775,741.12</b>	<b>113</b>

STAMP SALES

## Post Offices

	Last Week			This Week			\$	%
	Mon.	Tues.	Wed.	Mon.	Tues.	Wed.		
Boston, Mass.	\$37,999.80			\$45,675.40			\$7,675.60	20
New York, N. Y.	81,718.68			82,901.05			1,182.37	1
Philadelphia, Pa.	45,619.02			85,111.95			39,492.93	87*
Cincinnati, Ohio	8,210.07			10,647.80			2,437.73	30
Chicago, Ill.	54,008.55			57,726.40			3,717.85	7
TOTAL	\$227,556.12			\$282,062.60			\$54,506.48	24

\*This high percentage is result of newspaper carrier boy campaign. Similar campaigns either started, or about to start, in 489 cities with 678 newspapers participating.

REMARKS

Chicago - Federal Reserve Bank wires as follows:

"Chicago, Detroit, Milwaukee and Indianapolis all report substantial sales of Defense Bonds as compared with any previous period. The increase in larger banks ranges from seventy to five hundred per cent. We have been swamped with requests of issuing agents for more bonds from all sections of district, many telephoning us to rush shipment. First National Bank, Chicago - this their record day. Terre Haute reports post office entirely sold out.

Federal Reserve Bank of New York reports demands have increased at least 500 or even 1000 per cent.

Administrator for Honolulu wires bond sales increased ten times.

Pittsburgh Postmaster reports that on Monday newspapers purchased 700,000 or \$70,000 worth of Stamps. These are for newspaper carrier boys for delivery to customers.

Retail stores pledge sale of \$1,000,000,000 worth of Bonds and Stamps for 1942. The larger stores will permit customers to buy Bonds and Stamps on charge accounts. New York department stores have already inaugurated plan.

Sale of Bonds and Stamps increased slightly on Monday, increased more on Tuesday, and much more on Wednesday. Indications are that Thursday's figure will be still greater. Continued increase is expected.

\*\*\*\*\*

It is reasonable to assume that the increase of 113 per cent on sale of Bonds (three days this week compared to three days last week) will certainly prevail for many months. A much greater increase can be anticipated as the planned intensified sales campaign gets under way.

Applying this 113 per cent increase on a monthly basis, it can be reasonably expected that Bond sales monthly (from December on indefinitely) will reach \$497,000,000.

This figure is arrived by taking the November sales (\$233,000,000) as a basis, and applying percentage increase of 113 per cent.



TREASURY DEPARTMENT  
Washington,

December 12, 1941.

MEMORANDUM FOR THE SECRETARY:

I attach a pen-and-ink tabulation corresponding to the figures I gave you this morning, for banks in certain cities.

These are later figures.

I expect to have corresponding figures for selected post offices within the next few minutes, and will send them down.

GRAVES.

# Bond Sales (E, F and G)

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12 O'Clock Noon  
December 12, 1941

	Last Week		This Week		#	%
	Mon	Tue Wed	Mon	Tue Wed		
Boston, Mass	\$ 206,943		\$ 522,275		\$ 315,332	152
Providence, RI	23,550		80,725		57,175	243
New York Ny	1,005,347		2,621,750		1,616,403	161
Brooklyn Ny	39,300		89,550		50,250	128
<del>Philadelphia Pa</del>						
Newark NJ	92,200		205,975		113,775	123
Philadelphia Pa.	221,900		500,300		278,400	125
Savannah Ga	31,770		64,012		32,242	101
New Orleans La	49,250		137,886		88,636	180
Cleveland Ohio	264,375		561,100		296,725	112
Minneapolis Minn	56,300		105,800		49,500	88
St Paul Minn	60,600		100,200		39,600	65
Detroit Mich	483,300		1,076,250		592,950	123
Chicago Ill	293,670		490,175		196,505	67
Omaha Neb	25,700		67,800		42,100	164
Denver Col	101,175		297,200		196,025	194
Seattle Wash	118,925		325,225		206,300	173
Houston Texas	63,908		214,836		150,928	236
	<u>3,138,213</u>		<u>7,461,059</u>		<u>4,322,846</u>	<u>138</u>

Note: Not all banks in the cities named are included in these figures.

December 12, 1941

MEMORANDUM TO THE SECRETARY:RE: Report of Federal Reserve Banks on Savings Bonds Activities

- Boston:** The sales by issuing agents increased approximately 100%. The banks report this morning prospects of increased sales now that we are in war. New customers in large numbers.
- New York:** Agents request increase in designation accompanied by statements that they are out of bonds of low denominations.
- Philadelphia:** Sales for this week show material increase over last week. Banks report necessary to increase personnel handling sales and provide additional facilities. Sentiment seems to indicate that sales will increase as new subscribers are coming in, saying that now we are in the war, they want to do their share. We have been deluged all day with urgent calls for shipments of additional bonds.
- Cleveland:** We have unprecedented demand for shipments of Series I to agents in industrial centers. Reports indicate that sales have increased enormously this week but mainly in smaller denominations. We are working overtime to get out shipments of bonds urgently requested.
- Richmond:** Reports yesterday was the biggest day they have ever had.
- Atlanta:** Have received urgent request for large volume of bonds to agents.
- Chicago:** Best indication of current return and demand is the great increase of requests for shipment of bonds by issuing agents. Requests have been pouring in by mail, wire, and telephone from many sections, especially industrial centers. From comments received there is a great increase due to war developments.

*DOB Landed msg  
to Secy 9:04 AM - 12-12-41  
Secy read to groups then  
gave msg to France*

- 2 -

- St. Louis: It appears that sales have either tremendously increased or considerable demand is anticipated by issuing agents in this district.
- Minneapolis: Sales are gaining momentum. Orders received over the counter have just about doubled and consignments to agents have more than doubled.
- Kansas City: Exceptional interest and demand for defense bonds throughout entire district. More bonds have been shipped to issuing agents last two days than in previous eight days.
- Dallas: Savings bonds sales in this district have shown tremendous increase since declaration of war. Agents have been ordering bonds to replenish stocks by wire and telephone ever since Monday.

DEC 12 1941

My dear Mr. Greent:

In the light of the present war emergency it becomes vitally necessary for all organizations of Americans to redouble their support of their Government in every way possible. I am gratified to learn that the Executive Council of the American Federation of Labor has been convened in Washington to consider its war policy. One of the most important things which your great organization can do is to support the Defense Savings Program, and this gives you an opportunity of participation by every individual member of your organization such as no other part of our war program can offer.

Under your leadership during the months past a fine beginning has been made--both by the purchase of Defense Savings Bonds by your parent body and many of its constituent bodies and by the systematic saving plans sponsored by your unions among their members. But this is only a beginning. We are at war and the emergency is greater than any in the history of this nation. May I suggest that your Executive Council give this program the emphasis which its importance warrants. You may see fit to call on your members to take part in Payroll Allotment Plans or other systematic saving plans to the utmost limit of their ability. A large part of the national income--of the earnings of all citizens--must be used to finance this war; and voluntary participation through buying United States Bonds is every citizen's duty today. Your Executive Council can perform a great patriotic service by such help to its country in a time of great need.

Sincerely,

Signed) R. Mergenthan, Jr.

Mr. William Green,  
President,  
The American Federation  
of Labor,  
Washington, D. C.

By Messinger

Linnard 4/20

JL:EM:CBK

THE WHITE HOUSE  
WASHINGTON

December 12, 1941

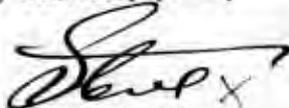
Dear Henry:

I have your letter of December eleventh in which you give me a very clear summary of the work the Treasury Department has done in connection with its Defense Bond promotion program since the outbreak of war on Sunday.

You have been and are doing a swell job — the sort of promotional job that would be an excellent example to many departments, agencies and Government bureaus. I really think they would benefit much by taking a page from your book.

With kindest personal regards,

Very sincerely yours,



STEPHEN EARLY  
Secretary to the President

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

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE December 12, 1941

TO Secretary Morgenthau  
FROM Mr. White  
Subject: New Facilities of the Economic Defense Board

The Chairman of the Economic Defense Board and the Secretary of Commerce have issued a joint statement to the following effect:

1. All international economic functions of the Commerce Department will be at the disposal of the Economic Defense Board during the war.

This move will make available to the Economic Defense Board the services and the information of the Bureau of Foreign and Domestic Commerce.

2. These facilities will supplement the merger announced last week, which placed under the Board a part of the personnel formerly under the Coordinator of Inter-American Affairs.

ECONOMIC DEFENSE BOARD

WASHINGTON, D. C.

December 9, 1941

OFFICE OF THE EXECUTIVE DIRECTOR

*A White*  
**168**

*3-6*

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

The Vice President has asked me to call  
this announcement to your attention.

Sincerely yours,

*Nils Pershing*  
Executive Director

Enclosure

RECEIVED  
DEC 10 1941  
U.S. DEPARTMENT OF THE TREASURY

PRESS RELEASE

No. 13

FOR IMMEDIATE release

December 9, 1941

## ECONOMIC WARFARE PROGRAM INTENSIFIED

Department of Commerce places cer-  
tain facilities at service of  
Economic Defense Board

Vice President Henry A. Wallace, Chairman of the Economic Defense Board, and the Secretary of Commerce, Jesse H. Jones, today issued the following statement:

"The Department of Commerce finds that its responsibilities for handling matters of foreign commerce can be most effectively carried out during the war by concentrating its activities for this purpose toward the carrying out of the objective of the program of the Economic Defense Board.

"Since the initiative for the economic warfare program of the United States rests with the Economic Defense Board, the Secretary of Commerce has directed that all functions of the Department of Commerce devoted to international economic affairs shall take their principal direction during the war from the Board, of which the Secretary is a member.

"The Economic Defense Board has decided to utilize for its purposes the existing organization of the Department of Commerce to the fullest extent possible and to assist that organization to develop its functions for adequate service to the Board.

"This program of cooperation was developed from a joint review of the functions of the Economic Defense Board, the Department of Commerce and the Office of the Coordinator of Inter-American Affairs. The first step in the

(over)

merger of facilities was announced last week when the Coordinator of Inter-American Affairs was appointed a member of the Economic Defense Board, and the executive personnel of the Economic Defense Board engaged in hemisphere matters was merged with the personnel of the Commercial and Financial Division of the Coordinator's Office -- the entire personnel now acting as the American Hemisphere Division of the Economic Defense Board.

"Under the new arrangements, the Bureau of Foreign and Domestic Commerce and other divisions of the Department of Commerce propose to contribute a major share of their effort in the international field to the work of the Economic Defense Board by providing expert informational and advisory services, in conjunction with the Bureau's normal activities in the international field.

"The Bureau will devote not only the factual information and international experts in its Washington office to this work, but also the Department's field offices and the thousands of established contacts which it has with business men throughout the country.

"It is hoped that final arrangements can be completed to make space available to the Board in the Department of Commerce Building."

9:30  
1941 DEC 10 AM 8 53  
OFFICE  
SECRETARY OF TREASURY  
TREASURY DEPARTMENT

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 12, 1941

TO D. W. Bell

FROM Secretary Morgenthau

*10-9-41  
127*

Doughton has told me about a very important meeting which is scheduled to be held by the Byrd Committee on Tuesday morning, and that he thinks I ought to be there.

Would you please find out about this meeting and let me know not later than Monday morning.

*Please check  
and please about this  
He has said nothing of meeting  
and efforts to attend  
Cross  
12/13*

## MEMORANDUM FOR THE SECRETARY.

December 12, 1941.

Mail Report

Mail received on Monday of this week seemed a pallid rehash of that of preceding weeks. There were the badly written postal cards of anonymous abuse; the accusations of "war mongering"; the pleas for Government economy; and protests against strikes.

From Tacoma, Washington, there came a carbon copy of a telegram to Washington Representatives here, from an organization concerned about the President's nefarious schemes to drag us into a European war at Great Britain's behest. Read in the light of Sunday's events, the statement made one wonder if these Pacific Coast citizens would not have liked to recall their telegram before it was received here.

By Tuesday the tenor of the mail changed as letters began to pour in. Since Treasury mail naturally reflects patriotism as expressed through money, the offers of personal service, though varied and interesting, were far outnumbered by the offers of outright cash gifts, pledges of a day's wages, a week's profits, etc., and suggestions and comments on the bond selling campaign.

Since Monday's "pre war" mail, there have been no letters of protest against alliance with Great Britain or Russia; no letters personally abusive of the Secretary nor the President, and very few of the Administration as a whole. There have been some that are highly critical, and these range from protests on economy to criticisms of the President's most recent radio address. These are isolated examples, however, of a great outpouring of letters of support, encouragement and confidence.

Summarizing by subjects, letters urging cuts in non-essential expenditures have spurred far ahead of all other mail, except that concerning taxes. Economy letters outnumber those in regard to labor policies by 15 to 1. General tax comment is very heavy. There are many suggestions as to

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Memorandum for the Secretary.

December 12, 1941.

collecting the \$5 automobile tax, many ideas as to possible sources of taxation, and this week - up to Friday noon - there were 137 requests for individual help on income tax problems, elicited by the "Know Your Taxes" circular.

No comments on the Grange speech, or requests for copies. A number of allusions to the inflation speech - several pointing out that it was made three months ago; that the war is upon us and no definite steps taken yet. Continued requests for the tax folders both in bulk and individual copies.

*H. Fabrik*

OFFERS OF SUPPORT IN TIME OF CRISIS

T. L. Vanns, President, Louisiana Bankers Assn., Lafayette, La. The facilities of the Banks of Louisiana are at your disposal in any and every way that they can be of possible service.

Lee Nelson, c/o Diamond Bar S. Ranch, Wisdom, Mont. (Sends a \$25 Bond with his letter.) Well sir, I have done bot my first Defence Bond, and am a sendin it in to you to just write across the face of it, "Paid with Liberty", that is all I ask, and send it back as a receipt. Each month I'll be a sendin you another one to do the same to. If you care to, you can tell Mr. Roosevelt that I'm a cowhand and 43 this year, can fight like a wildcat. I have a '36 Chevrolet pickup, am single, can go anywhere, can shoot like hell, and he can have all I got, myself thrown in, if he needs us. Tell him I ain't got no more to offer, but I'm all out for him, which a way he goes.

Eugene G. Donovan, President, New York State Bankers, N.Y.C. Please know that the N. Y. State Bankers Association, consisting of almost 700 commercial banks in the empire state, stands ready and willing to do everything possible to aid you in mobilizing the country's financial resources against this infamous attack. We shall feel privileged to serve in any way you think best. We await your orders.

K. C. Li, N.Y.C. (Telegram) The wisdom of your policy is now vindicated by the sudden attack on Hawaii. I volunteer my services and I have pledged my resources to the President of the United States in my telegram this morning, which I quote: "As a citizen of a country which has suffered treacherous and unprovoked attacks of a common enemy, and as the father of five American children, I pledge my services to you, and I put my resources at your command. You have done your best to avoid war, and now that it has come, despite your patient efforts, may God grant you wisdom and strength to prosecute it to a successful finish so that Twentieth Century barbarism may be permanently eliminated from this earth".

Urban B. Brinker, Cincinnati, Ohio. Six years ago we adopted a five-year old girl; sometime later we learned she was the orphan of a World War Veteran. About two years ago we applied for and received a \$10 a month pension for my daughter, our intention was to build up a small estate for her to do with as she pleased later in life. Now our country is at war and needs every cent. We don't need this pension money. My salary as a postal employee is more than enough to give us a good living. This being the case, I hereby waive all claims and surrender our rights to this pension.

J. Henry Showalter, West Milton, Ohio. (Very quivering handwriting.) Very Dear Sir: Wife and I are both past 77 years old, with income a bit too low to require income tax payments, as I understand the law. Too old to realize on bonds or stamps of present date. Besides, we do not in any wise wish to lay present or future financial burdens or obligations upon our Government. In our personal behalf, therefore, will try to send at least a part of our tithe as a grateful gift to our Government's Treasury. I begin with the enclosed check of \$5.00. More will follow, the Lord willing. Please instruct me as to whom I shall make my checks payable, and how to address the Treasury Department. Our contributions will be insignificant, I know, but we greatly desire to do what we can, though it be little. Thank you, and most truly yours - J. Henry Showalter.

M. Llewellyn Raney, Director, The University Libraries, The University of Chicago, encloses a letter which describes to the Secretary of State, work that he did during the first World War. At that time, working with the Wilson Administration, he arranged a method of securing foreign current publications greatly needed here for research and information, and distributed these publications to American Libraries. In trying to work out a similar arrangement now, the organization needs the cooperation of both the State Department and the Treasury. Mr. Raney submits the highly successful plan of the previous war as a basis which might be followed now. However, the situation is more difficult because of the necessity of securing individual licenses through the F.C.C. Mr. Raney asks a study of this arrangement on behalf of schools, scientists and Libraries here, which need to keep their files complete. (Letter referred to Mr. Kuhn for possible discussion with interested officials.)

Alfred S. Tindell, Highland Park, N.J. I want to donate to the Government of the United States, My Country, one hundred dollars. I have invested in Defense Bonds and Stamps to the best of my financial ability with the exception of the above, which I wish to do. Kindly accept this in behalf of Our Country.

The Staff of the Chicago Housing Authority, Chicago, Ill. (Telegram) Pledges at least \$238 as its members plan to contribute at least \$1 per person to the fund, "Dollars for Defense and Victory". This money, contributed to the United States Treasury, is to be used as you see fit for defense and victory purposes.

Mrs. Betty Waller, Nanticoke, Pa. We all realize that patriotism, morale and unity are very essential in our present task. I am begging you to call our President's attention to the urgent necessity of closing the Securities Market. There are millions of small investors in our country who have loans on their securities, while the market is declining in a so-called orderly fashion. This decline is from 1 to 9 points daily, and more and more of the small investors are being wiped out every day.

Henry Krumholz, Troy, N. Y. Today I received your kind letter asking me to buy more Defense Savings Bonds. I am more than willing to do all in my power to do so. I was born in Vienna, Austria, and am in this blessed country since October, 1939. I am thirteen years old and I have heard, seen and felt what it is like to be in a country where you have no liberty. I think that every American should be thankful to be in this country and pay it back for all the good things this country gave him by buying more Bonds and Stamps. In the summertime I have had a job which paid me \$18. I went to the next Post Office and purchased a United States Defense Bond. Now I have a job selling newspapers and make 25¢ a week which I am putting aside to buy stamps, and I hope that I can buy as many as possible. I hope that I did not take up too much of your valuable time, and I hope that I can do everything to help in my own way in National Defense.

William Ralph Voss, Milwaukee, Wisconsin. In the Mexican crisis, back in 1916, I enlisted in the armed forces of the United States, and took the oath of allegiance twice; once, on the day of enlisting in the Iowa Field Artillery, and the second time, soon thereafter when we were sworn into federal service. Owing to physical disability, I was later on honorably discharged. At that time I was just a boy. Shortly thereafter the U. S. entered the war against the Imperial German Government. When the draft was called, I - so very foolishly - signed a paper of exemption as an enemy alien. There was no reason, for I had served this country and had been honorably discharged. I was exempt anyway -- the fact that I was German born, made no difference. Years later, when I applied for citizenship, this was denied me. The newspapers played up that story in a way which made me feel that everywhere everyone was pointing fingers at me. Time after time I have tried to get up sufficient nerve to again apply - but my fear of publicity was too great. \* \* \* In words and deeds I have long ago foresworn any allegiance to Germany, and, when you realize that I came to this country in 1918, you can readily understand that I certainly would not or could not consider myself a citizen of a country run by gangsters, murderers, and whose every move is directed against everything we hold dear and holy. \* \* \* All of this means, of course, that right now - and for that matter, during the past few months - I have been unemployed, am the sole support of 8 persons. I have money saved, but beside providing for their welfare, I have been paying off on a home and could not buy Defense Bonds as I would have liked. I just bought one little bond - some time ago - and I am enclosing it herewith as a token as to how I feel about our United States. I have great hopes that my research work will bring me a substantial income in the not too distant future, and just as soon as this materializes, I shall send you small Defense Bonds regularly for retirement. Last Sept. I bought and paid for a new Studebaker DeLuxe Commander Sedan. I have about 500 miles on that new car, and if the U. S. Government can use it in any way, it is yours for the asking. \* \* \* I trust that you will read this letter, cancel the Defense Bond, and act as you see fit on my offer of my car and my personal services. But please, Sir, don't show this letter to anyone else, and thus respect my horror and fear of publicity.

GENERAL COMMENTS

William M. Stuart, Stamp Editor, Washington Post. Some time ago I wrote to you regarding the philatelic viewpoint of the National Defense Savings stamps. My purpose was to interest someone in your Department in seeking to present this series of revenue stamps to stamp collectors. Aside from a rather disheartening conference, nothing came of it. I am enclosing a copy of The Post on November 23rd. I hope you will see my point in it, and too, note that some of the stamp collectors and writers are still Americans and have a story to tell. Philately is a full-sized job today, and while a newspaper man can cover the news and what-not, still I am of the opinion that the philatelic press, as well as stamp collectors and dealers, and the clubs, should have appeals written in the language stamp collectors understand. With kind personal regards of one stamp collector to another, - William M. Stuart.

J. Randolph Anderson, Treasurer, The Protestant Episcopal Church, Savannah, Georgia. I have been sympathizing very fully with your efforts to do away with unnecessary non-defense expenditures, and I am writing now to call your attention to a proposed expenditure of public funds which I think is entirely unjustified and unnecessary at this time. There has been a movement on foot for some time to have the Government establish a National Memorial Park on St. Simons Island, Georgia. (Describes the property.) About 50 acres of this land was, many years ago, conveyed to The Protestant Episcopal Church as Trustee. \* \* \* Now the promoters of this park are proposing to take practically all of the trust property into this proposed park. They have not approached the Board of Trustees, of which I happen to be Treasurer, but we find they have had surveys made and plans drawn for this park and are proposing to have the Government acquire the land by condemnation. \* \* \* There is no necessity for any such park at present, and it ought not to be undertaken, at least until after the close of the existing years of war. I am therefore taking the liberty of bringing the matter to your attention in the hope that you will prevent the making of any appropriation of money for this park purpose.

Edwin Oviatt, New Haven, Conn. I suggest a Government issue of Defense "Victory" or "V" seals, such as the Red Cross Christmas seals, to be sold everywhere -- stores, and Post Offices - at 100 seals for a dollar. \* \* \* Many people are probably not buying Defense Bonds or Stamps largely because of apathy or unfamiliarity with the procedure. Would not many others buy "V" stamps or seals, not postage, to put on letters, packages, etc? \* \* \* Here is my order for \$10 worth as a starter. There would be thousands who would follow suit and keep buying as long as the need lasted.

E. M. Miller, Chicago, Ill. As labor must make sacrifices to win the war, so must capital - profits - industry; limit its profits to 4% or 5% per year -- its only fair.

Copy of letter sent to the Federal Reserve Bank, Richmond, Virginia, by the President of the Avery County Bank, Newland, N. C. We would like very much to bid upon some of the bond offerings of the Government, but invariably all your descriptive literature and telegrams making the offering are so timed that they do not reach us until subscription books are closed. We presume this is arranged to exclude the small banks from getting any of the bonds. The attached telegram did not reach us until the 6th - two days after your books had closed.

Thomas J. Stewart, Jr., Maplewood, N. J. Based on experience in Great Britain, it is suggested that the United States Government, in conjunction with the large fire insurance companies, provide that owners of structures of all kinds through the nation, be compelled to insure their structures against damage through the vicissitudes of war, civil commotion or rebellion, which conditions are not covered in regular fire insurance policies issued by private companies, and this insurance should include damage resulting from falling airplanes. \* \* \* The percentage of only 2% loss over all of Great Britain illustrates the fact that while any section of the country is apt to be bombed, or invaded and damaged, the whole country helps to bear the loss of any individual section, spreading the cost, and avoiding the calamity of ruination to individuals, suffering because of the national emergency, and avoiding the making of unemployment, etc. \* \* \* Rather than approach the great

insurance companies, which would no doubt hesitate, and if went on with it, make the cost prohibitive, it is urgently recommended that the Government back it, make no profit on it, and arrange that the companies handle it, without profit over an estimated percentage of cost to handle, and that any profits over such costs be applied to reduction of rates, if legally practical.

Arthur E. Aydt, President, Sunshine Manufacturing Co., St. Louis, Mo. As an American citizen who voted three times for our President, and one who worked in helping our President with his many domestic problems in many civic endeavors here in South St. Louis, I wish to bring your attention to a very serious condition regarding the laxity in the protection of the largest small arms plant in the world here. I am very serious in defending our Democratic way of life, and it is my duty to help now as in the last war. Showing of the badges to the guards at the plant to obtain admittance is not enough. \* \* \* Every employee should in addition to his badge have a certificate or card printed on paper that could not easily be duplicated, and I think that the paper on which is printed our legal tender would serve the purpose because it is about the closest thing to perfection I know of. \* \* \* When I served in the last war, I had bona fide credentials in addition to my badge and while they knew you, it was a hard and fast rule to occasionally ask for the credentials as a double check. As this is an all out war, we cannot be too careful, and I hope you find merit in my loyal suggestion.

FAVORABLE Comments on Taxes

C. W. Hanks, President, Royall National Bank, Palestine, Texas. In my opinion your proposal to require monthly deductions from salaries for the income tax is a splendid idea. There will be so many people that will not provide for their taxes ahead that the deduction system would be fair to everyone and would be no more objectionable than the Social Security plan.

John M. Whitmore, Whitmore Publishing Co., Reisterstown, Md. The enclosed check (\$3.76) was sent to me today as a refund on over-payment of 1940 income tax. Because I recognize that I get a greater value for my tax dollar than for any other dollar I spend, and because I feel that if my tax were ten times what it is, I would still be indebted to the U. S. Government, I am returning herewith the refund and ask that it be applied to any funds where it might help in any way. This is no time for loyal Americans to be accepting refunds on their taxes.

Miss Anna Durham, Santa Barbara, Calif. I am no doubt as well qualified to advise or suggest in regard to forced savings and Social Security as anyone in the United States. \* \* \* I was employed under Civil Service over a period of 20 years, and always rather begrudged what was taken out of my salary for the old-age pension. \* \* \* I suffered nervous collapse and a heart condition, so was retired from Civil Service due to disability, on an annuity of \$53.66 per month\* \* \* My annuity is ample income to feed myself and a cat, so I am very comfortable indeed, and independent and self-respecting, where if the Government had not compelled me to make those savings, I would no doubt have been forced to commit suicide or something worse, as I had no other means of support, being alone in the world.

Elbert M. Chandler, Olympia, Wash. This letter is written to add my small bit in support of policies which the papers indicate you advocate, namely, that at least two-thirds of the defense activities be financed out of taxation, and that in doing so, it would be necessary to tax all corporate

profits in excess of a reasonable return on their investments, and also to institute a heavy payroll tax in order to reach the surplus earnings of the great army of defense workers. When I was in Germany in 1938, I was told that the Germans were paying a payroll tax of 25% and that the German Government would come out of its present activities in a strong financial position. Incidentally, strikes were outlawed and disputes were settled by compulsory arbitration. What will be the good accomplished if this country contributes to the defeat of Germany only to find itself burdened with debt beyond its ability to pay in peacetime, and with credit impaired so as to be unable to carry on a national program to prevent unemployment.

UNFAVORABLE Comments on Taxes

Martin Prosperi, N.Y.C. I am a Venezuelan born citizen and I have invested money in American stocks whose dividends are now taxed up to the extent of 27.60%. Before that special dividend tax was passed for foreign holders of American securities, we had to make a formal income tax return, like any American citizen. That happened in the old days of the Republican party when no good neighbor policy was talked about. \* \* \* That new tax policy of yours appears to be discriminatory against us. No U. S. citizens, residents or not, in Venezuela, are taxed differently, and besides, you are showing us the way to tax your enormous investments in our country to the same extent you are taxing ours in yours. As a believer and supporter of your good friendly neighbor policy amongst American nations, I have taken the liberty of addressing you in this matter.

Waldo Shumway, Professor of Zoology, The University of Ill., Urbana, Ill. I have recently received through my publishers a ruling dated April 5, 1941, and signed by William Sherwood, your Acting Deputy Commissioner, in which it states that royalties received by an author do not constitute payment for personal services actually rendered, and do not come within the meaning of earned increment. There follows a long argument, which seems to me to be simply a verbal quibble. While the actual difference in dollars and cents in my own income tax return between reporting my royalties as earned income and unearned income is a small one, I wish to take this occasion to protest most vigorously at this interpretation of the law. If you and your staff are under the impression that writing a book does not constitute work, let me suggest that you try it.

Mrs. Norma Moe Olson, Minneapolis League of Women Shoppers, Minneapolis, Minn. We wish to protest your recent proposal to raise \$4,800,000,000 by taxing incomes at their source, thus adding further to a tax burden that is already too great for persons of low and medium income. We wholeheartedly agree that new funds must be obtained for national defense and that inflation must be halted now. \* \* \* The 1941 Revenue

Act places the major tax burden on low and medium income groups, and on many articles of mass consumption, and barely touches the surface of huge corporation profits. \* \* \* Therefore, we urge that new taxes be raised in the direction of your own excellent recommendation, i.e., a ceiling of 6% be placed on all corporate profits. It is our sincere opinion that any further curtailment of mass purchasing power will very seriously affect American living standards, morale and production.

E. F. Donnelly, Rock Island, Ill. I am writing this letter in protest against the New and Revised Income Tax measure which especially hits the "Little Men" who are in the same position that I am -- whether it will do any good, depends entirely on you, Mr. Secretary.\* \* \* As my reason for this protest, will say as briefly as possible that I am married and am getting a salary of around \$2,600 a year. Eight or nine years ago, my wife fell a victim to arthritis (which she still has) and which incapacitated her from doing her own housework, and thus required the services of a maid, with considerable additional expense for medicine, doctor fees, etc. In 1938, I became diabetic which, besides being an additional expense, also made it much more difficult to perform the duties of my profession. \* \* \* This additional expense over my salary - which can be verified - runs on an average of \$50 to \$70 per month, and is explained by Doctor Bills, Expenses for Drugs, Nursing and everything else that accompanies serious illness. I have filed every year on my income and paid the amount due from past savings which accrued while I was in good health, but my savings account is now badly depleted and will soon be gone.\* \* \* While I realize the importance of paying for the defense program with new and higher taxes, it does seem as if in my case - and perhaps there are thousands of others in a similar position -- that some provision should be made.

FAVORABLE Comments on Bonds

Clarence J. Arts, Burlington, Iowa. You now are issuing short term bonds to be used in payment of Income Tax. Why not insert a clause in your long term bonds to the effect that these bonds will be accepted at par and accrued interest before maturity, in payment of Federal Estate taxes, and if possible, a legal tender for State Inheritance tax. I am 65 years of age and may leave a moderate estate in farm lands, as I am a farmer, and I know that I should now accumulate some liquid assets to pay the various taxes that accompany estates. I feel sure that such a bond would be popular, as I know of many people of moderate means who are thinking as I am.

Wallace F. McFall, President of Delaware Bankers Assn., Milford, Delaware. (Telegram) Having implicit confidence in the power of the United States and its allies in the ultimate victory over the dictators of the world, the Banks of Delaware will cooperate as they have been doing in the sale of Defense and Tax Bonds in every possible way, having one thought uppermost in our minds -- that by a united effort upon the part of every American citizen, justice and right will prevail.

C. W. Robinson, Cashier, The First National Bank, Sayreville, N. J. As of Monday, December 8th, this institution sold of record a total of \$52,000 of U. S. Defense Bonds, which we believe to be a remarkable record. We understand that the approximate annual amount of baby bonds sold for Sayreville previously was \$5,000 to \$10,000 per year and we in turn have sold over \$50,000 in six months. The fact that the population numbers about 8,500, and that the community covers fourteen square miles, also gives an idea of the amount obtained, as some of our residents live close to adjoining communities, which also have other banking facilities, and too, the Bonds are sold by two Post Offices in our borough.

UNFAVORABLE Comments on Bonds

Neal Grider, Vice President & Cashier, The Peoples State Bank, Indianapolis, Ind. Since Defense Bonds have been available, this bank has sold in excess of \$120,000 maturity value of the various defense issues. In a number of my contacts with Defense Bond buyers, I have frequently had people say that they would be glad to buy in substantial amounts if it were possible to use the bonds as collateral security in an emergency. Naturally, I understand the restrictions as to assignment of these bonds, and I think that I understand the reasoning behind these restrictions. My suggestion is that permission be given to pledge Defense Bonds to banks and trust companies as collateral security with the further restriction that in the event the lending institution found it necessary to realize upon the collateral pledged, then the bond could be redeemed by the lending institution only at cost price, and all accrued interest would be forfeited. The forfeiture of interest accrued would constitute a penalty which in my opinion would be severe enough to hold to a minimum the failure of borrowers to repay loans so secured.

J. C. Gebhardt, Annette Island Landing Field, Alaska. (Sends the Secretary copy of a letter addressed to the Postmaster General.) About two months ago a branch office of the Ketchikan Post Office was opened to serve the large number of men, military and civilian, stationed here. I do not know of a single Defense Bond or Stamp which has been sold through the efforts of this branch. The literature and books are placed on a shelf under the counter and forgotten, gathering dust -- no posters or anything else referring to Defense Bonds are on display anywhere. In addition, there is no Postal Savings branch here - whether by order or not, I do not know, but there is established in this post office a branch of the Miners & Merchants Bank of Ketchikan, which handles checking accounts and cashes checks for the men at a charge of 25¢ per \$50, and proportionately higher for amounts over that. I also understand that both the Chief Clerk, Vance P. Shugart, and also the man acting as Postmaster here, both get a share of the

charge made for thus cashing checks. \* \* \* This branch bank takes more than half a day of the time of the man in charge of the Post Office, besides which, it entails more than an hour's work on the part of the chief clerk in checking over the balances, which are usually out, and also necessitates his calling the bank in Ketchikan almost every day to check the balances, this over government wires. I believe that it is unlawful to use government property and time for other than government purposes, particularly when any earnings from such transactions go into the pockets of people who are paid by the government. \* \* \* We have a great labor turn-over here due to various acts of administration, and this bank charge is the straw that broke the camel's back for most of them.

FAVORABLE Comments on Speeches

John A. Wilkins, Attorney at Law, Gastonia, N.C. A short time ago there was considerable publicity given to a statement made by you to the effect that profits on corporation capital should be limited to 6%, and you received considerable unfavorable publicity with regard to it. I was moved to write you at the time in support of your position, and in view of the developments of the last 48 hours, I am quite convinced that your position was not only correct, but that during this present emergency, that is the duration of our war declared today, no profits should be made by any corporation engaged in manufacturing goods for our National Defense. Certainly, the owners should have their plants well-kept, their machinery replaced, and a reasonable wear and tear on the whole plant. Otherwise, I do not think there ought to be any net profits to the stockholders except salaries for the officers. \* \* \* I realize that these statements will be considered by a great many people as radical. However, I make them under a conviction that a man who is drafted for military service and active duty in the face of any enemy is called on for the supreme sacrifice, and that no sacrifice made by capital or any civilian is equal to this.

UNFAVORABLE Comments on Speeches

Mrs. Earl Mann, Fredericktown, Ohio. I have waited before answering your government financial propaganda so that I might cool off a little. It surely is filled with wrong ideas almost from start to finish. \* \* \* You surely do know, Mr. Secretary, just how low the farm prices have been for many years past, while other things needed just as badly by the people have been sky-high always. \* \* \* The prices of farm machinery for many years back have been one of the greatest disgraces the farmers ever had to face. \* \* \* How can the farmer pay his indebtedness, hired help and build a reserve for the future on the prices we have had for the last years? They need a very high price now, or you will learn that they will not cooperate at all. \* \* \* If guns which cost \$23 in the World War now cost \$60, then butter should now be \$1.50 a pound instead of 76¢.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE December 12, 1941

TO Ferdinand Kuhn, Jr.

FROM Alan Barth

EDITORIAL OPINION  
ON FOREIGN AFFAIRS:  
THE NATION RALLIESUnity

The country's newspapers give expression to a thrilling and uplifting sense of union. Out of their shock, their horror, their awareness of loss, they attest to a fresh pride in America, a renewed feeling of dedication. The United States has again become a community.

The principal editorial theme of every newspaper during this anxious week has been national unity. Commentators of all political hues are in agreement that the first Japanese bomb dropped upon Hawaii wrought suddenly the miracle which no amount of logic or persuasion had previously been able to achieve. Isolationism, they report, was the initial casualty of the war.

But the fact is that isolationism, within any literal meaning of the term, has long been dead. It is a misnomer which has been indiscriminately applied to those who felt an aversion to war, those who felt an aversion to President Roosevelt and those who felt an aversion to democracy. These attitudes no doubt persist beneath

the surface of the unity created by the Japanese dive bombers. There is every reason to suppose that they will manifest themselves again under the strains of war. Indeed, they are already discernible in the transcendent nobility of The Chicago Tribune's editorial acceptance of American involvement. "Recriminations are useless," declares The Tribune, "and we doubt that they will be indulged in. Certainly not by us. All that matters today is that we are in the war and the nation must face that simple fact."

In a few other editorials, this suggestion that the conflict might have been avoided by an altered Administration foreign policy emerges through the bandwagon patriotism. A dissident and extreme minority, however lustily it may now be joining in the national chorus, continues to be out of tune with the deeper purposes of America's participation in the war.

Unity for the moment, nevertheless, appears to be virtually complete and extremely intense. One striking evidence of the conversion of the minority is to be found in the editorial page of William Randolph Hearst's New York Journal-American: "Thus America has gone to war -- democratically, under responsible leadership, by Constitutional methods, and with the consent, approval and united support of the American people."

The President's message to Congress requesting a declaration of war on Japan was almost universally applauded. His radio address to the nation was received with almost equal approval. And there was general commendation of the decision to continue Lend-Lease deliveries to Britain and Russia. Even prior to the formal announcement of hostilities against the United States by Germany and Italy, there was general recognition that the Japanese action was part of an Axis plan, that the Pacific constituted only a minor theater of a world-wide conflict. The essential qualities of the war's scope and nature seem to be understood by the great majority of the American press.

#### Wrath

Although American newspapers had for some time predicted war with Japan, the nature of the onslaught genuinely shocked them. Editorial comment on the treachery of the Japanese was vehement, sometimes vituperative. In a few editorials, the anger was so great as to expose an underlying contempt for the Japanese on racial grounds. The Denver Post, for example, declares that "Japanese power must be destroyed so completely that the Pacific Ocean will be a white man's ocean from now on."

This racial antagonism has found occasional expression in radio comments, as well as in the press. Unless it is effectively arrested, it may give rise to a vigilante spirit which will do grave violence to American principles of tolerance and justice.

The incredulity and indignation with which the press at first responded to the Japanese attack now appears to be giving way to some measure of resentment against our military and naval commanders in the Pacific. A number of editorials express wonderment that Japanese airplane carriers could have moved without detection over the long distance from their own bases to Pearl Harbor. Most of the comment along this line is temperate and tentative in tone; but it reveals a latent ire which may seek scapegoats for the humiliation and loss endured.

In the main, the editorial attitude toward the war is one of high confidence. The Japanese attack is widely labeled "lunatic", although a number of commentators warn against overconfidence or the expectation that Japan can be quickly overcome. With the German and Italian declarations, a long and extremely difficult war is generally anticipated. But there appears to be no doubt anywhere of eventual American victory.

News

Editors accepted the principles laid down by the President respecting the release of information about the progress of the fighting. They are less happy about the operation of these principles since the shooting started.

There has been a marked disposition on the part of the American press and radio to use D.N.B. despatches and foreign broadcasts as news sources. On the basis of these sources, news and editorial comment have conveyed to the public the impression that losses far greater than those officially admitted by the United States were sustained in the Pacific.

It would be genuinely tragic if American newspaper readers and radio listeners came to place credence in these foreign sources or permitted them to cast doubt on the adequacy and reliability of our own releases. Editors appear to be well aware of this and complain about the scarcity of official American news. The prompt action of the British in announcing the sinking of the Prince of Wales and the Repulse has been pointed to by some commentators as an object lesson to the United States Government in the virtues of candor.

Influential editorial opinion considers it of the utmost importance to establish in the minds of the American people an absolute reliance upon their own Government for full, fast and fair information. Such confidence can be captured only at the very outset of the war.

## TREASURY DEPARTMENT

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## INTER OFFICE COMMUNICATION

DATE December 12, 1941

TO Ferdinand Kuhn, Jr.

FROM Joseph Melia

EDITORIAL OPINION  
ON DOMESTIC AFFAIRS:  
WAR SUBMERGES DISSENSION

Dissension over domestic issues has changed to comparative unity in war. Even the granting to John L. Lewis of a union shop in the "captive" coal mines was accepted relatively calmly by the press. While many newspapers consider the Arbitration Board's decision "a sell out" and "further evidence" of the need for restrictive labor legislation, the Board's announcement was not a signal for the kind of attacks upon organized labor that had previously characterized the press. And many papers are taking the unprecedented position that a conference between representatives of industry, labor and the Government to work out a voluntary production policy in wartime would be more valuable than compulsory "cooperation" by law.

Unlike the interventionist-isolationist controversy over foreign policy, however, domestic disagreements are not yet buried for the duration. Editorial comment immediately before the outbreak of war indicated that the questions of taxation, non-defense

spending, inflation, and the status of organized labor -- all subordinated now to calls for all-out unity -- might soon be in the forefront again.

The editorial "line" on these issues on the eve of war was this:

Curbing Labor

As would be expected, the Smith Bill was generally accepted by the press as a start in the right direction. Editorial writers rejoiced over its passage by the House with a we-told-you-so attitude, saying that labor had nobody but itself and John L. Lewis to blame. The press was quick to point out, however, that its stand was not "anti-labor" -- just "anti-racketeering, power-drunk labor leaders". Passage of the bill, the press maintained, would protect the rank and file of labor from these leaders.

A minority of newspapers criticized the Smith Bill in a mild way as catch-all legislation passed in heat and haste by the House and containing provisions which were either too repressive or so loosely worded as to be administratively unenforceable. A few like the Philadelphia Record objected, for instance, that the anti-picketing provision as worded was a violation of civil rights. But even these papers agreed with the general objectives of the bill. They merely called upon the Senate to clarify the language to make it more workable.

### Controlling Prices

With so few exceptions that they are not worth noting, newspapers condemned the House Price Control Bill as toothless. Many maintained that it was worse than none at all. Roundly criticizing the House for fearing the farm and organized-labor lobbies more than inflation, editorial writers centered their attack around the lack of control over agricultural prices and wages. This criticism was widespread in the metropolitan press and even cropped up in occasional editorials from the farm belt.

While confident that some sort of price legislation would eventually be enacted, the press bitterly assailed Congress for procrastinating. It called upon the Senate for quick and effective action. But it voiced pessimism, fearing that by the time action is taken prices will be so high no law will be able to halt our march to inflation.

### Cutting Spending

The sentiment for curtailment of government spending, previously confined mainly to the east, was widespread throughout the country just before the outbreak of war. Pending appropriations for highway construction, the St. Lawrence Seaway, and the Florida Ship Canal were widely criticized as being not defense measures but pork barrel legislation. Many papers also called for a close scrutiny of defense expenditures.

Senator George's statement that we are at the "near-maximum" level of taxation was used generally to drive home the argument for non-defense economies.

The Future?

It remains to be seen what "line" will be taken after the initial impact of the war is absorbed and the Victory Program gets into full swing, with consequently increased taxes, a bigger debt, higher prices, and fewer consumer goods.

Past editorial comment indicates that there will be a heightened demand for action to pass an effective price control bill and cut non-defense spending. But demands for repressive labor legislation seemingly are being held in abeyance pending the working out of policies which will come from the President's conference of representatives of industry, labor, and the public.



**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

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

Received from BRITISH AIR COMMISSION  
envelope addressed to The Hon. Henry  
Morgenthau, Jr.

December 12, 1941

*Sarah B. Saunders*  
Addressee or Secretary

*Mrs. Saunders  
signed original  
Receipt + returned  
it.*

*H.*

TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE December 12, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

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

	No. of Shares Sold	\$ Proceeds of Shares Sold	Nominal Value of Bonds Sold	\$ Proceeds of Bonds Sold
Dec. 1	3,085	134,765	5,000	4,931
2	230	6,794	3,500	3,570
3	4,200	149,194	Nil	Nil
4	902	48,532	11,000	10,693
5	90	7,876	15,000	13,368
6	200	6,509	Nil	Nil
	<u>8,707</u>	<u>353,670</u>	<u>34,500</u>	<u>32,562</u>
Sales from Feb. 22, 1940 to Nov. 29, 1941	<u>9,838,873-1/2</u>	<u>281,503,211</u>	<u>45,570,016</u>	<u>37,401,226</u>
Sales from Feb. 22, 1940 to Dec. 6, 1941	<u>9,847,580-1/2</u>	<u>281,856,881</u>	<u>45,604,516</u>	<u>37,433,788</u>

*W.M.H.*

TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE December 12, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

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

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
Dec. 1	134,765	4,931	139,696	
2	6,794	3,570	10,364	
3	149,194	Nil	149,194	
4	48,532	10,693	59,225	
5	7,876	13,368	21,244	
6	6,509	Nil	6,509	
	<u>353,670</u>	<u>32,562</u>	<u>386,232</u>	
Sales from Feb. 22, 1940 to Nov. 29, 1941	<u>281,503,211</u>	<u>37,401,226</u>	<u>318,904,437</u>	
Sales from Feb. 22, 1940 to Dec. 6, 1941	<u>281,856,881</u>	<u>37,433,788</u>	<u>319,290,669</u>	319,290,669
\$ Proceeds of nonvested securities sold Nov. 24, 1941 to Nov. 29, 1941			400,000	
\$ Proceeds of nonvested securities sold Sept. 1, 1939 to Nov. 22, 1941			<u>238,700,000</u>	
\$ Proceeds of nonvested securities sold Sept. 1, 1939 to Nov. 29, 1941			<u>239,100,000</u>	<u>239,100,000</u>
		<b>GRAND TOTAL</b>	<u>558,390,669</u>	

9 Units sold from Aug. 18, 1941 to Dec. 6, 1941 for	\$ 42
11 Shares Stock Dividend sold Aug. 18, 1941 to Dec. 6, 1941 for	\$ 123
55,772 Rights sold from July 24, 1941 to Dec. 6, 1941 for	\$102,853

## TREASURY DEPARTMENT

201

## INTER-OFFICE COMMUNICATION

DATE December 12, 1941

TO Mr. <sup>Chauncey</sup> ~~Mettrich~~  
 FOR Mr. ~~Mettrich~~  
 FROM Mr. Hawkey

There follows a summary of the gold transactions effected by us with the central banks of foreign countries during the month of November:

	<u>Purchased from:</u>	<u>Sold to:</u>
Argentina		\$ 4,988,000
Java		25,000,000
Mexico	\$5,399,000	.
Switzerland		39,900,000
Uruguay	<u>1,004,000</u>	<u>                    </u>
Total	\$6,403,000	\$69,888,000

As a result of increasingly heavy net sales to foreign countries, we continued to purchase gold from the General Fund, buying \$70,688,000 in the full month of November. On four occasions, November 3, 17, 18, and 19, a reduction in Treasury gold stocks resulted from such purchases.

On November 6, Russia deposited about \$5,614,000 in gold at the San Francisco Mint for the Secretary's account. This gold, which arrived at San Francisco from Russia on the S. S. Azerbaidjan, was applied against the Treasury's purchase, on October 10, of \$31,605,000 in gold from the Russian Government, for delivery within 180 days. The shipment was melted and treated, then sold by us to the San Francisco Mint on November 18.

## TREASURY DEPARTMENT

202

## INTER OFFICE COMMUNICATION

DATE December 12, 1941.

TO Secretary Morgenthau  
 FROM Mr. Districh

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£53,000
Purchased from commercial concerns	£19,000

Open market sterling was quoted at 4.03-3/4, and there were no reported transactions.

The Argentine free peso improved a further 10 points to close at a new three-year high of .2405.

The Uruguayan free peso advanced 35 points to a final quotation of .5310.

The Venezuelan bolivar rose 40 points to close at .2665.

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

Canadian dollar	11-11/16% discount
Brasilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Cuban peso	1/32% discount

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

No new gold engagements were reported.

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

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢. It was reported that business is being done in the silver market at 35-3/8¢.

We made no purchases of silver today.

TREASURY DEPARTMENT  
UNITED STATES MINT SERVICE

SAN FRANCISCO, CALIF.

December 12, 1941.

Secretary of the Treasury,  
Treasury Department,  
Washington, D.C.

Attention - E. Merle Cochran

Dear Sir:

I am enclosing copy of a letter which I have today  
handed to the Federal Reserve Bank with check - also ten  
copies of memorandum for 42-R.

Hoping you will find everything in order, and  
assuring you that I am glad of the opportunity of serving  
you at any time, I am -

Respectfully,

(Signed) F. J. Haggerty  
Superintendent.

Copy: ec: 12-17-41

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TREASURY DEPARTMENT  
UNITED STATES MINT SERVICE  
SAN FRANCISCO, CALIF.

December 12, 1941.

Federal Reserve Bank,  
San Francisco, California.

Gentlemen:

There was on December 5, 1941, delivered to the U.S. Mint, San Francisco, 189,910.27 ounces of gold which arrived in San Francisco on the SS "Dombass" for the account of the State Bank of the U.S.S.R. Moscow. We were instructed by telegram from D. W. Bell, Acting Secretary of the Treasury (copy of which is attached) to instruct the Federal Reserve Bank of San Francisco to transfer by telegram to the Federal Reserve Bank of New York, for credit of the Secretary of the Treasury, Special Account, and to include in the telegram the number of -

Fine Ounces .....	189,883.240
Dollar Value .....	\$6,645,913.40
Mint Charges .....	\$ 190.00
Net Amount.....	\$6,645,723.40

for which latter amount we are delivering you our check.

The amount of one-fourth of one percent (1/4%) handling charge is \$16,614.78.

Yours very truly,

Superintendent.

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CONFIRMATION

SAN FRANCISCO CAL DECEMBER 12 1941

D W BELL      ACTING SECRETARY OF THE TREASURY  
WASHINGTON D C

I HAVE TODAY DELIVERED TO THE FEDERAL RESERVE BANK SAN FRANCISCO  
CHECK FOR SIX MILLION SIX HUNDRED AND FORTY FIVE THOUSAND SEVEN  
HUNDRED AND TWENTY THREE DOLLARS AND FORTY CENTS (\$6,645,723.40)  
FOR CREDIT OF SECRETARY'S SPECIAL ACCOUNT

HAGGERTY SUPT

OFFICIAL BUSINESS  
ARMY RADIO  
PHONED 3:39 p.m.

Copy: lc:12/17/41

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: December 12, 1941, 9 p.m.

NO. 489

This telegram, TFS, is in strict confidence for the Secretary of the Treasury from Mr. A. Manuel Fox.

Reference is made to telegram no. 296 sent by the Department at 5 p.m., on the 11th of December, 1941. This is to inform you of the arrival in Chungking of Hsi Te Sou and wife. Notification to leave Hong Kong on Monday night was given to Freese but he refused and has remained on the Hong Kong side. Bond of ORAC informed him that he was first on the list for the next plane available. Next on the list is Taylor. Notification to this effect is being given them by me as well as instructions to proceed to the Kowloon side at once. It is absolutely necessary that they be on the Kowloon side and available immediately when the plane is ready for flight. It would be appreciated if you would send them a message ordering them to follow these instructions.

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DEPARTMENT OF STATE  
WASHINGTON

December 12, 1941

In reply refer to  
FD 893.51/7362

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of despatch no. 221, dated November 24, 1941, from the American Embassy, Chungking, China, concerning the operations of the Stabilization Board.

Enclosure:

From Embassy, Chungking,  
no. 221, November 24, 1941.

No. 221

Chungking, November 24, 1941

Subject: Operations of the Stabilization  
Board

STRICTLY CONFIDENTIAL

Air Mail

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

Sir:

I have the honor to enclose a copy of an interesting memorandum prepared by Dr. Fox, American member of the Stabilization Board of China, for the use of the Chinese Government at the current session of the People's Political Council.

At the meeting of the Council before which the Vice Minister of Finance appeared on November 18 (the Minister of Finance, Dr. H. K. Kung, was unable to attend because of ill health) many questions were asked from the floor in regard to the operations of the Stabilization Board. These questions indicated a critical attitude principally toward the Board's policy in making exchange available in support of the Shanghai market and toward the fact that the headquarters of the Board are located in Hong Kong. Dr. Fox in his telegram of November 21 to the Secretary of the Treasury (transmitted through the Department as the Embassy's no. 485, November 21, 10 a.m.) has indicated what he considers the reasons for the criticism from the Council.

In conversation with me several days ago, Dr. Fox expressed the belief that, while much of the criticism might be considered as coming spontaneously from Council members and as being based on misunderstanding or lack of information, it was quite probable that some of it was prompted or engineered by high officials in the Government who have steadfastly distrusted the Board's motives in supporting the Shanghai market and in maintaining headquarters at Hong Kong. The Minister of Finance himself has been very loath to countenance support of Shanghai and I gather from Dr. Fox that he is under constant pressure to justify and to reduce such support. Furthermore, the Generalissimo and Madame Chiang, neither of whom have a clear grasp of the situation and of the problems involved, have indicated doubts as to the Board's policy with regard to Shanghai.

The enclosed memorandum was prepared therefore as much with high officials of the government in mind as for the purpose of furnishing the Finance Ministry with material to answer the questions put by members of the People's Political Council. Dr. Fox has told me that it would have been impolitic as well as impracticable to disclose to the Council a complete picture of the operations of the Board. Many of its operations and objectives must perforce remain confidential. He feels, however, that the manner in which the Board is now conducting and plans to conduct its operations are in the best interest of free China, and basing my opinion on the information he has given me and on my general familiarity with conditions at Shanghai, I am inclined to agree.

It will be observed from the memorandum that in the first eleven weeks of its operations (operations commenced August 18, 1941), the Board allocated U.S. \$13,300,000 and £1,869,000 in exchange. Although for reasons of policy the memorandum does not reveal the fact, most of this exchange was allotted to Shanghai. Allotments to Kunming have now risen to about \$1,000,000 a month and allotments to Chungking are substantially less. It will also be observed that 44% of the applications for American dollars and 22% of the applications for pounds sterling have been refused. This statement applies to applications at Shanghai.

Dr. Fox tells me that he anticipates that the net average monthly drain on the American dollar fund will be between four and five million dollars, probably nearer the latter figure. The net figure is arrived at by deducting from gross outgo the amount which the Board expects to have accounted to it from foreign exchange received from exports and from remittances. Although nothing like a definite statement can be made with regard to this amount, I gather that it may run between three and four million American dollars monthly.

It is interesting to note the statements in the memorandum (1) that in granting exchange in Shanghai the Board is guided by a determination to encourage the flow of commodities into Free China, (2) that there has been a gradual spread in the number of commodities for which exchange is allotted from thirty-four to over fifty, this being done with a view to preventing the cessation of business in long-established and deserving lines, and (3) that the Board, through its control of exchange endeavors to promote the interests of the Chinese Government at Chungking by making the criteria of granting exchange the direct or indirect benefit that will accrue to free China. Another consideration which the Board rightly has not overlooked is the problem of subsistence for the millions of Chinese inhabiting Shanghai and environs. In this connection Dr. Fox tells me that the Board is giving all practicable support to the Shanghai Municipal Council in its efforts to control prices.

There has been some criticism of the Board because it did not take care of the exchange commitments in existence at the time it commenced operations, the argument being that the Board's failure to do so has greatly encouraged operations on the "black market" (actually there would seem to be no law or regulation in China making the purchase and sale of exchange at non-stabilization rates illegal). Dr. Fox explained that the Board had hoped to provide exchange for these commitments but found it clearly impracticable to do so because of the amount (about U.S. \$30,000,000) and character of the applications. The Board is, however, making a study to determine what proportion of these pre-stabilization commitments might warrantably be given exchange coverage. In the meantime it would appear that operations on the "black market" are diminishing as is the spread between the "official" and the open rates.

It my conversations with Sir Otto Niemeier and other informed persons in Chungking I find the general view to be that the operations of the Stabilization Board have their principal justification as a political measure maintaining in some measure the prestige of the Chungking Government in Shanghai and occupied China. In this connection it is well to bear in mind the importance of maintaining business activity in Shanghai as long as practicable both for the sake of the millions in and near Shanghai who depend for their livelihood on such business activity and for the benefit which free China, so lamentably lacking in consumer goods, derives from the not inconsiderable quantity of commodities produced in Shanghai which reaches this interior area. I am gratified to note from my conversations with him that Dr. Fox shares this view.

Respectfully yours,

C. E. Gauss

Enclosure:  
Memorandum

Original and one copy to Department by air.  
Three copies to Department by pouch.  
851

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Copy:bj:12-13-41

Enclosure no. 1 to despatch  
no. 221, dated November 24,  
from the American Embassy  
at Chungking.

STRICTLY CONFIDENTIAL

MEMORANDUM OF THE BOARD'S OPERATIONS

The People's Political Council which is meeting in Chungking this week is naturally interested in all economic and financial problems affecting China and thus also in the operations of the Stabilization Board. It has raised many pertinent questions concerning the Board's operations to which we would like to direct your attention.

The Board prepares month by month reports of its operations and has already submitted the September report to the Ministries of Finance in the three cooperating countries, China, United States and Great Britain. It proposes to continue to submit such monthly reports and in addition a quarterly statement presenting an account of its operations in great detail. The Board has adopted the policy of avoiding all publicity on its activities even though it is reasonably confident that if more of the facts were known the ground would be taken from under most of the criticisms directed against it. It has repeatedly been stated that the Board was spending US\$10,000,000 per month and even per week, when as a matter of fact the actual figure is not much over US\$4,000,000 and about 600,000 pounds sterling a month.

Four specific questions have been raised:

- (1) How much exchange has the Board given out thus far?
  - (2) What are the proportions spent for Shanghai and for Free China?
  - (3) For what commodities has the Board given exchange?
  - (4) What criteria has the Board used in giving exchange?
- (1) How much exchange has the Board given out thus far?

In the first 11 weeks of its operations the Board has given out US\$13,300,000 and £1,869,000. It is interesting to note that applications in this period amounted to \$23,600,000 and £2,400,000. Thus approximately only 56% of the amount of U. S. dollars applied for and 78% of the amount of sterling applied for was granted. The above amounts are gross and not net, as they do not allow for the substantial sums of foreign exchange the Banks have received from exports, which sums must be accounted for to the Board.

- (2) What are the proportions spent for Shanghai and for Free China?

From its inception the Board has been fully cognizant of the fact that

- 2 -

its primary function was to strengthen Free China and Free China alone. It was not and is not interested in helping Shanghai for the sake of Shanghai. It was and is interested in giving exchange to Shanghai when such allocations of exchange redound to the benefit of the economy of Free China.

At the very outset the Board endeavored to analyze the expenditure for Shanghai in order to determine how much was for Shanghai alone and how much was clearly intended for Free China. Thus far it has found no feasible method of making such a segregation. However, it is confident that sizeable proportions of the funds for Shanghai were for products which would ultimately reach Free China. During the past month the Board has adopted the policy of meeting with representatives of each group before granting exchange to that group. In each case it endeavors to ascertain the annual exchange requirements of the group and grants it exchange only on condition that the particular commodities the group wishes to import will reach Free China in increasing volume. In this connection a study was recently made of the distribution of a number of Shanghai products. This study showed that the following proportions of commodities produced in Shanghai during September were for Free China:

Cotton textiles	65%
Knitted goods	45%
Machines and machine tools	35%

The Board's attitude is strikingly illustrated in its arrangements with the cotton textile group. While it was negotiating with the representatives of the cotton textile industry, the Nanking puppet government imposed an embargo on exports of textiles from Shanghai. The Board immediately stipulated that no exchange would be made available for cotton textiles as long as the embargo was in effect. Recently in the Board's negotiations with the Chairman of the Shanghai Municipal Council and one of its American members, a proposal was made for the Board to provide exchange for cotton, provided the Shanghai Municipal Council succeeded in having the embargo against textiles lifted. The Board would make no agreement as long as the embargo remained in force.

With respect to Shanghai, it must also be remembered that the Board has been engaged in waging economic warfare. It is true that the tactics employed in this warfare are of a subtle and complex nature and that too much publicity cannot be given to this warfare for obvious reasons. Nevertheless there are strong grounds for believing that this economic warfare has been producing good results. The maintenance of fapi in circulation in Shanghai and occupied China against the determined efforts of Japan and its puppet regimes to replace fapi with yen bloc currencies is the best testimony that China's currency war has so far been successful. The Board feels that its Shanghai policy has recently been an important element in the successes of the currency sector of the economic war.

The Board's office in Kunning is in active operation and is granting exchange at the rate of US\$ 1,000,000 per month. The Chungking office is now making allocations of exchange and it is hoped to set up with the cooperation of the Central Bank machinery for handling applications expeditiously in all important commercial centers in Free China from Lanchow to Kweilin.

(3) For what commodities has the Board given exchange?

With few exceptions, the Board does not grant foreign exchange for commodities on China's prohibited list. The Board's policy in granting exchange is perhaps best revealed in its attitude toward raw cotton and timber. During the first two weeks the Board received applications for US\$2,000,000 for cotton and granted US\$1,933,000. During September it received applications for US\$532,000 and granted only US\$28,000. It has since granted no exchange for cotton. In the case of timber it granted foreign exchange amounting to \$408,000 during the first two weeks, the full amount applied for, but during September it granted exchange for only US\$68,500, whereas \$465,000 was applied for, and no exchange for timber has been granted since.

During the first two weeks of its operations it granted exchange for about 34 commodities and during the month of September for 44 commodities. (October over 50) The commodities for which the Board granted foreign exchange in amount of US\$10,000 or more during September are as follows:

Rice	Chemicals and chemical compounds
Tobacco leaf	Pharmaceuticals
Petroleum products	Aniline dyes
Coal	Oils
Raw cotton	Fats and waxes
Wool and wool waste	Newsprinting paper
Tinned plate plain	Packing paper
Machinery	Writing and printing paper
Electrical materials	Leather
Evaporated milk	Timber
Wheat flour	Photographic products
Molasses	Starch
Sugar	

(4) What criteria has the Board used in giving exchange?

- (a) The Board grants direct applications for exchange from Free China as generously and liberally as possible.
- (b) As has been pointed out above with few exceptions no exchange is granted to items on the prohibited list.
- (c) Many factors are given serious consideration with respect to the complex Shanghai situation. In its Shanghai policy the Board is actuated by the desire to

- 4 -

- (i) restrict exchange to those commodities which are the raw materials for products destined for Free China. The Board feels that anything its activities contribute to increasing the inflow of goods in Free China relieves the scarcity of goods in Free China and to that extent helps to keep prices down. For this reason in view of the puppet regime's embargo on the export of cotton goods from Shanghai no exchange is being granted for cotton.
- (ii) restrict exchange to commodities which are essential for the subsistence of the Chinese population of Shanghai.
- (iii) ensure that the granting of exchange for imports is reflected in falling prices. Falling prices in Shanghai to some extent contribute to falling prices in Free China.
- (iv) facilitate the waging of effective economic warfare against Japan and its puppets and maintain fapi in circulation in occupied China.
- (v) gradually cut down exchange granted to Shanghai especially as far as such items as tobacco are concerned.

It should be noted that the Stabilization Fund of the United States and the Exchange Equalization Fund of Great Britain have for obvious reasons preserved a maximum of secrecy in their operations. While the U. S. Stabilization Fund and the British Exchange Equalization Fund have published a bare modicum of information on their activities, they have done so only after the lapse of a considerable period of time. In each case, however, detailed information on exchange operations has always been available to the President and to the Secretary of the Treasury in the case of the United States and to the Prime Minister and to the Chancellor of the Exchequer in the case of Great Britain. The Stabilization Board of China has, of course, a vast mass of information at its disposal which it utilizes in its deliberations and decisions.

In conclusion, attention is briefly called to the new set of licenses concerning China issued by the United States Treasury on November 12. These licenses clearly indicate that China possesses the full confidence of the United States Government in coping with the problems with which it is confronted. These licenses facilitate and increase the control of the Chinese Government over its foreign exchange and foreign trade. They make available to the Chinese Government and its instrumentalities all foreign exchange accruing from remittances from the United States to China and from Chinese exports, whether from occupied or from Free China, to the United States.

STABILIZATION BOARD OF CHINA

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True copy of  
signed original - gs

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TREASURY DEPARTMENT

215

INTER OFFICE COMMUNICATION

DATE December 12, 1941

TO Secretary Morgenthau  
FROM Mr. Dietrich

With reference to cable #1931 from the American Embassy, Rio de Janeiro, received in the State Department's letter of December 11, the State Department informed me that the second line of the cable referred to should read "has the total of approximately 34,000 contos 'about \$1,700,000'".

Also received in the State Department's letter of December 11 is cable #524 from the American Embassy, Montevideo, which the State Department has requested be returned to it. Will you therefore please return your copy of this cable to me.



NOTE: Paragraph Two which refers to Cable #524 from the American Embassy, Montevideo, has been taken care of and that cable was returned to State Department December 12, 1941.

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YDEPARTMENT OF STATE  
WASHINGTON

December 11, 1941

In reply refer to  
FF 840.51 Frozen Credits/4581

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses herewith copies of paraphrases of certain telegrams with reference to the Department's circular telegram of December 8, 1941 to all diplomatic and consular establishments in the American republics. The paraphrases are listed below:

<u>Number</u>	<u>From</u>	<u>Date</u>
1931	Rio de Janeiro	12/7/41
241	Ciudad Trujillo	12/8/41
508	Quito	12/8/41
1946	Rio de Janeiro	12/8/41
712	Santiago	12/8/41
524	Montevideo	12/9/41
354	La Paz	12/8/41
1402	Buenos Aires	12/8/41
722	Mexico City	12/8/41
224	Guatemala	12/9/41
218	Guatemala City	12/8/41
111	Tegucigalpa	12/8/41
486	Panama	12/8/41
525	Bogota	12/9/41
1964	Rio de Janeiro	12/9/41

The Secretary of State also transmits herewith copies of certain other telegrams with reference to the Department's circular telegram of December 8, 1941. These are as follows:

<u>Number</u>	<u>From</u>	<u>Date</u>
193	Habana	12/8/41
1944	Rio de Janeiro	12/8/41
1947	Rio de Janeiro	12/9/41
660	Lima	12/8/41
669	Lima	12/9/41

Enclosures:

As stated.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Rio de Janeiro  
TO : Secretary of State, Washington  
DATED: December 7, 1941, 11 p.m.  
NUMBER: 1931

The Yokohama Specie Bank, Rio de Janeiro branch, has a total of approximately \$34,000 "about \$1,700,000" on deposit with the Bank of Brazil. Relatively small accounts with commercial banks, principally in the State of Sao Paulo, are maintained by Japanese firms. December 8 will be a banking holiday in Rio. Matter will be discussed by the Director and the Minister of Finance tomorrow. The hope has been expressed to the Brazilian Government that these funds will be blocked.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Ciudad Trujillo  
TO : Secretary of State, Washington  
DATED: December 8, 1941, 11 a.m.  
NUMBER: 241

Assurances have been received from the Minister of Foreign Affairs and the various banks that the transfer of funds to Japan will not be permitted.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Quito  
TO: Secretary of State, Washington  
DATED: December 8, 1941, 3 p.m.  
NUMBER: 508

Permission now prerequisite to transfer of Japanese funds to or from Ecuador under recent Presidential decree by which trade with Japan is regulated. Operating expenses of \$1,000. per month currently allowed Japanese Legation. Though liberal, the amount is not excessive. Instructions requested as to whether this amount should be reduced or cut off.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Rio de Janeiro  
TO: Secretary of State, Washington  
DATED: December 8, 1941, 11 p.m.  
NUMBER: 1946

Proposed decree law to block all funds of European countries at war and funds of Japan was presented to President Vargas tonight by Finance Minister. Later report of details. Funds of Britain would be accepted.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Santiago  
TO: Secretary of State, Washington  
DATED: December 8, 1941, 6 p.m.  
NUMBER: 712

Almost no gold nor funds of Japanese Government or banks are now in Chile according to belief of Foreign Minister. It is believed he will take favorable action should any considerable amount of funds or gold be found after Foreign Minister's investigation tomorrow.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, La Paz  
TO: Secretary of State, Washington  
DATED: December 8, 1941, 6 p.m.  
NUMBER: 354

Oral commitments are being secured as a result of discussions had in the matter by the Legation with appropriate Bolivian authorities and local bank managers.

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## PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Buenos Aires  
TO: Secretary of State, Washington  
DATED: December 8, 1941, 12 p.m.  
NUMBER: 1402

Foreign Minister gave assurances of full consideration when presented with matter. Question discussed with head of Foreign Exchange Department of Central Bank, Grumbach, who will discuss it with Prebisch at once and with the Finance Minister. Japanese funds here, he said, perhaps amount to two million pesos, largely in peso form. His attitude was cooperative. In the absence of a decree he said it would be difficult to prevent peso transfers but that banks possibly could be requested beginning tomorrow morning to consult with Central Bank before granting transfers of pesos held by Japanese.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Mexico City  
TO : Secretary of State, Washington  
DATE: December 8, 1941, noon  
NUMBER: 732

All accounts of Japanese have been frozen by the  
Mexican Government effective today before banks open.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Guatemala  
TO : Secretary of State, Washington  
DATE: December 9, 1941, 5 p.m.  
No. : 224

All Japanese funds have been frozen by a decree issued by the Guatemalan Government. Sending text air mail.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Guatemala City  
TO: Secretary of State, Washington  
DATED: December 8, 1941, 10 a.m.  
NO. : 216

The wish of the United States Government as expressed in Department's circular was conveyed and interpreted to the Foreign Minister last night. Immediate assurance was given that his Government will fully cooperate and expedite effective measures.

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12-12-41

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Tegucigalpa  
TO: Secretary of State, Washington  
DATE: December 8, 1941, 5 p.m.  
NO. : 111

No funds can be sent to any Japanese firms or persons by local banks as the Government of Honduras is at war.

eh:copy 12-12-41

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Panama  
TO. : Secretary of State, Washington  
DATE: December 8, 1941, 11 a.m.  
NO. : 486

Transfers of funds and gold owned by Japanese Government, companies, banks or individuals are now prohibited by measures agreed upon last night by Panamanian Government.

sh:copy  
12-12-41

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229

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Bogota  
TO : Secretary of State, Washington  
DATE: December 9, 1941, 10 p.m.  
NO. : 625

All funds and credits of the Japanese are automatically blocked by regulations covering exchange control, according to information from the Secretary General of the Foreign Office. Specific measures as indicated by the Department are being proposed after an investigation. Department will be kept informed.

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230

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Rio de Janeiro  
TO : Secretary of State, Washington  
Date: December 9, 1941, 9 p.m.  
No. : 1964

All of Brazil now has blocking procedure in operation. Bank of Brazil has a total of 88,901 contos (approximately \$4,500,000) of blocked accounts belonging to Axis banks. Payment on a check presented by the Yokohama Specie Bank for 20,000 contos to the Bank of Brazil was refused this morning.

Further cooperation by the Bank of Brazil is evidenced by its holding steady the dollar milreis cross rate. Black market transactions have been normal.

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231

MEV

PLAIN

Habana

Undated

Rec'd December 8, 1941

1:50 p.m.

Secretary of State,

Washington.

193

Department's circular December 7, 7 p.m.

Contents of above formally transmitted to  
Ministry of State this morning, contents, Depart-  
ment's triple priority circular amplifying above  
communicated to heads local United States banking  
concerns and notice to all United States concerns  
being published in press.

MESSERSMITH

HPD

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12-12-41

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232

BS

PLAIN

Rio de Janeiro

Dated December 8, 1941

Rec'd. 9:13 p.m.

Secretary of State,  
Washington.  
1944, Eighth.

Reference Department's circular December 7 re-  
garding Japanese nationals. American banking re-  
presentatives and Consulates in Brazil have been in-  
formed. American Chambers of Commerce Rio de Janeiro  
and Sao Paulo are circularizing all members today.

CAFFERY

JRL

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12-12-41

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233

MEV

PLAIN

Rio de Janeiro

Dated December 9, 1941

Rec'd 1:26 p.m.

Secretary of State,

Washington.

RUSH

1947, ninth.

My 1946, December 8, 11 p.m.

President Vargas today signed a decree law blocking funds of nationals (including official funds) of non-American countries now in state of war.

The pertinent provision of the legislation follows:

"All operations (financial) involving nations and juridical persons of non-American countries which are in a state of war are subject to previous permit of the bank of Brazil".

Bank of Brazil investigators are already in control of operations of German, Italian, French and Japanese banks in Brazil.

(BEGIN GRAY) (British funds will be excepted.)(END GRAY)

CAFFERY

DD

Copy:hmd:12/12/41

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MEV

PLAIN

Lima

Dated December 8, 1941

Rec'd 12:38 p.m.

Secretary of State,

Washington.

660, 8th

Department's circular telegram December 7, 7 p.m.

The Government received the suggestion favorably and stated that the Department's wish had been anticipated.

NORWEE

HPD

eh:copy 12-12-41

COPY

235

NWN

PLAIN

Lima

Dated December 9, 1941

Rec'd. 6:15 p.m.

Secretary of State,

Washington.

669, December 9, 1 p.m.

Department's circular telegram December 7, 7 p.m.  
and Embassy's 660, December eighth

Peruvian Government decree dated December 8th  
blocks Japanese funds. A second decree of same  
date prohibits despatching of any merchandise of  
Japanese origin as well as reexportation of all  
imported merchandise including that in transit  
without special license.

NORWEB

JRL

Copy:ec  
12-12-41

COORDINATOR OF INFORMATION

236

WASHINGTON, D. C.

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

My dear Mr. Secretary:

I am transmitting herewith a memorandum  
on the situation in Lower California, which I  
hope may be of interest to you.

Sincerely yours,

*James P. Baxter, Sr.*

James P. Baxter, Sr.  
Director, Branch of  
Research and Analysis

Enclosure

237

**SECRET**

COORDINATOR OF INFORMATION

Latin American Section

Special Situation Memorandum No. 15

REPORT ON THE CURRENT SITUATION IN BAJA CALIFORNIA

December 12, 1941.

238  
**SECRET**

SECRET

Latin American Section

Special Situation  
Memorandum No. 15

REPORT ON THE CURRENT SITUATION IN BAJA CALIFORNIA

Unconfirmed reports published in the newspaper December 11, 1941, state that 5,000 Japanese from various parts of Mexico have been moving into Lower California in the last two or three days. This report comes from Mexicali. The report also states that the Island of Tiburon is being used as an air base for the landing of planes from other parts of Mexico.

These rumors are undoubtedly exaggerated and their significance is questionable. In the first place, to move 5,000 Japanese or even a fifth of that number would bring up a problem of transportation which would require a major effort. There are no railroads running from the main part of Mexico into Baja California. The only railroads to Mexicali cross the border from the United States. The passage of Japanese from one part of Mexico to another would require government permit which alone would make the movement of 5,000 people at this time impossible. Nevertheless, if only a hundred Japanese have succeeded in moving illegally from their homes, perhaps going by

<sup>239</sup>  
**SECRET**

-2-

airplane or boat, the movement should be recorded and must be watched. Telephone conversation with the Latin American Section of G-2 supports this point of view. G-2 reports that it has received information that there has been a considerable movement of Japanese from Southern California across the border into Lower California, following the opening of hostilities with Japan. Some doubt is expressed however whether this movement has reached the proportions of 5,000. Most of these Japanese are probably now in the area around Mexicali.

The use of the Island of Tiburon for the landing of airplanes has long been noted by both O. N. I. and G-2. The field is not large enough for the landing of bombers but can be used for small planes. No concentrations of fuel are known to have been made and probably could not have been made on a large scale without some rumor to that effect reaching Washington. Nevertheless this does not preclude the possibility of the existence of a sufficient amount of fuel to make possible raids by small planes on the nearby portions of the United States.

Lower California is all desert. It is composed

239  
**SECRET**

-2-

airplane or boat, the movement should be recorded and must be watched. Telephone conversation with the Latin American Section of G-2 supports this point of view. G-2 reports that it has received information that there has been a considerable movement of Japanese from Southern California across the border into Lower California, following the opening of hostilities with Japan. Some doubt is expressed however whether this movement has reached the proportions of 5,000. Most of these Japanese are probably now in the area around Mexicali.

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Lower California is all desert. It is composed

of rocky terraces, scored by sharp sided, flat bottomed dry valleys. The surface is covered with gravel and stones which would mean that landing fields would have to be specially prepared and would be easily visible from the air. The landscape is utterly barren so that important concentrations of people or materials could scarcely be hidden. The population is very small, grouped in isolated communities where water is available. There are no roads connecting these settlements overland. At Santa Rosalia, located on the east coast of Baja California a little north of latitude 27°, southwest of Hermosillo, there is a copper mine operated by a North American company. The Mexican concentration of people in the Mexicali area is more closely related to the United States than to the rest of Mexico.

The presence of Japanese colonists in this area has been known for a long time. For the most part these colonists are fishermen and dispose of their product in the Mexican West Coast ports. It is well known that many of the fishermen hold commissions in the Japanese Navy, and their presence off this coast in close proximity to San Diego has an obvious purpose. In the recent G-2 report on Japanese activities in Latin America it was

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**SECRET**

stated that about 1,000 Japanese are known to be in this area. Since that report was prepared in August, however, the Mexicans have forced the Japanese fishermen out of business and Mexicans have taken over control of the fishing activity. G-2 states that most of the Japanese have left Baja California. These Japanese communities, not only in Lower California but in other parts of Mexico, are known to have formed semi-military groups, organized and disciplined under the leadership of ex-service men or reservists. The total number, however, is small and could scarcely constitute a threat to the border settlements in California, excepting as these Japanese units might cross the border by infiltration or carry on raids of local significance in the border communities. The chief handicap which any enemy groups in Baja California would have to overcome before they would constitute a menace to such strategic points as San Diego would be the supply problem. In the absence of transportation facilities by land or large landing fields for airplanes or good harbors, no really significant concentration of material could be made without the knowledge of responsible Navy and Army officials of the United States. The possibility that some of the

little ports along the Pacific Coast might be used for the refueling of submarines or surface raiders is not to be overlooked. Small quantities of fuel oil could easily be made available in these places. In this connection, however, the following points should be noted:

1. The desert character of Lower California would not permit any large scale operations of this sort. (The only surface stream in the whole area is near the southern end of the peninsula.)

2. The ports are open and unsheltered, and refueling operations would not be at all easy.

3. Only the ports on the Pacific side or near the southern end on the Gulf side would be available. The coast of the Gulf of California north of latitude 29° is almost impossible for landing operations because of the very great tidal range.

It should be noted that in addition to the Japanese settlements in Baja California, there has been a recent movement by the Sinarquistas. A small number of

Mexicans, mostly Indians, have been actually colonized in Lower California under the direction of this pro-Nazi political organization.

## COORDINATOR OF INFORMATION

WASHINGTON, D. C.  
December 12, 1941



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

My dear Mr. Secretary:

I am enclosing herewith a summary of a report on Canadian Labor Problems which has been prepared in my office and which I hope may be of interest to you. The full report on which this summary is based will be available upon request.

Sincerely yours,

James P. Baxter, 3d  
Director, Branch of  
Research and Analysis

Enclosure

## COORDINATOR OF INFORMATION

British Empire Section  
Special Memorandum No. 3

## CANADIAN LABOR PROBLEMS

DIGEST

CANADIAN LABOR RELATIONS ARE RAPIDLY APPROACHING A CRISIS on the question as to whether Canadian workers are to obtain the full union recognition and mandatory collective bargaining hitherto denied them. Canada has no Wagner Act or N.L.R.B. and employers are still refusing to deal with unions, strikes are frequent and labor fears that government and management are trying to foist a modified "company union" plan on the workers.

THE CANADIAN LABOR MOVEMENT IS ABOUT THIRTY YEARS BEHIND THAT IN THE UNITED STATES and has been largely influenced by the American labor movement. The Trades and Labor Congress, closely affiliated with the A. F. of L., was founded in 1896 and has remained the main organization of "international" unions. The Canadian "national" unions have been smaller and less successful. The Catholic Confederation of Workers has been chiefly centered in Quebec, has fought all radicalism and sponsored "corporatism" on European models. Radical labor movements have centered in the West, especially immediately after World War I when there were tie-ups with the I. W. W. and to a certain extent with Communists. The Communist party was never very large in membership or influence. The Canadian C. I. O. unions took their inception and direction from the United States and hence were subject to dislike

by ultra-nationalists in Canada. The political parties have never been closely tied up with the labor movement. CANADIAN UNIONISM HAS BEEN SCATTERED AND WEAK BECAUSE OF SECTIONALISM, the aggressive policies of THE ROMAN CATHOLIC CHURCH, the inability of the Trades and Labor Congress to maintain conformity, the instability and insecurity of the wage earning group and the SLIGHT DEGREE OF INDUSTRIAL CONCENTRATION. In 1939, out of a total of 1,105,712 workers in industry, there were 358,967 union members.

THE WAR TIME LABOR POLICY OF CANADA HAS BEEN CHIEFLY PROMULGATED BY ORDERS IN COUNCIL, i.e., through the Executive. Of these the most important was Number 2685, which recommended but did not order collective bargaining, attempted to reassure labor and also to speed war production and prevent strikes. Number 7440 on wage policy set a ceiling and a floor on wages, and provided a bonus for labor based on the cost of living. Labor has not been satisfied with the results of these Orders in Council, claiming that their provisions have been disregarded, coercion and intimidation resorted to by employers and an attempt made by government and management to force acceptance of company unions. Labor has also objected to the government policy of placing leading anti-labor industrialists in key positions as controllers of war industries.

THERE HAVE BEEN A NUMBER OF IMPORTANT STRIKES, in spite of their having been declared illegal. One of the reasons has been the maddeningly slow tempo of the conciliation machinery. THE

MOST DRAMATIC STRIKE TOOK PLACE AT THE ARVIDA, QUEBEC PLANT OF THE ALUMINUM COMPANY, where potmen striking for higher wages occupied the premises for four days. There was a great hue and cry of "sabotage" and "subversive activity" led by Hon. Clarence Howe, Minister of Munitions and Supply, but later report of a Royal Commission entirely exonerated French Canadian workers at Arvida of these charges.

THE PERSONALITIES OF GOVERNMENT LEADERS HAVE NOT BEEN PLEASING TO LABOR. The Labor Minister, Hon. Norman McLarty, has no previous labor experience and has been all his life a corporation lawyer. Hon. Clarence Howe, Minister of Munitions and Supply, is a "strong man" closely allied to industry. The Prime Minister, Mr. King, though temperamentally favorable to the underdog, is suspect to labor, because of his authorship of Rockefeller "company union" plan during World War I.

FULL RECOGNITION OF UNIONS WILL DOUBTLESS COME REASONABLY SOON. It will be speeded up by the vastly increased industrialization involved in the present war effort. Labor demands are comparatively modest comprising collective bargaining, full union recognition, a labor code promulgated by Parliament after full debate in place of "Order in Council government" and a labor court, whose decisions shall be free from dictation of the federal Labor Department.

## COORDINATOR OF INFORMATION

WASHINGTON, D. C.  
December 12, 1941

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

My dear Mr. Secretary:

I am transmitting herewith a memorandum on The Netherlands Indies which I hope may be of service to you.

Sincerely yours,

*James P. Baxter, 3d*

James P. Baxter, 3d  
Director, Branch of  
Research and Analysis

Enclosure

**CONFIDENTIAL**  
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COORDINATOR OF INFORMATION

British Empire and Western European Sections

Special Memorandum No.3

THE NETHERLANDS INDIES

December 3, 1941

SUMMARY

The Netherlands East Indies, because of its strategic geographical position and the possession of raw materials (such as rubber, tin and petroleum), vital to the defense efforts of the United States and the war efforts of the Allies, holds a major position in deliberations on the ominous crisis in the Orient. Since the war the United States has become the leading source of Indies' imports and its chief export market.

The Indies, militarily weak, is dependent upon the United States for defense equipment, and upon the United States and Britain for military protection. The army, navy and air-force are small and purely defensive, but military morale is good, as it appears to be among the civilian population, despite numerous native nationalist movements.

In spite of dislocations incident to the war, the economy of the N.E.I. has not been seriously disturbed. The trade outlook is good. Shipping facilities, for the time being, at least, are adequate. Deliveries on defense orders placed in the United States are lagging.

STRATEGIC IMPORTANCEGeographic

The Indies is likely to be the cockpit of a general conflict in the Far East, for it is situated at the convergence of numerous important air and shipping routes from Europe, Africa, Near and Middle East to Eastern Asia, and from Middle and Eastern Asia to Australia; it lies within the defense triangle Singapore, Honkong, and Port Darwin; and is an important source of strategic raw materials.

It has an area of 734,000 square miles (one-fourth the area of the United States), with a population in 1940 of 60,731,025, of which two-thirds lived on Java and Madura (area 50,000 square miles) and 8,250,000 on Sumatra (area 162,000 square miles). The largest non-native groups in the population are the Chinese (1,250,000), the Europeans (200,000, about three-fifths of whom are Eurasians) and the Arabs (79,000). Chinese, Eurasian and Arab elements make up the bulk of the lower middle class population.

Economic

The Indies may be called the arsenal of strategic raw materials for the democracies. In 1938 it produced 37% of the world's rubber, 17% of the tin, 90% of the quinine and 28% of the palm oil products. The United States imports all of its quinine, nearly all of its rubber and 30% of its tin from the East Indies. The United States is, since 1940, the leading source of Indies' imports and its chief export market. The estimated value of our

imports from the Indies in 1940 was \$53,871,000 and our exports to the Indies approximated \$167,000,000. For the first six months of 1941 the figures were \$49,724,000 and \$96,896,000 respectively. In 1940 the United States imported from the Indies about \$100,000,000 worth of rubber (60% of the total Indies' rubber exports) \$4,000,000 of tin, \$4,000,000 of fibres, \$3,500,000 of quinine and \$3,000,000 of palm oil. Imports from the United States in 1940 (exclusive of military material) increased by 60% over 1939, and exports to the United States by 100% in the same period.

Oil is the most important strategic problem of Eastern Asia. This region, with over half of the world's population, consumes 5% but produces only 3.5% of the world's oil, and of this four-fifths is produced by the Indies. The annual production of the Indies is about 60,000,000 barrels or 2.8% of the world's total. Japan's consumption of oil in 1939 was estimated at about 40,000,000 barrels, of which 3,000,000 were produced domestically, 19,400,000 were imported from the United States, 14,600,000 from the Indies and 3,000,000 from other countries.

#### Military

The strategic importance of the Indies in A.B.C.D. defense is obvious. While the United States is very dependent on the Indies for vital supplies, the Indies is completely dependent on the United States for defense equipment. The Indies Government and its agencies have placed orders here for military materials to the value of over \$200,000,000. Delivery has been made on orders totalling only slightly more than one-fifth of this amount. On May 15th the Netherlands Indies estimated that to satisfy minimum defense needs orders for approximately \$160,000,000 worth of material would have to be placed in 1941 and

\$353,000,000 in 1942.

Of the oil produced in the Indies only 20% comes from the Borneo fields, the fields most exposed to Japanese attack; most of the remainder is produced on Sumatra and Java.

#### THE DEFENSE STATUS OF THE NETHERLANDS EAST INDIES

An Associated Press dispatch of December 1, announces that the Governor General of the N.E.I. has ordered mobilization of the colony's military forces. The real military strength of these Dutch islands, however, is not in their own military or economic defenses, but in the military cooperation between Britain and Holland and in the expectation that naval support can be anticipated from the United States in the event of a Japanese attack.

##### Military Forces

Despite its dense population and the institution of compulsory militia service for the Netherlanders of the islands in 1923, and quite recently for the natives, the Netherlands Indies army totals only 113,775 effectives. Of this number approximately 90,000 are distributed among six stations in Java.

The naval forces, consisting of four cruisers, seven destroyers and fifteen submarines, are capable of delaying action only, against strong attack. The only naval bases of consequence, i.e. having facilities for the repair of ships, are at Batavia and Soerabaya.

1/ Soerabaya boasts the only navy yard, and plans the construction of a fixed dry dock able to accommodate ships up to 40,000 tons. The existing floating docks are limited to vessels less than 7000 tons.

Ambon affords a small base, and a number of other places offer good anchorage.

The air combat strength is also very limited.<sup>2/</sup>

4.

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### Morale

Despite a high percentage of natives in the armed forces<sup>3/</sup> the morale in all branches of the service is thought to be excellent. Natives attain the rank of petty officer in the Navy, and, since the occupation of Holland, a few natives of prominent families have been admitted to the Naval Academy at Soerabaya. There are a few native officers in the Army. Despite the background of native nationalist agitation the morale of the civilian population is also considered satisfactory.

### FOREIGN RELATIONS

The Indies' relations with China are not now very extensive, but due to proximity and the large Chinese population in the Indies are bound to be important in the future. The relations of the Indies with the Near East are important because 90% of the Indonesians are Moslem (a very large number of Indonesians make the pilgrimages to Mecca) and because many southern Arabs go to the Indies in search of fortunes.

### British

For its security, the Netherlands, both in Europe and in Asia, has been very dependent upon the British, but in spite of this

<sup>2/</sup> Authorization for more precise military data could not be obtained and the writers are informed that it would be secured by Mr. Bullitt in person.

<sup>3/</sup> The ratio of natives to whites in the army, ordinarily at 4 to 1, has been reduced to about 4 to 3, and is approximately 2 to 3 in the Navy, where natives are employed primarily as stokers and messmen.

dependence the Dutch rigidly adhered to a policy of isolation and

neutrality. With the invasion of Holland came a change of policy; yet no formal alliance has been made between the two nations in the Far East. The common defense interests of Australia, New Zealand and the Indies are bringing these countries closer together. While the trade between them is still small, it is rapidly developing.

#### Japanese

Indies-Japanese relations became important after 1929. In that year Japan supplied the Indies with 10% of its imports; in 1933, 32%. The Dutch were alarmed at the commercial invasion but feared political penetration even more. To protect the Indies' export markets (Japan took only 5% of Indies' exports in 1933), to safeguard, to some degree, the market for Dutch exports, and to protect the Indies' economy, the Government resorted to licensing imports and to quotas. At the time the Dutch and the Japanese were also engaged in a shipping war. An effort to resolve their differences was made in a trade conference in 1934, but, in spite of six months of negotiations, came to nought. Shipping and commercial agreements in 1936, 1937, and 1938 offered only a temporary solution. Since the termination of the Japanese-United States commercial treaty in January, 1940, Japan has exerted diplomatic and other pressures on the Indies for broad commercial and economic concessions. Shortly after the invasion of Holland, Japan insisted upon another trade conference, which began in Batavia in September, 1940, with the arrival of a Japanese delegation headed by Minister of Commerce Kobayashi. The only agreement which came out of the nine months' conference was an agreement on oil shipments which fell much below Japanese expectations, since it did not provide for the delivery of high octane aviation gas.

When the Dutch Government on June 6th rejected the Japanese demands and refused to reconsider its position, the conference broke up on June 17th. A joint communique was issued stating that the "discontinuance of the present negotiations will lead to no change in the normal relations" between the two countries. On July 28th, the Indies Government followed the British, the Dominion and American governments in freezing Japanese credits. Trade with Japan quickly tapered off and has now practically ceased. Recently Japan acquired commercial air base rights in Portuguese Timor. The Dutch have countered this move by prohibiting the export of oil to this territory.

#### THE ECONOMIC CONDITION OF N.E.I.

##### Trade Relations with Japan

Whatever the future may hold for them the Netherlands Indies are experiencing a substantial war boom due to the demand for their strategic commodities--rubber, tin, and quinine. The N.E.I. has not suffered greatly as a result of the drastic restrictions imposed on the flourishing pre-war trade with Japan. While this was serious for Japan, since the N.E.I. furnished all of Japan's quinine, and much of her rubber, tin and petroleum, it was no great blow to the Dutch, for the United States and the Allies willingly absorbed these commodities. The only hardship for the Dutch was the loss of Japan's cheap textiles, important for native consumption. Despite a falling off of 6% in the value of exports and 2% of imports for the first six months of 1941 as compared with 1940, the foreign trade situation is considered satisfactory.

The recent shifts in foreign trade have affected native standards of living in the areas in which non-strategic materials such

as copra, sugar, pepper, etc. are produced. Moreover, there has been a steady rise in the cost of living.

#### N.E.I. Industry

Industrial production in the N.E.I. has doubled in the past decade but still is in its infancy, the annual value of industrial production today attaining only an approximate \$23,500,000. Only some 10% of the native population is engaged in industry.

#### Shipping

There is no crucial situation at present with regard to shipping on the N.E.I.-United States route. An average monthly carrying tonnage of 125,000 is required to meet our needs in this trade. Two ships en route to the United States from the East Indies--one Norwegian and one Dutch--have been lost, reportedly by action of surface raiders, during the past two months.

### THE INTERNAL SOCIO-POLITICAL CONDITION OF THE N.E.I.

#### Native Attitudes and Pressure Groups

The pressure of the N.E.I. non-European population groups for reforms has been stimulated by the war and the new importance of the islands since the occupation of Holland. This pressure has induced the Government to appoint an official Commission (the Viaman Commission) to investigate the desires of population groups for political reform. The natives, despite nationalist activities, are not disloyal to the Dutch and few among them can be considered pro-Japanese; in fact, the majority of Indonesians can be described as indifferent to the present conflict as, indeed, they have been to their own "movements" all along.

While the Dutch have carefully refrained from disturbing

native cultural institutions, have prohibited the alienation of native agricultural lands to Europeans, and have brought many improvements and much development to the area. Dutch native policy in political matters has been essentially negative. The resentment among many articulate Indonesians at their relative political impotence has crystallized in the formation of a large number of native nationalist organizations of varying degrees of radicalism. Most of the estimated 500,000 native nationalists are enrolled in the eight parties comprising the "Gapi" (Gaboengen Politiek Indonesia--"Indonesian Political Federation"), which advocates home rule on a sort of dominion basis. Significantly, the Indonesians have pressed for an East Indian citizenship and have favored compulsory military service for natives.

#### Political Organizations

The "Gapi" controls eight of the thirty native seats in the Volkraad (Peoples Council), which is the highest legislative body in the land, though its functions are mainly advisory and its actions may be vetoed by the Governor General, in whom are vested the real governing powers--powers which have been greatly enhanced since the war. There is no direct suffrage in the East Indies; elections are based upon a proportional representation of political parties in a unique system of local councils.

#### Chinese Complaints

The Chinese complain of the denial to them of legal equality with Europeans and allege discriminations in the economic realm.

#### Unofficial Dutch

The 25,000 unofficial, unmixed Dutch, are generally unconcerned about the native problem, and rely on the Government to suppress seditious movements among the natives, as it has done efficiently enough in the

past.

The Netherlands Indies, since the conquest of the mother country, have had to hoe their own row and have developed a sense of independence and self-reliance that will scarcely tolerate a return to the pre-war colonial status.

APPENDIX I.

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PERSONS TO VISIT

- Governor-General Jhr. A.W.L. Tjarda van Starckenborgh Staohouwer,--  
born in Groningen, Netherlands 1888; diplomatic service  
1912-25; Queens Commissioner in Province of Groningen, 1925-33;  
Minister to Belgium, 1933-36; Governor General 1936---,  
Married to a daughter of Theodore Marburg of Baltimore.
- J. van Mook,--Director, Department of Economics, head of delegation  
at recent trade conference with Japanese, soon to be Minister  
of Colonies in the Dutch Ministry in London.
- A. Scojone,--Javanese, member of Council of Indies, formerly Nether-  
Lands representative on the International Tin Committee.
- F.H. Visman, member of the Council of the Indies,--Chairman of Com-  
mittee investigating desires and plans for constitutional re-  
forms.
- General H. ter Poorten,--Commander-in-Chief of the Indies' Army;  
Director of the Department of War.
- Vice-Admiral C.E.L. Helfferich, director of Department of Navy;  
Commander of Indies' Fleet.
- C.O. van de Plas, former Governor of East Java, now member of the  
council of the Indies, probably knows native thought, morale,  
etc. better than anyone now in the Indies.
- Van Buttenga Wichers, Director of the Bank of Java.
- C. van Helsdingen,--prominent Dutch member of the Volkaraad.

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APPENDIX II.

PLACES TO VISIT

- Medan--east coast of Sumatra, center of large scale western plantations.
- Batavia--seat of most government agencies.
- Bandoeng--Java. Departments of Navy and War are located here.
- Buitenzorg--Official residence of Governor General. Famous botanical  
gardens.
- Soerakarta or Solokarta--seats of the native states.
- Soerabaya--commercial center and naval base.
- Timor--an island half of which is under Dutch, other half under Portu-  
guese sovereignty. Center of Japanese activities.
- Ambon--Center of Dutch culture, seat of Government of Great East minor  
naval base.

SOURCES

## Documents and Interviews:

State Department

Commerce Department

Office of Naval Intelligence

Military Intelligence Division

Netherlands Legation

Maritime Commission

Lease-Lend

## Secondary:

Vandenbosch, Amry. The Dutch East Indies, 2d. ed.,  
Berkeley and Los Angeles, University of California  
Press, 1941

Seven maps attached

TREASURY DEPARTMENT

262

INTER OFFICE COMMUNICATION

DATE December 12, 1941

TO Secretary Morgenthau  
FROM Mr. Kamarck

Subject: Monthly Report: Royal Air Force Bombing Activity  
in November, 1941

Comment

During November, Naples was the city particularly favored by the R. A. F. The British attacked Naples on eight separate occasions during the month. Ostend, the second favorite target of the month, suffered six attacks.

- 2 -

1. <u>Losses</u>	<u>Losses during November</u>	<u>Total Losses in Raids to December 1</u>
R.A.F. bomber losses in bombing raids in Northern Europe	99	1,297
2. <u>Analysis of Targets</u>	<u>Attacks during November</u>	<u>Total number of Attacks to December 1</u>
Ports, docks, shipping	70	1,388
Industrial plants	17	885
Airdromes and seaplane bases	12	838
Oil refineries, synthetic oil plants and tank farms	<u>2</u>	<u>356</u>
Total of above	101	3,467

3. <u>Leading Cities Attacked</u>	<u>Attacks during November</u>	<u>Total Number of Attacks to December 1</u>
<u>A. Germany</u>		
Cologne (industrial center)	1	92
Bremen (port)	0	84
Hamburg (port)	3	83
Emden (port)	4	62
Wilhelmshaven (port)	2	56
Mannheim (industrial center)	1	55
Kiel (port)	2	55
Berlin (industrial center)	1	50
Gelsenkirchen (synthetic oil)	0	43
Essen (industrial center)	1	43
Hanover (synthetic oil)	<u>0</u>	<u>41</u>
Total of above (11 cities)	15	664
<u>B. Occupied Areas</u>		
Boulogne (port)	3	113
Ostend (port)	6	93
Brest (port)	4	85
Calais (port)	3	77
Flushing (port)	0	63
Lorient (port)	<u>1</u>	<u>52</u>
Total of above (6 cities)	17	483
<u>C. Italy</u>		
Naples (port)	8	21
Turin (industrial center)	<u>0</u>	<u>13</u>
Total of above (2 cities)	8	34

TREASURY DEPARTMENT

265

INTER OFFICE COMMUNICATION

DATE December 12, 1941

TO Secretary Morgenthau  
FROM Mr. Kamarck

*MH*

Subject: O.C.I. Background Report on the Remarks of Premier Saw of Burma, November 17, 1941

(Since Japanese forces in Thailand are now on the Burmese frontier, the Burmese attitude, indicated by Premier Saw, of hostility to the British and even, perhaps, friendship towards Japan has become important).

1. Burma has a history of anti-British sentiment, growing out of its three wars for independence. As late as 1930-31, an open rebellion of 50,000 Burmese had to be suppressed by force.

2. In 1935, the Burmese asked for immediate Dominion status.

3. Burma admires Japan "as a kindred nation which had defeated a European power."

4. In the last two months, Burmese feeling has been becoming increasingly resentful of Churchill's statement that the Atlantic Charter does not apply to Burma.

Secretary Morgenthau

266

*Prepared  
By  
O.C.I.*

Burma, which is important today for the defense of China as well as of herself and India, is not supporting the war well and may even welcome Japanese intrusion. The latter possibility was indicated in the remarks of U. Maung Saw, Premier of Burma, in a conversation on November 17.

Mr. Saw's remarks have a background not only of controversy but also of war with Britain and revolt against British rule extending down to the recent past. The three Burmese wars of 1824, 1852, and 1885, by which Britain won Burma, have not been forgotten by the Burmese people, and resentment still continues.

In the present century, when issues concerning representative institutions and home rule have agitated the country, anti-British feeling has reached extreme expression. In 1930-31, when Gandhi was leading the second Civil Disobedience Campaign in India, a revolt broke out in Burma, which was partly economic and partly political. It extended over large parts of Lower Burma and as far north as the Shan states. The rebels got rifles and guns, put up a strong fight and evidently had local popular support. Troops had to be brought from India to suppress the revolt, and at least 3,000 rebels were killed and wounded. Surrenders, under promise of an amnesty, amounted to no less than 36,500. It is safe to say that no less than 50,000 Burmese were under arms against the government.

After this revolt was suppressed the question was discussed of separating Burma from India, of which it was a province. Burmese opinion was divided on the issue. In the election of November 1932 to the Burma Legislative Council the anti-separationists won a majority. But, when the Council met, its votes on various questions involving separation from India or federation with India were of a varying character, and Sir Samuel Hoare, then Secretary of State for India, expressed the opinion in 1933 that the Burmans themselves actually supported the separation. The succeeding report of the Joint Parliamentary Commission (prelude to Government of Burma Act of 1935) recommended the separation and the establishment of a separate constitution for Burma. When the Burma Legislative Council discussed this report, it rejected an anti-separation motion and also rejected the constitution proposed by the Joint Parliamentary Commission which included separation from India. Instead, it adopted a proposal favorable to the immediate grant of Dominion status.

Burma was, therefore, in a state of political dissatisfaction with Britain when the war with Germany broke out in 1939. Besides this fact, she was disposed to be friendly to Japan and admired her as a kindred nation which had defeated a European power. She dislikes the implication that the Burma Road may involve her in a war with Japan, and her war support has been very slender. In

the past two months her popular lethargy toward the war has been turning toward resentment that the Atlantic Charter, with its declaration for self-government by all nations, should not apply to Burma. Mr. Churchill stated flatly in the House of Commons on September 9 that Burma is excluded from the operation of the Charter.

A discontented Burma is an obvious impediment to the effective use of the Burma Road and might become a danger to its safety.

TREASURY DEPARTMENT

270

INTER OFFICE COMMUNICATION

DATE December 12, 1941

TO Secretary Morgenthau

FROM Mr. Kassarck

Subject: Summary of Military Reports

The Japanese Attacks

In the attack on Pearl Harbor, the battleship Oklahoma, (29,000 tons, launched in 1914, carries ten 14-inch guns) capsized, and the battleship Tennessee, (32,000 tons, launched in 1919, carries twelve 14-inch guns) was set on fire. One destroyer in the dock was blown up; another destroyer and a mine-layer were set on fire. Four airdromes were attacked. One hundred airplanes were destroyed (63 fighters, 4 light bombers, 28 heavy bombers, and 5 Flying Fortresses). (According to our Military Intelligence, half of our planes in Hawaii were destroyed.) The power stations were also hit, but not put out of action.

The same morning, 18 airplanes attacked Singapore but no naval damage occurred.

(U.K. Embassy, Operations Reports, December 8, 9; U.S. Military Intelligence)

Japanese Air Force

The British estimate that the Japanese now have 350 airplanes in French Indo-China. Approximately 100 are in the north and 250 in the south. Of these, probably not over 100 are fighter planes. (Our Army estimates that the Japanese have 500 airplanes in Indo-China. In operations in this area, the Japanese also can use planes based on carriers. It is believed that the attacks on Manila are coming from carriers. For operations against northern Luzon, the Japanese have available bombers from Formosa).

(U.K. Embassy, Operations Report, November 8, 1941; U.S. Military Intelligence)

TREASURY DEPARTMENT

21/270

INTER OFFICE COMMUNICATION

DATE December 12, 1941

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FROM Mr. Kamarok

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(U.K. Embassy, Operations Report, November 8, 1941; U.S. Military Intelligence)

### German Air Force

Some quarters of the British Air Ministry consider it a bad sign that the Russians now claim to have air superiority over the entire Soviet-German front. It is thought that the Germans may be withdrawing planes from Russia for a renewal of heavy assaults on England.

(U.S. Military Intelligence, Situation Report, December 11, 1941)

The Germans have recently transferred 30 Junkers-88 planes from Holland to Sicily. It is estimated that there are around 70 planes of this type now in Sicily, of which 30 are long-range bombers and 40 long-range night fighters.

(U.K. Embassy, Operations Report, December 9, 1941)

(While it is quite possible that the Germans may be concentrating their airplanes for bombing attacks on England, it is most likely that a move into Spain and North Africa is contemplated. The report of the transfer of planes from the North Sea Coast to Sicily may be a small indication of this).

### Finland

The fat ration has recently been cut from 600 to 150 grammes a month. The Finnish fat ration is thus reduced to only about 12 percent of British or German rations. (In view of the Finnish climate, this ration must mean considerable suffering for the Finns).

(U.K. Embassy, Operations Report, December 9, 1941)

### German Casualties in the Russian War

Hitler has twice given his figures on the German casualties in the Russian war. In a September speech, he gave the casualties to September 1; in his speech yesterday, to December 1. Upon analysis, some strange results appear:

- (a) In the 71 days from June 22 to September 1, the Germans admit casualties of 5,590 per day. In the 91 days from September 1 to December 1, the casualties come to only 1,950 a day. (Our Military Intelligence estimates German casualties at 12,000 a day as a rock bottom minimum. Thus, even for the earlier period, Hitler under-stated casualties by at least 50 percent.) If, as is likely, the average rate of casualties did not change very much between the two periods, and the fictitious earlier rate of 5,590 a day continued, total casualties for the war to December 1 would have been 900,000, rather than 573,000.
- (b) From the break-down of the casualty figures for the period from September 1 to December 1, the later figures from internal evidence appear to be spurious. Up to September 1, according to the German figures, there were 3.5 men wounded for every 1.0 killed -- a plausible ratio. From September 1 to December 1, there was 1.1 man wounded for 1.0 man killed. The nature of the war did not change so drastically between the two periods to account for so drastic a change in the ratio.

Statistical Appendix

German Casualties in the Russian War

A.	<u>Hitler's Figures</u>		
	<u>Casualties from June 22 to</u>		
	<u>September 1</u>	:	<u>December 1</u>
		:	
Killed	84,000	:	162,000
Wounded	293,000	:	378,000
Missing	<u>19,000</u>	:	<u>33,000</u>
		:	
TOTAL	396,000	:	573,000
B.	<u>Comparison of Total Casualties</u>		
	<u>June 22 to</u>	:	<u>September 1 to</u>
	<u>September 1</u>	:	<u>December 1</u>
	<u>(71 days)</u>	:	<u>(91 days)</u>
		:	
Killed	84,000	:	78,000
Wounded	293,000	:	85,000
Missing	<u>19,000</u>	:	<u>14,000</u>
		:	
TOTAL	396,000	:	177,000
C.	<u>Comparison of daily casualties</u>		
	<u>June 22 to</u>	:	<u>September 1 to</u>
	<u>September 1</u>	:	<u>December 1</u>
	<u>Daily Average</u>	:	<u>Daily Average</u>
		:	
Killed	1,190	:	860
Wounded	4,130	:	940
Missing	<u>270</u>	:	<u>150</u>
		:	
TOTAL	5,590	:	1,950

BRITISH EMBASSY  
WASHINGTON, D.C.

December 12th, 1941

PERSONAL AND SECRET

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Halifax*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

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BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 30

Information received up to 7 a.m., 10th December, 1941.

(I) NAVAL

A Russian submarine operating off Northern Norway torpedoed on the 3rd a Westbound merchant ship of 5,000 tons and sank a trawler and a motor boat escorting the ship. Another Russian submarine torpedoed a Westbound tanker north of VARANGER Fjord. H.M. armed boarding vessel ALOUETTE intercepted a small French merchant vessel off LISBON and is sending her into GIBRALTAR.

(II) MILITARY

LIBYA. On 8th December we made good progress. The enemy continued to fight a stubborn delaying action West of EL ADEM and North West of EL GOBI but the remains of his armoured divisions are being driven back and he appears to be retiring Westwards. EL ADEM is now in our hands and the siege of TOBRUK appears to have been finally raised. 9th - From the EL GOBI area our armoured formations were in progress of out-flanking the enemy and mixed mobile columns were working wide Westwards and Northwards in the direction of ACHOMA. To the East of TOBRUK and in the frontier area vigorous mopping up operations were in progress but BARDIA, HALFAYA and a strong point between SOLUM and SIDI OMAR were still in enemy hands.

MALAYA. Nothing further to my OPTEL No. 29.

SIAM. There have been further enemy landings at PRACHUABKIRI-NAN, 150 miles South West of BANGKOK, but reports of fighting in this district with British forces from BURMA are not confirmed. Japanese forces entered BANGKOK a.m. 9th.

HONG KONG. Our troops are now established in their main positions which are being successfully maintained in the face of an enemy attack by a force estimated at about two divisions. Our patrols are active and one of them ambushed and practically annihilated a Japanese Platoon. 8th/9th. Two air raid Alerts but no enemy aircraft located. Air attacks on the 9th were countered by A/A fire. Civilian air raid casualties now reported as 70 killed and over 100 injured.

RUSSIA. There are indications that the Germans are now trying to stabilise the MOSCOW Front. The Russians are continuing their heavy pressure on the Germans in the ROSTOV Sector.

(III) AIR OPERATIONS

9th. Coastal aircraft bombed and probably sunk a 6-7,000 ton merchant vessel off NORWAY and attacked a convoy off the Dutch coast obtaining 3 hits on a 7,000 ton ship which was still burning 6 hours later. Another ship of 3-4,000 tons was also hit. Our fighters attacked an Alcohol Distillery in Northern France and consider they destroyed it. Off DURHAM a JU 88 was shot down by fighters.

LIBYA. 7th/8th. Hurricanes damaged 6 aircraft on JEDABYA aerodrome and a number vehicles on the EL AGREILA road. 8th. Squadrons of light bombers successfully attacked transport near ACROMA and EL ADEM, stores dumps at BARDIA and DERNA landing ground where 8 aircraft, including 5 JU 52's were destroyed. Blenheim fighter damaged M.T. North East of HARAWA. 12 enemy fighters attacked 3 of our landing grounds near MADDALENA, causing a few casualties.

(IV) ENEMY ACTIVITY

UNITED STATES. 8th. PHILIPPINES. There was further Japanese air activity over Southern and Central LUZON, WAKE ISLAND was bombed. 9th. HAWAII. No renewal of Japanese attacks. Some U.S. bombers which arrived from CALIFORNIA made an unsuccessful search for the attacking Japanese aircraft carrier. GUAM. An air attack on AGAMA caused heavy casualties. A large ship, possibly a transport, and two destroyers were sighted off the Island at 6.00 p.m. A Japanese aircraft carrier is believed to be operating 750 miles North East of PEARL HARBOUR. Reports of attack on NAURU, also of the bombing of TOKYO, KORE and FORMOSA are all unconfirmed.

(V) AIRCRAFT CASUALTIES in Operations over and from the British Isles. German, 1 destroyed.

(VI) During the past week the Russian Air Force has been very active on all sectors of the Front. They have carried out both bombing and machine gun attacks on German ground troops with good results. They are reported to be maintaining continuous pressure on the enemy and to be affording remarkably good support to their own troops. The success of these operations is of particular importance at a time when the Germans are attempting to stabilize the Front. It is believed that during the past few weeks the Russians have had numerical and operational air superiority on the whole sector of the front South of KURSK and have maintained at the same time local air superiority at a number of points between TULA and ALMIN.

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(VII) It is believed, but not confirmed that the two aircraft carriers from which the attack against HAWAII was launched were the SORYU and ZIUKAKU. They normally carry: SORYU, 12 fighters, 12 torpedo bombers and 18 dive bombers. ZIUKAKU, 12 fighters and 36 torpedo bombers and/or dive bombers. The attack therefore probably did not exceed this scale. The torpedo bombers can carry torpedoes or bombs. Air attacks on MANILA could have been made either from FORMOSA or CANTON, more probably the former. Air attacks on SINGAPORE will most probably have been delivered by aircraft based on SCOTTRANG.

(VIII) The Japanese occupation of THAILAND will, subject to their being able to ship the commodities to JAPAN, assure the supply of some 48,000 tons of rubber per annum and valuable supplies of tin from the provinces South of the KRA Isthmus. This rubber from THAILAND will, together with that from INDO-CHINA, provide JAPAN with all the supplies she needs and allow for some export to FRANCE or GERMANY. The quantity of tin available may be limited by immobilisation of mining machinery. Small but useful quantities of wolfram and zinc are also available. From the Northern provinces, JAPAN will have access to substantial supplies of rice which will provide her with a margin of safety, and also useful supplies of hides. Prior to occupation JAPAN obtained from THAILAND all the rice and hides she asked for, most of the rubber but less than 1/3 of the tin.

(IX) OCEAN ISLAND was attacked from the air on 8th and 9th. Serious damage to residency. No other damage reported.

Last paragraph received indecypherable. Check requested.

PARAPHRASE OF A SECRET  
~~CONFIDENTIAL~~ MESSAGE  
 RECEIVED AT WAR DEPT.

**SECRET**

(Classification Stamp)

at 6:10 ~~SECRET~~ { p. m. } December 15, 1941

From Cairo Filed 9:40 ~~SECRET~~ { p. m. } December 12, 1941

Received in I. B. 12:30 ~~SECRET~~ { p. m. } December 17, 1941 No. 356

From Colby for the Ordnance Department.

Colonel Drew, Commander of the 5th Royal Tank Regiment which was equipped with American light tanks, after being wounded, made a report on the performance of the light tank, the pertinent parts of which follow:

24 tanks, including some replacements were all that were left out of the 52 tanks originally in his organization on November 30, the date on which he left.

1. He did not see any tanks with (?) or running gear so severely damaged that it was unable to move from the battlefield under its own power.

2. He does not believe that protecting skirts are at all necessary except in the case of heavy assaulting tanks.

3. The condition of the tracks was excellent.

4. The quality of the armor was excellent.

5. 20-mm armor plate<sup>#</sup> and 75-mm HE had no noteworthy effect. 50-mm and 88-mm armor plate<sup>#</sup> were most effective.

6. The light tank is better in battle than the Mk VI/C British tank.

7. The welding of the turret is excellent and so far as Col. Drew could see there was no need for armor at the structures







RESTRICTED

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G-7/2657-220; No. 567 M.I.D., W.D. 11:00 A.M., December 17, 1941

SITUATION REPORT

I. Pacific Theater.

Philippines: Japanese air activity continued through December 11, 1941. Further air raids were made in the Manila area. Hostile landing forces were being augmented at Aparri and Vigan. Landings were repulsed south of Vigan and north of San Fernando, also at Lingayen. Five heavy Japanese ships and eleven destroyers were reported off Zambales Province. Landing on island of Lubang (northwest Mindoro) admitted. Air raids with use of parachutists were reported at Tuguegarao and Ilagan. Landing at Legaspi confirmed - communications cut at Naga. (North of Legaspi). Japanese air raid at Davao (Mindanao).

II. Eastern Theater.

Ground: The Germans report the repulse of Russian local counterattacks.

The Russians claim advances near Kalinin and west of Ylats. Strong pressure is being exerted in the Stalingorsk area.

III. Western Theater.

Ground: The R.A.F. bombed Cologne and other targets in western Germany last night, as well as docks at Brest and LeHayre in occupied France. Other British aircraft sowed mines in "enemy" waters. Three planes were listed as missing.

Yesterday British bombers attacked a dock near Emden, and an airdrome in Holland. No British planes were lost.

IV. Middle Eastern Theater.

Ground: Axis rear guards west of Tobruk have given way and British mobile columns have penetrated to Ain el Gazala. The situation is confused and number of Axis troops left behind in this withdrawal is at present unknown. Nothing has been heard from British forces in the Gialo area.

Air: Nazi planes were said to have dispersed British armored columns attacking Axis forces west of Tobruk. Other Nazi planes bombed rail lines near Sidi Barrani. Six British planes were said to have been shot down in Libya.

The Italians admit that the British have made an aerial bombing attack on Derna.

RESTRICTED

December 13, 1941  
9:20 a.m.

HMJr: I had a call in for Leo Crowley also. How are you?

James Farley: Good. Never better. Thanks.

HMJr: Jim, I - you remember you recommended Dick Patterson to me for this job in New York.

F: Yes.

HMJr: Well, between us, he's just completely fallen down on it.

F: What's the matter with him?

HMJr: Well, he just isn't good enough; and up to the time we got the war, he just kept sitting around and arguing and not doing any business; and it's the worst organized state in the Union. It's the only bad one.

F: Are the others all right?

HMJr: The other states?

F: Yeah.

HMJr: Yeah. We're getting along fine. But in New York, both Mrs. Patterson and Mrs. Lytle Hull, neither of them are any good. He made a remark last week something - this was before the war - that he'd kind of like to get back to his business. Hello.

F: How much time does he devote to it?

HMJr: Oh, he devotes quite a lot of time; but he just won't get down to business, Jim; and we've got a big job - New York's the richest state, as you know, - we've got to get the most money there, and he just isn't up to it.

F: I see.

HMJr: And I don't want to have any row with him, but I

- 2 -

wish there was some graceful way to have him go back to RKO.

- F: Well, what do you want to do?
- HMJr: Well, I wondered if you couldn't drop some hint to him.
- F: Well, then after you do that, what will you do?
- HMJr: Well, we'll put somebody else in. I don't know whether you - he's there for New York State - I mean New York City. I don't know whether he'd take it, but I would give it - I was thinking of Lew Douglas.
- F: For New York City?
- HMJr: For the whole state.
- F: I see. Well, he's a good fellow.
- HMJr: For the whole state, because he's taken hold and he means business, see?
- F: Let me talk to you about that. Let me think it over during the week-end, will you?
- HMJr: Will you do it? It's a kind of a delicate thing. I don't want to hurt his feelings, but on the other hand we've got a hell of a big job. He's had three or four months and he's just completely fallen down on us.
- F: Well, let me think it over over the week-end and I'll talk to you.
- HMJr: Yes. Don't you think Lew Douglas would be good?
- F: Yeah. He's interested, and he's a worker. Of course, I thought that Patterson would work.
- HMJr: No, well, he hasn't, Jim.
- F: My impression of Dick was that the position with his company was more or less - well, honorary isn't the word to use, but for want of a better word, there it is.

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- HMJr: Well, they pay him a big salary.
- F: Yeah, I know they do. It's a fine salary and I thought that he - I thought that he had time to - I thought he was more of a front man, so to speak - that he had time to do things.
- HMJr: Well, he's got the time, but he hasn't got the brains.
- F: Well, of course, he's all society.
- HMJr: Yeah, but that isn't what we want.
- F: I know that.
- HMJr: You put your finger on it - we've got too much society up there and too little muscle.
- F: Well, the time for fooling is past, Henry.
- HMJr: That's why I'm calling you, Jim, because both he and Mrs. Lytle Hull - too much society - and it's the only place that we've got it.
- F: Well, the unfortunate part in Mrs. Lytle Hull's place is because she's all interested in her musical end of it and all those other things that she does.
- HMJr: Well, she only comes in a couple of hours a week; and in her case, what I would simply - I wouldn't hesitate in her case. If Lew Douglas went in, I'd say to Lew, "Now, what woman do you want to be associated with you?"
- F: Yeah.
- HMJr: And I'd simply write a letter to Mrs. Hull and say that we have to have somebody that can give it ten hours a day, seven days a week.
- F: Yeah.
- HMJr: But you put your finger on it - it's too much society and too little down to earth with the laboring fellow and the real fellow that we want to reach.

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- F: Well, of course, they don't know, probably, who the hell Patterson is, anyway.
- HMJr: What's that?
- F: They probably don't know who the hell Patterson is, anyway.
- HMJr: No.
- F: But I'm disappointed. I thought he'd do a better job for you.
- HMJr: Well, the reason I'm bothering you is because it was your suggestion; and if, after thinking it over, - he did pass the remark last week that he would like to go back to his business.
- F: Well, I'd have to work it rather delicately. He has a good friend named Tom Durrell, who's on one of those motion picture boards with him.
- HMJr: Yeah.
- F: Durrell is Treasurer of the State Committee. He and Tom are pretty good fellows - friends.
- HMJr: Yeah.
- F: Maybe I could have Tom - maybe I could handle it through Tom.
- HMJr: Well.....
- F: Let me think it over, anyway.
- HMJr: Well, what - Dick Patterson said two or three times that if in any way he was out of tune with Washington, why just tell him and he'd go back to his business.
- F: Well, the only thing about it is this. Now that you're in war, he might not want to get out.
- HMJr: I know.
- F: I mean, that's probably more - it isn't as easy now as it was last Saturday morning.

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HMJr: Well - and I wasn't - I didn't feel tough last Saturday.

F: I know.

HMJr: See?

F: Who's running it in the country for you?

HMJr: We've got a man down here - we've got a group down here running it.

F: I see.

HMJr: And - but, all the other - I mean, I checked, and every place - I mean, now Herbert Lehman came to me the other day and said, "Henry, what's the matter in New York State?" I said, "What?" He said, "Well," he said, "Your committee's no good; they're not doing anything." And he said, "I think it's terrible." "Well," I said, "I agree with you, Herbert." Well, of course, those things hurt; especially where it's my own state.

F: I know. Well, let me think it over over the week-end.

HMJr: But Herbert Lehman jumped on me awful hard Saturday.

F: Well, let me think it over the week, and I'll talk to you Monday.

HMJr: Thank you so much.

F: How are you? Is this serious around?

HMJr: Is it serious?

F: How serious is it?

HMJr: Yes, but it's like everything else, they got us - if you start on the bottom ladder, you can't go any lower - you only got to go up.

F: Well.....

HMJr: And we'll win. It's going to be a long, hard battle,

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but they caught us unprepared and we've been a peace-loving country for a great many years, and we're not a war country; now we've got to learn the war business.

F: There's one thing about it. The way they did that in Honolulu.

HMJr: Yeah.

F: While it was - I don't know the extent of it, I've heard all sorts of rumors and I don't want to discuss that feature of it at all, that's something else. But I do know that nothing could have happened, as bad as it was - and it was bad - that would have united the country.....

HMJr: That's right.

F: .....as it did unite us.

HMJr: That's right.

F: In other words, if we shot first over there, they'd say that the President was a war-monger and started the war.

HMJr: That's right.

F: Now, the fact that it happened as it did, despite the losses which apparently are heavy enough.....

HMJr: Yeah.

F: .....it united the country so that everything else is forgotten about.

HMJr: That's right.

F: It's a question of winning the war.

HMJr: That's right.

F: So it had that advantage, no matter how big the bite was.

HMJr: That's right.

- 7 -

F: All right, Henry.

HMJr: Well, Jim, if you can help me on this, I would appreciate it very much.

F: All right. Well, I'll talk to you Monday morning.

HMJr: Thank you.

F: Good-bye.

December 13, 1941  
9:37 am

HM Jr: Hello.

James  
Forrestal: Henry?

HM Jr: Yes, Jim.

F: I thought I would tell you that the only news this morning is that early - about four o'clock - there was an alarm that Zeppelin was over Cape Sable.

HM Jr: Where is Cape Sable?

F: Well, somewhere around Newfoundland - that area.

HM Jr: Yes.

F: Heading southwest.

HM Jr: I see.

F: It turned out to be a Blimp of our own, however.

HM Jr: I see.

F: But there was a great deal of alarm for a while.

HM Jr: But nothing else?

F: No. Well, one thing - there was a warning - there was an unverified pickup of a message in the Southwest of Mexico of a ship being sunk last night.

HM Jr: I see.

F: About 118-28, which is southwest of Magdalena Bay - which would be quite possible.

HM Jr: I see. Well, it's terribly nice of you to call me. I appreciate it.

- 2 -

F: Well, that's not a very hot bit of news.

HM Jr: No. But, let me ask you a question. I heard - oh, two, three months ago - that we had quite a flock of long distance submarines over in the Philippines.

F: Well, I think we have, Henry.

HM Jr: Wouldn't it be reasonable to expect something from them?

F: Well, that's what we're hoping. I don't want to be hoping, however, until they actually act.

HM Jr: Right.

F: But it is reasonable.

HM Jr: A reasonable hope.

F: Yes. I think so.

HM Jr: Well, thanks terribly. I appreciate it and I would like it if you would call me occasionally.

F: Okay, Henry.

HM Jr: Thank you.

December 13, 1941

Mr. Randolph E. Paul,  
Washington, D. C.

Sir:

You are hereby appointed an Assistant to the Secretary of the Treasury, with compensation at the rate of nine thousand dollars per annum, payable from the appropriation "Collecting the Internal Revenue," the appointment to be effective today.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

cc Mr. Thompson

NMC

December 13, 1941  
9:43 a.m.

Randolph  
Paul: Good morning, Mr. Secretary.

HMJr: How are you? I had a letter which I'm quite excited about, pleasantly, and I thought I'd tell you.

P: Oh, fine.

HMJr: Because I didn't want to do anything unless, in fact, talking to you. Bernie Knollenberg has written in that he could get a leave of absence to come down to help us.

P: Yeah.

HMJr: Don't you think that would be good?

P: Yeah, I do. I certainly do. He's got some very good ideas.....

HMJr: Well.....

P: .....somewhat shocking to some of the businessmen, but that is probably down our alley.

HMJr: Well, don't you think as long as this is your end that you'd like to contact him?

P: Yes, I will. I'll contact him tomorrow. I'll call him up. I'll be back in New York tomorrow, and I'll call him up and perhaps see if I can get together with him.

HMJr: Will you do that, because you don't know me, but I never cross people up when I give them responsibility I leave it with them.

P: Okay, I appreciate that.

HMJr: And he simply said that this is a letter to say that now we're at war, Yale Corporation would unquestionably give me leave to be of assistance in Washington. If I can help at any time, I shall be happy to serve.

P: Yeah. Well, he's a grand fellow, you know.

HMJr: Oh, I've used him two or three times, you know.

P: Yeah, I see.

HMJr: And you know I asked him to come down originally on a year's basis, and he agreed to and the President of Yale agreed to it; and then whatever they call the Board of Trustees, voted it down.

P: Yeah, well, I know the background of that. The Board has been very ungenerous in that respect.

HMJr: So I think that if you - it looks to me that here's another top-flight fellow.

P: Yeah.

HMJr: But I'll leave it in your good hands.

P: Well, thank you; and I'll call up tomorrow and I'll get busy on it right away.

HMJr: Okay.

P: Glad you called me.

HMJr: Thank you.

P: Thank you.

OFFICIAL

PROF BERNHARD KNOLLENBERG  
300 OGDEN STREET  
NEW HAVEN CONNECTICUT

DECEMBER 13, 1941

DELIGHTED TO RECEIVE YOUR LETTER AND OFFER OF SERVICES. I HAVE APPOINTED OUR MUTUAL FRIEND RANDOLPH PAUL AS TAX ADVISOR AND IT IS HIS RESPONSIBILITY TO BUILD UP OUR TAX GROUP. I TELEPHONED RANDOLPH WHO IS IN CLEVELAND AND TOLD HIM YOUR LETTER WAS A MOST PLEASANT WINDFALL AND HE AGREED. HE WILL GET IN TOUCH WITH YOU ON SUNDAY. DELIGHTED AT PROSPECT OF HAVING YOU DOWN HERE WITH US

HENRY MORGENTHAU JR

BERNHARD KNOLLBERG  
BOX 1994 YALE STATION  
NEW HAVEN CONNECTICUT

296

December 9, 1941

The Honorable Henry Morgenthau, Jr.  
The Treasury Department  
Washington, D. C.

300 300  
300 300  
not

Dear Mr. Morgenthau:

This letter is primarily to say that now the United States is at war, the Yale Corporation would unquestionably give me leave to be of assistance in Washington, and if I can be of help at any time in the Treasury Department, I shall be happy to serve.

Another minor point: In a tax seminar that I am giving at the Yale Law School, we are studying the structure of the present income tax law, and, in connection with this, I have drafted an article entitled, "Unfairness of the Present Income Tax Law," which I expect to have published. It occurs to me that it might be well for someone in the Department to look it over to make sure that anything I say will not be embarrassing to the Administration at this time. If it were I would, of course, not wish to publish it. I am sending the article under separate cover.

Sincerely yours,

Bernhard Knollberg

I

The present federal income tax law provides that there

"shall be exempt from taxation under this title ... interest upon ... the obligations of a State, Territory, or any political subdivision thereof."

In simple English, this means that the owners of bonds issued by any state or municipality in the United States receive the interest on these bonds scot-free from federal income tax.

At the time this provision was inserted in the tax law, twenty-five years ago, it made sense. At that time, the celebrated case of The Collector v. Day was still binding on Congress, and in that case ~~xxxxxxx~~ held that the federal government could not impose a tax on the income of a state judge, because

"the reserved rights of the States ... to give effect to laws through executive action; to administer justice through the courts, and to employ all necessary agencies for legitimate purposes of State government, are not proper subjects of the taxing power of Congress."

But on March 27, 1939, the Supreme Court, in Graves v. New York ex rel. O'Keefe, holding that New York State could impose a tax on the salary of O'Keefe, a federal officer, declared that The Collector v. Day and similar cases were "over-ruled so far as they recognize an implied constitutional immunity from income taxation of the salaries of officers or employees of the national or a state government or their instrumentalities." The Court as now constituted would be even less likely to sustain the discredited doctrine of the Day case. Furthermore, although the constitutionality of a federal tax on the income from state and municipal bonds has not been passed on by the Supreme Court, there would be even less reason to sustain the exemption from federal tax of interest received by the holder ~~xxxxxx~~ of a state bond

than salary received by a state officer. The old constitutional objection to a tax on the interest from state and municipal bonds is, therefore, clearly a thing of the past.

From the standpoint of fairness, there is much to be said for continuing to exempt the interest on bonds sold by the state and local governments before the date of the O'Keefe case decision, because the purchasers of such bonds, relying on the precedent of the Day case, presumably paid a substantial premium on the bonds for their supposed tax exemption. But the present federal tax law, as previously indicated, does not restrict the exemption to such bonds. It exempts the interest from all state and municipal bonds, no matter when issued. The fact that a class of citizens, through shrewd selection of its capital investments, can thus avoid the burden of income tax was serious enough in normal times. The existence of this loophole in the present emergency is intolerable.

### III

A man invests \$10,000 in property; it increases in value to \$100,000; he gives it to his wife; and she sells it for \$100,000. The wife must pay a federal income tax on a taxable profit of \$90,000 - the difference between the selling price and the original cost - even though, under the federal gift tax law, the husband must pay a gift tax based on a \$100,000 valuation of the property at the date of the gift. The fact that there has been an intervening valuation of the property for gift tax purposes is ignored by the income tax statute. This provision of the income tax law, which applies to the sale of all property acquired by gift, is so reasonable that no one thinks today

of challenging its fairness.

If, however, the property costing \$10,000, but worth \$100,000, were transferred by inheritance rather than by gift, the \$90,000 of unrealized profit accrued to the date of death would escape income tax entirely. If and when the heir or executor sold the property, he or she would be permitted, under the present provisions of the federal income tax law, to take as the cost basis of the property the estate tax valuation of \$100,000. The income tax leakage resulting from this defect in the law is enormous. True, the leakage is somewhat offset by the fact that, if the property had depreciated in value between the date of purchase and the date of death, the deductible loss on a subsequent sale of the property is less than if the original cost were used. But this offset is relatively unimportant. Examination of the holdings in the great estates passing by death in recent years will show that the unrealized losses on the property in the estates are almost negligible in comparison with the unrealized profits, running into the hundreds of millions of dollars. This situation is attributable largely to the fact that property on which there are paper losses has been sold during the owner's lifetime to establish income tax deductions, while property on which there are paper profits has been retained, with knowledge that these profits will escape income tax if the property is held until the owner's death.

The income tax law should be amended to provide that the valuation of property for estate tax purposes, like the valuation for gift tax purposes, shall be ignored in computing taxable profit subject to income tax.

II

Under the British income tax law, a person who occupies a house or apartment which he owns is required to include as part of his taxable income the estimated rental value of the property. Under such a system, since the owner is taxed on the assumed income from his property, it is fair that local property taxes, mortgage interest, and other expenses of maintaining the property be considered in the nature of business expenses and that the owner be permitted to deduct them in computing his net income subject to tax.

The United States income tax law, however, does not treat as taxable income the estimated rental value of property occupied by the owner. (It is doubtful whether Congress would have power to tax such rental value as "income" within the meaning of the Sixteenth Amendment to the Constitution.) It follows that, under the United States income tax law, there is no reason to permit a person to deduct the local property taxes, mortgage interest, or other expenses incident to the upkeep of his home. Logically, these expenses should be recognized for what they are: personal expenses of the taxpayer, differing not one whit from the cost of the clothes he wears or of the food he eats. Yet our federal income tax law as it now stands arbitrarily permits the home owner to deduct local taxes and mortgage interest in computing his net taxable income. This indefensible deduction costs the Treasury Department an enormous loss of revenue each year, and, besides, operates as a gross discrimination against the millions of taxpayers occupying rented houses or apartments, who are not permitted to deduct any part of their rental payments in computing their net taxable incomes.

~~Under the British income tax law, a person who occupies a house or apartment which he owns is required to include as part of his taxable income the estimated rental value of the property. Under such a system, since the owner is taxed on the assumed income from his property, it is fair that local property taxes, mortgage interest, and other expenses of maintaining the property be considered in the nature of business expenses and that the owner be permitted to deduct them in computing his net income subject to tax.~~

family would be \$ 1,305 in New York and only \$ 750. in California.

III

If a resident, say, of Connecticut makes a legally binding assignment, pursuant to which half of his salary is paid to his wife, the husband is ~~not~~ <sup>usually</sup> required, <sup>under decisions of the United States Supreme Court,</sup> to include his entire salary in his federal income tax return, with the result, ~~in most cases,~~ that it is subject to much higher rates of surtax than if it were divided, for income tax purposes, between his wife and himself.

<sup>No</sup> If, however, the husband and wife are residents of one of the ~~many~~ <sup>so-called</sup> "community property" states, the husband is more fortunate.

~~of those states in which the husband and wife were originally only seven, California, Arizona, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington.~~

<sup>No</sup> The Supreme Court holds that, since the local law of these states requires, ~~as a general rule,~~ that the income of married couples be pooled, the husband is exempt from tax on the part of his salary and other income to which his wife is entitled under the local law. <sup>Supreme</sup> The Court's grounds for distinguishing <sup>law in</sup> between income that goes to the wife by operation of <sup>the com-</sup> munity law <sup>in other states</sup> and that which goes to her pursuant to a binding agreement <sup>are unconvincing.</sup> But until the federal tax statute is amended <sup>by Congress</sup>, the Treasury Department's hands are tied.

The argument has been advanced that it would be useless for Congress to try to amend the federal income tax law on this point, because the Supreme Court has indicated that its decisions with respect to community property income are based on constitutional grounds. But

→ If the husband has income of \$ 70,000 (and it is assumed the mother has only \$ 20,000) then the income of the mother or any children or income for children, the federal income tax on

this is not true; on the contrary, the Court, in the leading case on this point (Poe v. Seaborn), intimated that, if Congress had expressly provided for the inclusion of the entire community income in the husband's return, the Court would have sustained the provision. Furthermore, a number of recent tax cases, involving a variety of questions of control over income, indicate that the Supreme Court as now constituted would unhesitatingly uphold the constitutionality of the proposed revision. These decisions, in fact, indicate that, since the husband has control over the entire community income, Congress could tax the husband on the entire income, from property as well as from earnings. But as long as there is no provision in the federal income tax law requiring husband and wives in all states to pool all their income for income tax purposes, it would be unfair to require the husband, in a community property state, to pay tax on the community income from property as well as from earnings.

The wiping out of the ~~same~~ inequalities here discussed will not perfect the federal income tax law. Various other amendments to the law might be enacted with profit. But these particular defects are so glaring and so easily rectified that there can be no justification for Congress' failure to correct them immediately.

Bernhard Knollenberg

Have you figured your federal income tax for 1941? If not, you had better do so at once and begin to think about how to raise the money to pay it. For, while the newspapers have informed the public of the new, high rates, few, even of those hardest hit, have yet awakened to what the new rates mean to their particular pocketbooks. The first reaction, when the awakening comes, is likely to be one of uncritical resignation. But as taxpayers find themselves forced to give up more and more of their favorite amenities and charities to meet the inexorable demands of the tax collector, they will become more critical. They will begin to ask whether, in doubling or tripling their particular income tax burden, Congress has remembered that the heavier the tax, the heavier the responsibility to assure that it is fairly distributed among those called upon to pay.

The most imperious demands for change in our income tax system is the revision of the corporation excess profits tax and the enactment of a drastic war profits tax law. These changes will, however, require long and patient study. Meanwhile, Congress can and should immediately correct the following glaring inequalities in the income tax law.

Giving immunity from income tax to a single, favored class - the holders of state and municipal bonds.

Giving a stepped-up cost basis to a man's heirs in computing profits from sales of property.

Discriminating in favor of home owners as against those who rent the house or apartment in which they live.

Discriminating in favor of the residents of the eight so-called "community property" states as against those who live in the other forty states.

December 13, 1941  
9:48 a.m.

Harold Graves: Yes, sir.

HMJr: I thought that your namesake, Harold Smith's, letter in answer to mine was a very friendly one. Hello.

G: Yes, sir.

HMJr: Have you seen it?

G: I have seen it.

HMJr: And I think that it doesn't cost anything for me to write him a letter that I appreciate his friendly spirit, it encourages me to go on, greater effort, blah-blah-blah.....

G: Yes.

HMJr: .....and doesn't hurt one bit. I'll send the letter in to you and you write me a little applessauce letter.

G: I'll be glad to do that.

HMJr: Particularly in view of the fact that I gathered the other night he's got grave doubts.

G: That's right.

HMJr: And that's - Grave doubts.....

G: (Laughs) Yes.

HMJr: .....about candy so early in the morning.

G: Yes, sir.

HMJr: He has Grave doubts about our bond program. (Laughs)

G: Yes, sir. All right, sir. I'll be glad to take care of it.

HMJr: Now the other thing - I talked to one James Aloysius Farley this morning.....

G: Oh, yes.

HMJr: .....and told him that he'd wished this on me and I came to him as the wishing well and he could un-wish it.

G: Yes, sir.

HMJr: So he said he'd like to think about it over the week-end.

G: Yes.

HMJr: He agreed with me that this was no time - as he put it - to fool around with society people.

G: That's right.

HMJr: Now, isn't that amusing that he should use that term?

G: Yeah, that's right.

HMJr: And I said I agreed with him.

G: Yes.

HMJr: And that would he - and he said give him until Monday and he'd call me back.

G: Fine. It occurred to me after you talked to me last about this that since your choice of a successor here was Douglas.....

HMJr: I offered that as a suggestion.

G: Well, I think that's fine. It occurred to me that possibly we might want to talk with Lew Douglas about it.

HMJr: Well, Jim Farley said, quick as a flash, "Well, who have you got in mind?" I said, "Well, if I could get Lew Douglas to do it." "Oh," he said, "that would be wonderful," and that influenced him.....

G: Yes.

HMJr: In his decision to try to get rid of Patterson.

G: Yes.

HMJr: But I think - let's sit tight until Monday?

G: Yes. There is one thing I wanted to have you understand, that I am planning to leave for Chicago tomorrow.....

HMJr: Fine.

G: .....and will be out of circulation with most of my help the first three days of the week.

HMJr: Well, now, can't you - because you know I get ideas all day and night.....

G: Yes.

HMJr: Couldn't you leave.....

G: Gene Sloan will be here.

HMJr: You took the lips off my words.

G: Yes. Gene Sloan will be here, and we'll have a kind of a skeleton crew to work with here.

HMJr: I was going to suggest, leave me Sloan.

G: Yes. Well, he'll be here.

HMJr: Leave me Sloan.

G: There is another thing that I would like five minutes to discuss with you this morning. It's a matter of replacing Gale Johnston, which I think we ought to be prepared to announce at Chicago.

HMJr: Well, I thought you had this Portland fellow.

G: Well, that's what I wanted to talk with you about.....

HMJr: Well.....

G: .....if you could give me five minutes.

HMJr: All right, I'll give you five minutes of eleven.

G: Five minutes of eleven.

HMJr: Yeah.

G: Thank you very much, sir. I'll be in.

HMJr: And listen, did you get my two memos?

G: I got one of them. The other Mrs. McHugh said was not clear and she was going to speak to you about it.

HMJr: Well, which one did you get.

G: I saw them both.

HMJr: Well, what were they; and I can tell you what I had.

G: The Fredericksburg thing. I would appreciate if you would tell me.

HMJr: Well, the Fredericksburg thing was, I suggested that whoever had the brains to do what he did, let's bring him down - the way we did the circulation manager of the Philadelphia Bulletin.

G: What did the man do?

HMJr: What did the man do?

G: Yes.

HMJr: Well, I read it in Graves' report.

G: Oh, my goodness; I'd better read - I'd better get that report.

HMJr: Well, I don't mind. A man by the name of Graves wrote me.....

G: Yes.

HMJr: .....that this fellow in Fredericksburg - always

glad to tell you - oh, boy, you'll never hear the end of this one.....

G: (Laughs) You've got me.

HMJr: You bet I have.

G: What you want is to get that fellow in here Monday.

HMJr: Let me tell you what he did.

G: Yes.

HMJr: He's got an idea - successful - of selling bonds over the radio. From this little station he sold \$40,000 in one day.

G: Yes.

HMJr: Now he's got an idea.

G: Yes.

HMJr: And he's got a technique. Let's bring him down, particularly to work with the small stations.

G: I wonder if due to the fact that I will not be here and Callahan will not be here, we shouldn't postpone having him in until we're back.

HMJr: No. Well, see if he'd come down. Fredericksburg is only a few miles. Maybe you could get him in today.

G: All right, we'll try.

HMJr: Or tomorrow. Don't wait until you go away.

G: Well, are you going to be within reach to.....

HMJr: Well, you can bring him in - you don't have to show him to me. Here's a fellow that's got a bright idea.

G: I see.

HMJr: Let's get him.

G: Yes. All right, sir; we'll make a try at it.

HMJr: You see, I read your reports.

G: Yes. Well, I read it, too; but I had forgotten that article completely.

HMJr: Well, that was a bright spot, just the way the Philadelphia Bulletin was.

G: Yes.

HMJr: Now, what was the other thing?

G: Well, I wanted to talk.....

HMJr: No, what was the other thing on the machine? There were two things.

G: The other thing was the mural thing.

HMJr: Oh, yes.

G: And I've already passed that along to Mr. Mahan, who did the New York mural.

HMJr: Yes. I was going to say - I mean - if it's - I'd like to see him put it in at least Chicago and Washington and as many more where there are union stations with heavy traffic.

G: Yes. I get it. Apparently you'd like to scatter those pretty well about the country.

HMJr: Geographically.

G: Yeah.

HMJr: Right?

G: I have it.

HMJr: Okay, that was the two.

G: Yes, sir.

HMJr: And I enjoy reading your reports very much.

G: Well, thank you very much. I - as a matter of fact, I was very hasty about that, as you now see, because I wanted to get it to you and I had my hands full at the time.

HMJr: All right.

G: All right. Thank you for calling

DEC 13 1941

Dear Mr. Smith:

Thank you for your letter of December 10, with further reference to the allowance for the Defense Savings Staff.

I much appreciate the friendly spirit of your message. It gives me confidence in your support for this very important program.

Sincerely,

(Signed) H. W. Sargent, Jr.

Hon. Harold Smith,  
Director of the Budget,  
Washington, D. C.

HNG:fns

*Photostat file to N.M.C.  
File as Hanson*

EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET  
WASHINGTON, D. C.

DEC 10 1941

My dear Mr. Secretary:

I have your letter of December 4, 1941, with reference to the 1943 budget estimates for the Defense Savings Staff of your Department.

The allowance of \$4,800,000 for the 1943 costs of this unit, which the President has approved for inclusion in the 1943 Annual Budget, represents the maximum, which, in the judgment of this office, your estimate submission appeared to justify. It provides in full for the organization indicated to be desired and the directly related expenses of that organization, plus a considerable sum for promotions, materials, and facilities.

You are assured that there is no disposition to hamper in any way your program for the sale of these securities. If after reasonable trial you feel that the progress of the program is so impeded by lack of funds as to invite a failure to attain the objective, this office will consider a supplemental estimate on the basis of facts available at that time.

You will appreciate, however, that I am not in a position to authorize incurrence of a deficiency or any expansion of this program in advance of Congressional action on estimates of appropriations, which would result in a rate of expenditure involving commitments beyond the limits of the actual appropriation.

Very truly yours,

*W. A. Rorer*  
Director

*W. A. Rorer*  
*12/10/41*  
*W. A. Rorer*

The Honorable,

The Secretary of the Treasury.

December 13, 1941  
10:15 a.m.

HMJr: Hello.

Colonel  
Smith: Good morning, Mr. Secretary. How are you, sir?

HMJr: Fine. Colonel, I don't know whether you do know -  
you most likely do - that it was my suggestion to  
General Watson that we have these anti-aircraft  
guns around.

S: Yes, sir.

HMJr: And I see them from my window.

S: Yes, sir.

HMJr: Now the thing that - when I asked it - was it -  
is it General Cox who's in charge of the District?

S: Yes, sir. He's in charge of most of it, but the  
anti-aircraft defense of the District will be  
under what they call the Interceptor Commander,  
an air officer here.....

HMJr: Yes.

S: .....who will have charge both of the air and  
anti-aircraft defense.

HMJr: Good. Now, I want to ask a question. They've got  
these guns up. Have they any listening devices?

S: Not as yet. They're coming in.

HMJr: My God, when are they going to get those?

S: Well, they come in with the heavy stuff. Anything  
those guns can reach they can see, you see; and we've  
got a regiment of 90 millimeter guns coming which  
will occupy areas around the District outside of  
what they call the "bomb release line"; and it's  
with those guns that the listening devices will  
be placed.

HMJr: Well, when do you think they'll get to the District.

- 2 -

S: Well, I saw the 90 millimeters coming in - the first battalion of them - about noon yesterday.

HMJr: I see.

S: So - and Colonel Nicholson, formerly in this office, is commanding the regiment and making the arrangements.

HMJr: Well, would you arrange that sometime Monday - I'd like - after they've been set up, you see.....

S: Yes, sir.

HMJr: I'd like to be taken on a tour of inspection.

S: All right, Mr. Secretary.

HMJr: Will you arrange that?

S: Yes, I'm quite sure I can.

HMJr: What?

S: Yes, sir; yes, indeed I can. I'm making a note of it. That's why.....

HMJr: Well.....

S: I've got Monday, after they're set up.....

HMJr: Maybe you'd have time to go with me.

S: I surely will.

HMJr: And I'd like to see guns and listening devices, and whatever arrangements they have for planes to defend the District.

S: All right, sir.

HMJr: In other words, I'd like to be told and shown the whole plan to defend the thing, because, as I say, my interest is the President of the United States, you see?

S: Yes, Mr. Secretary.

HMJr: So if by Monday the thing is set up and the planes and the listening device and the ninety - the whole set-up and who's in control and where the nerve-center is. I'd like to be shown.

S: All right, sir. You bet. We'd be glad to.

HMJr: Because I got off - I got a very bad impression here the other day. I don't know whether you heard about it or not.

S: No, I did not. What was it, sir?

HMJr: Well, I mean, this truck with machine guns in my ramp. I went up and asked the fellow whether he could load it, and he was all thumbs and had great difficulty loading the machine gun. And I told the Colonel about it - I just bumped into him on the street - I don't know the Colonel's name who's supposed to be in charge here, of these men. Hello.

S: Yes.

HMJr: I told him about it. But Mike Reilly was with me and, as I say, to have people in these trucks and not able to know to load the thing - he finally did, after great difficulty - so it made a very bad impression, and I just hope that if I go around I won't find any more of it.

S: Well, I hope not either, Mr. Secretary.

HMJr: Well, you - I'll hear from you Monday.

S: Yes, indeed, sir.

HMJr: Thank you.

December 18, 1941.

Memorandum for the Secretary's Diary

At 11:00 o'clock this morning Monsignor Michael Ready called upon Secretary Morgenthau by appointment. At the meeting, in addition to Monsignor Ready and the Secretary, were Harry White and Ed Foley.

Monsignor Ready said that the Vatican was having some difficulty financing some of its apostolates in various parts of the world, as well as some of their charities. He left with the Secretary the attached memorandum which outlines some of their difficulties. After reading the memorandum the Secretary asked the Monsignor if he could give him some idea as to the amounts that were needed in particular countries. The Monsignor said he couldn't do this off hand but would be very glad to get the information. The Secretary said that this was a matter he wished to handle personally and was confident that it could be worked out, not upon the basis of the memorandum, but upon some basis which we would devise. He said that there was no question at all about dollars for use in the Western Hemisphere. He also thought that it would be possible to provide dollars for the operation of the Vatican City. On the other hand, the Secretary said he thought there might be some difficulty in providing dollars for use in Axis countries. However, he told Monsignor Ready that he was sympathetic and would do everything he could to work the thing out to the entire satisfaction of Monsignor Ready and his associates.

The Secretary pointed out that the memorandum indicated that Switzerland might be acting under duress in this matter as she would not want to draw her gold out of New York if she were a free agent. Monsignor Ready said that the Church wanted to do it the American way and promised to get in touch with the Secretary just as soon as the apostolic delegates had been able to get the necessary information from the Vatican.

S H 72

TO:

File

317

12/13'41

This material was brought back to the office after a conferance in the Secretary's office attended by Monsignor Ready and Harry White and Mr. Foley.

FMcGuire

Meeting was at 11 a.m.

MR. FOLEY

NOTE

The Holy See has almost all of its funds deposited or invested in the United States of America. At the present time the Holy See finds great difficulty in meeting its financial needs, which are connected with its organization and mission of charity and apostolate in all parts of the world.

The Holy See estimates that its transmissions of funds to foreign countries, in a period of six months, would amount to \$1,200,000. to \$2,000,000., part of which would be assigned to countries under the control of the Axis powers.

For the effecting of such transmissions the Holy See has no other way than to exchange dollars for Swiss francs. After long discussions with the Swiss Government, they have declared themselves willing to place Swiss currency at the disposal of the Holy See, only if the Treasury Department of the United States will permit Switzerland to use such dollars received from the Holy See for the purchase of gold, with permission to transfer this gold to Switzerland. In fact the Swiss Government does not find it suitable to accept dollars into its blocked account in the United States, nor even into its free account, which in practice is likewise subject to many restrictions of movement.

If the Treasury Department is disposed to permit such a transaction, the Government of Berne will give the necessary instructions to the Swiss Minister in Washington.

As an alternative or limitation on the foregoing plan, the Holy See also suggests that the Treasury Department consider the possibility of placing at their disposal European currency owned or freely controlled by the American Government. The Holy See would then use such foreign currency for its religious purposes, while making corresponding payment to the Treasury Department in United

States Dollars.

The Holy See moreover will be most grateful for any other plan that the Treasury Department may be able to suggest for the transfer of their funds to Europe.

The consideration of the competent officials of the Treasury Department will be appreciated.

December 13, 1941  
1:00 p.m.

Marriner  
Eccles: Good morning, Henry.

HMJr: Hello, Marriner.

E: How are you?

HMJr: I'm all right. How are you?

E: Well, I'm pretty good, all things considered.

HMJr: Yeah.

E: I would like to see you if possible on Monday.

HMJr: It's perfectly possible.

E: Well, now there's two matters I wanted to talk to you about.

HMJr: Yeah.

E: They're both of a legislative nature.....

HMJr: Yes.

E: .....and the Treasury would be directly interested in both of them.

HMJr: I see.

E: If I could have about twenty minutes or a half hour.....

HMJr: Is eleven o'clock a good time?

E: That's fine.

HMJr: All the time you want.

E: Okay.

HMJr: Just a minute - let me look at my calendar.  
Eleven o'clock.

E: Eleven o'clock Monday.

HMJr: Yes, sir.

E: All right. Now, there's another matter. I've been talking to Dan. We had the committee - the Open Market Committee - here all day yesterday.....

HMJr: Yeah.

E: .....to carry out our statutory requirement of having the fourth meeting of the year.

HMJr: Yeah.

E: And, of course, it was a good time to have them because after the week we've been through and discussing the whole question of policy.

HMJr: Yeah.

E: Now, I have suggested to Dan that the Executive Committee meet with him and some of the boys that we've been talking to - George Haas and Morris and so forth.....

HMJr: Yeah.

E: .....on Thursday.

HMJr: Good.

E: And then if we could meet with you Thursday afternoon, I'll get Allan Sproul down and Bob Rouse if the market permits.....

HMJr: Right.

E: .....and Hugh Leach and we'll have the Executive Committee spend some time - I think it's important now to take a look at this thing and anticipate just what the future is for us, a little.

HMJr: Good.

E: Don't you agree with that?

HMJr: Yes, I do.

E: I think that we've got to take a look now at this whole pattern in the light of the changed situation.....

HMJr: Yes.

E: .....and so that we'll all have a meeting of minds and make a stand and know exactly what we're going to do - and make a stand on that. Now we've done that up to date, and I think if we're going to do that in the future, we ought to discuss it.

E: Fine.

HMJr: Well, I was very much pleased with the way things went this week.

E: Well, considering everything, I think that a pretty good job was done.

HMJr: Well, I was delighted.

E: I don't know whether it's over with, but at least we're past the first week.

HMJr: Do you like Dave?

E: What is it?

HMJr: Do you like Dave Morris?

E: Well, I don't know Dave very well. He doesn't say much. He's a pretty quiet fellow. He a nice - personally, he's a very nice fellow to meet with - I mean, I like him personally.

HMJr: Yeah. Well, he's a smart fellow, and he's here to help Bell and me on.....

E: Well, he and George were over - and Dan - last week. They called up one morning and they came over and we spent - oh, an hour and a half, I guess - just generally discussing things; and I've been in close touch with Dan every day.

HMJr: Yeah.

E: Of course, to me there isn't anybody like Dan. Maybe it's a question of acquaintanceship. But I like Morris personally; I mean, I like his personality and I think he's a straight shooter.

HMJr: All right, Marriner.

E: Well, does that sound - that Thursday sound - Dan was going to talk to you about it, and I told him I'd do likewise.

HMJr: Good.

E: You're going to Chicago, but you'll be back.

HMJr: That's right.

E: Fine. All right, then.

HMJr: Okay.

E: Good-bye.

HMJr: Thank you, Marriner.

7123  
December 18, 1941.

Memorandum for the Secretary's Diary

The Secretary asked Attorney General Biddle, Leo Crowley, and Ed Foley to take luncheon with him today at 1:00 o'clock for the purpose of discussing the relationship of the Alien Property Custodian to Foreign Funds Control.

Leo Crowley came over at the Secretary's request at 11:30 for a preliminary discussion.

At luncheon the Secretary said he would like to see the Foreign Funds Control Committee consisting of Acheson, Crowley, and Foley continue the work they had been performing. He suggested that Foreign Funds Control be continued in the Treasury under the general supervision of the Policy Committee. Whenever it became necessary for the Government to take title to a business then the operation or sale of the business could be performed by the APC. Mr. Crowley indicated that this would be entirely satisfactory to him. The Attorney General said he wanted to explore the matter before he committed himself.

After a full discussion of the present operations of the Committee and Foreign Funds Control, it was agreed that Foreign Funds would be left in the Treasury, that Leo Crowley would be the Attorney General's representative on the Foreign Funds Policy Committee; that Leo Crowley would attempt to obtain the services of Ben Cohen as his counsel and advisor; that Crowley, Foley and Cohen would attempt to work out an Executive Order defining the jurisdiction and powers of the APC as soon as the omnibus legislation containing the necessary amendments to Section 5(b) of the Trading with the Enemy Act was enacted into law; and that all problems would be resolved by the Committee and if any insurmountable difficulties were encountered the matter would again be taken up with the Attorney General and the Secretary. Under no circumstances, it was agreed, would the matter get to the point where it was necessary to bother the President with it.

S. M. T. H.

The Secretary then asked the Attorney General, as a personal favor to him, to withdraw the Attorney General's memorandum of December 11 commenting upon our proposed telegram to the Presidents of the Federal Reserve Banks in regard to certain German and Italian businesses into which the Treasury proposed to place observers. The Attorney General read the memorandum, commented that it was a little sharp and unduly critical, and then tore it up.

The Secretary told the Attorney General we had another matter to take up with him.

Mr. Foley then pointed out that the letters dated December 11 which the Attorney General had sent over in lieu of the proposed general license to authorize transactions under Section 3(a) of the Trading with the Enemy Act when they are licensed by the Secretary of the Treasury under Section 5(b) of the Trading with the Enemy Act, were not a full answer to the problems which have arisen. Mr. Foley pointed out that many of the banks were hesitating to execute transactions licensed under Section 5(b) because they feared that to do so would violate Section 3(a) unless such transactions were also licensed under that section. Mr. Foley added that there were external as well as internal transactions involved and the matter was really critical. The Attorney General then signed the attached General License, which was carried to the President by Mr. Bernstein. The President signed at approximately 2:50 p.m.

Mr. Foley promised the Attorney General that he would work as harmoniously with Leo Crowley as he had been able to work all along with Dean Acheson. Mr. Foley told the Attorney General that it had become so difficult to work with Shea that he had been reluctant in recent times to call the Committee together. The Attorney General said Mr. Shea had been trying unsuccessfully to reach Mr. Foley by telephone for over twenty-four hours and suggested that Foley give Shea an "Irish ring" which Mr. Foley promised to do.

S. W. F. H.

GENERAL LICENSE UNDER SECTION 3(a)  
OF THE  
TRADING WITH THE ENEMY ACT

By virtue of and pursuant to the authority vested in me by sections 3 and 5 of the Trading with the enemy Act, as amended, and by virtue of all other authority vested in me, I, FRANKLIN D. ROOSEVELT, PRESIDENT of the UNITED STATES OF AMERICA, do prescribe the following:

A general license is hereby granted licensing any transaction or act prohibited by section 3(a) of the Trading with the enemy Act, as amended, provided, however, that such transaction or act is authorized by the Secretary of the Treasury by means of regulations, rulings, instructions, licenses or otherwise, pursuant to Executive Order No. 8389, as amended.

THE WHITE HOUSE  
December 13, 1941.

*W. M. E. ...*  
Secretary of the Treasury

*Francis Biddle*  
Attorney General of the United States

Memorandum To The President:

Section 3(a) of the Trading with the Enemy Act is now in effect. This section prohibits any person, except with license of the President, to trade with an enemy. Throughout the country banking and business institutions are refusing to put through transactions because they may involve German, Italian or Japanese interests. The Treasury is attempting to control the situation under the freezing control Order.

It is necessary, however, that you issue the attached general license which will have the effect of licensing all transactions under section 3(a) of the Trading with the Enemy Act provided that the transactions are licensed by the Treasury under the freezing control Order. The general license has been approved by the Attorney General.

Secretary of the Treasury.

Attachment

12/20/41  
12/13/41a

## GENERAL LICENSE UNDER SECTION 3(a)

OF THE

## TRADING WITH THE ENEMY ACT

By virtue of and pursuant to the authority vested in me by sections 3 and 5 of the Trading with the enemy Act, as amended, and by virtue of all other authority vested in me, I, FRANKLIN D. ROOSEVELT, PRESIDENT of the UNITED STATES OF AMERICA, do prescribe the following:

A general license is hereby granted licensing any transaction or act prohibited by section 3(a) of the Trading with the enemy Act, as amended, provided, however, that such transaction or act is authorized by the Secretary of the Treasury by means of regulations, rulings, instructions, licenses or otherwise, pursuant to Executive Order No. 8389, as amended.

THE WHITE HOUSE

Secretary of the Treasury

  
Attorney General of the United States

GENERAL LICENSE UNDER SECTION 3(a)  
OF THE  
TRADING WITH THE ENEMY ACT

By virtue of and pursuant to the authority vested in me by sections 3 and 5 of the Trading with the enemy Act, as amended, and by virtue of all other authority vested in me, I, FRANKLIN D. ROOSEVELT, PRESIDENT of the UNITED STATES OF AMERICA, do prescribe the following:

A general license is hereby granted licensing any transaction or act prohibited by section 3(a) of the Trading with the enemy Act, as amended, provided, however, that such transaction or act is authorized by the Secretary of the Treasury by means of regulations, rulings, instructions, licenses or otherwise, pursuant to Executive Order No. 8389, as amended.

THE WHITE HOUSE

December 13, 1941.

*W. M. C. Guthrie*  
Secretary of the Treasury

*Francis Biddle*  
Attorney General of the United States

## FOREIGN FUNDS CONTROL

C O P Y

2020120

Salaries and Expenses

Foreign Exchange Control 1942-Allot. 1-b

TO ALL COLLECTORS OF CUSTOMS:  
(SEE ATTACHED LIST)

THE PRESIDENT HAS ISSUED THE FOLLOWING GENERAL LICENSE:

QUOTE. A GENERAL LICENSE IS HEREBY GRANTED LICENSING ANY TRANSACTION OR ACT PROHIBITED BY SECTION 3(a) OF THE TRADING WITH THE ENEMY ACT, AS AMENDED, PROVIDED, HOWEVER, THAT SUCH TRANSACTION OR ACT IS AUTHORIZED BY THE SECRETARY OF THE TREASURY BY MEANS OF REGULATIONS, RULINGS, INSTRUCTIONS, LICENSES OR OTHERWISE, PURSUANT TO EXECUTIVE ORDER NO. 8389, AS AMENDED. UNQUOTE.

ACCORDINGLY YOU SHALL NO LONGER, BY REASON OF THE PROVISIONS OF SECTION 3(a) OF THE TRADING WITH THE ENEMY ACT, WITHHOLD THE RELEASE FROM CUSTOM'S CUSTODY EITHER FOR CONSUMPTION OR EXPORTATION OF ANY MERCHANDISE IF SUCH RELEASE IS AUTHORIZED BY THE SECRETARY OF THE TREASURY BY MEANS OF REGULATIONS, RULINGS, INSTRUCTIONS, LICENSES, OR OTHERWISE, PURSUANT TO EXECUTIVE ORDER NO. 8389, AS AMENDED.

NOTHING HEREIN CONTAINED IN ANY WAY AFFECTS THE PROVISIONS OF THE TELEGRAM OF DECEMBER 7 IN WHICH YOU WERE INFORMED THAT CERTAIN LICENSES RELATING TO TRANSACTIONS IN WHICH JAPAN, ETC., HAD AN INTEREST HAD BEEN REVOKED.

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

Acting Secretary of the Treasury

EPR:kh:12/13/41

TREASURY DEPARTMENT

331

INTER-OFFICE COMMUNICATION

DATE

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

December 18, 1941

The attached teletype from the Treasury representative in Los Angeles brings you up to date on the food poisoning rumors in that area.

*S-1176.*

Attachment

1941 Dec 18 AM 9:20

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O  
P  
Y

W03WASH G1 LA 12-831

E. H. Foley, Jr., Acting Secretary of the Treasury  
Room 268, Treasury Dept.

Confidential

Frank Kramer, Acting Administrative Assistant of California Department of Agriculture, one State chemist who examines vegetables for insecticide residue, and one State bacteriologist, conferred with us today. Kramer is concerned with the possibility that Japanese handling produce may poison it. The chemist, in charge of inspecting vegetables for excessive spray, has made careful examinations and reports no abnormal situation. However, these men indicated that there are many available poisons, including poisoning through bacteria, which might be used. At present no checks against such poisons exist. In view of devious methods of poisoning the food, the great number of hands through which it passes, and the delayed action of various kinds of poisons, adequate check by State Inspectors is felt by their representatives to be practically impossible. They have discovered no such cases of poisoning yet.

This problem has been discussed by representatives of the State Department of Agriculture with the Army and the Navy. We advised them to present it to the F.B.I. and U.S. Department of Agriculture

although my conversations with representatives of both of these groups indicate that their Departments are familiar with the problem. We might add in my conversations with Mr. Davidson of the Department of Agriculture today he asked me about the existence of hysteria resulting from fear of poisoning and I repeated to him what the county agricultural Commissioner told me, namely that the high price of these products reflected a demand negating the existence of such hysteria. I referred Mr. Davidson to the F.B.I. on this question.

The representatives from the State Department of Agriculture were not willing to take an official position with respect to the desirability of cutting off the supply of fresh vegetables furnished by the Japanese because of the potential danger of poisoning. We stated to them that the General License did not reflect a Treasury position with respect to this question. They indicated to us they were merely passing the information on to us for our consideration. I talked with Mr. Pehle over the phone about this and he advised me to telegraph directly to you.

(signed) Joseph H. Murphy.



DEPARTMENT OF AGRICULTURE  
WASHINGTON

334

December 13, 1941.

The Honorable,  
The Secretary of the Treasury.

Dear Mr. Secretary:

Here is a copy of another telegram which just came in from the California Agricultural Extension Director, dealing with the vegetable situation in California.

11:15 A.M.

I will be calling our other representatives out there shortly and will give you a personal report at that time.

Sincerely yours,

*Carl Hamilton*  
Carl Hamilton,  
Assistant to the Secretary.

Enclosure.

TELEGRAM

335

BERKELEY CALIF 12 1035A

M L WILSON

DIR EXTENSION AGRI WASHDC

INQUIRIES RECEIVED HERE FROM TREASURY AND AGRICULTURE ON VEGETABLE SITUATION SEEM TO MISS THE POINT THAT THE PROBLEM IS NOT ESSENTIALLY CONCERNED WITH VEGETABLE SUPPLY OF LOSANGELES OR EVEN OF CALIFORNIA BUT IS SUPPLY FOR UNITEDSTATES AND IS NOT ONLY QUESTION OF IMMEDIATE SUPPLY OF VEGETABLES BUT THAT OF REGULAR FUTURE SUPPLY FOR TOWNS AND CITIES OF AMERICA. IT IS WELL KNOWN THAT JAPANESE AND ITALIANS GROW MOST OF AMERICAN VEGETABLES. MANY JAPANESE AND ITALIANS ARE NOT CITIZENS BUT THESE PEOPLE DO THE WORK AND PRODUCE THE VEGETABLES HERE AND IN THE EAST. NOT ONLY MUST CERTAIN OF THEIR ASSETS BE RELEASED BUT THEY MUST BE ENCOURAGED TO GO ON AND PRODUCE. YESTERDAY AFTERNOON CONFERENCE OF OUR MARKET SPECIALIST WITH FEDERAL RESERVE BANK DID NOT SHOW ANY COMPREHENSIVE PLAN TO ADEQUATELY MEET THE SITUATION. IT APPEARED DIFFICULT TO MAKE BANKS REPRESENTATIVE UNDERSTAND WE WERE NOT INTERESTED IN JAPANESE BUT IN VEGETABLES LAST EVENING. AT MY REQUEST MISS NYE AND MISS FLORA ROSE DISCUSSED VEGETABLE SITUATION WITH MRS ROOSEVELT BPO STATED HER INTENTION TO WIRE SECRETARY MORGENTHAU AT ONCE. I SUGGEST THAT AS CHAIRMAN NUTRITION COMMITTEE YOU SEE HIM PERSONALL AND EXPLAIN IMPORTANCE OF SITUATION. YOUR WIFE JUST RECEIVED SAYING SECRETARY OF AGRICULTURES COMMITTEE IS GIVING SITUATION CONSIDERATION BUT USUAL CHANNELS MAY BE TOO SLOW. ACTION IS NEEDED RATIONALLY ON THIS PROBLEM

B H CROCHERON

12/13/41

1:00 pm

336

From Mr. Hamilton in  
Agriculture.

---

In regard to the food situation in California brought about by freezing funds of Japanese nationals:

Mr. Hamilton has talked to their defense board out there and this is the report they make. (Nelson Sakagawa enclosure).

#### CURRENT SITUATION

Situation in general is improving rapidly. Food supply is again approaching

normal as are prices in general.

Agriculture is not concerned with the immediate situation. Agriculture feels that the present clearing of the situation has been effected by Order No. 11A and No. 77 issued by the Federal Reserve.

Agriculture feels that the initial bad condition in the food market may in part <sup>be</sup> caused by propaganda to the effect that the Japs would poison the vegetables and fruits.

Recommendations for the Future  
Restrictions are still severe  
enough to act as a deterrent  
to the future Food for Freedom  
Program.

Carriers don't want to  
contract with Japs be-  
cause of uncertainty.

Banks and employers  
are shying at extending  
credits to the Japs - they  
want to be on the safe side.

These reasons have  
slowed down normal  
trade and steps should  
be taken to clarify  
the situation.

There is fear that some  
District Attorneys may  
start prosecuting Japs  
under California's Alien  
Land Law. In the past,  
it has been a custom for  
some Jap nationals to  
have farms operated in  
the name of sons and  
daughters who are citizens.  
This practice, although a  
subterfuge, has been  
permitted. They fear  
that some over-zealous  
D.A.'s may "crack-down"  
and cause an obstacle  
in normal flow of supplies.

It is recommended that a reestablishment of Japanese contacts such as their newspapers and associations would do much to alleviate doubts in the minds of the Jap farmers.

Question arises as to whether a Jap can sell his farm to a citizen and get his money.

Mr. Hamilton will be at home this afternoon if you wish to 'phone him.

12/13/41  
1:00 p.m.

From Mr. Hamilton in Agriculture.

In regard to the food situation in California brought about by freezing funds of Japanese nationals:

Mr. Hamilton has talked to their defense board out there and this is the report they make. (Helen Gehagan concurs).

#### CURRENT SITUATION

1. Situation in general is improving rapidly. Food supply is again approaching normal as are prices in general.
2. Agriculture is not concerned with the immediate situation.
3. Agriculture feels that the present clearing of the situation has been effected by Order No. 11-A and No. 77 issued by the Federal Reserve.
4. Agriculture feels that the initial bad condition in the food market may in part be caused by propoganda to the effect that the Japs would poison the vegetables and fruits.

#### RECOMMENDATION FOR THE FUTURE

1. Restrictions are still severe enough to act as a deterrent to the future Food for Freedom Program.
2. Cannerys don't want to contract with Japs because of uncertainty.
3. Banks and employers are shying at extending credits to the Japs - they want to be on the safe side.
4. These reasons have slowed down normal trade and steps should be taken to clarify the situation.
5. There is fear that some District Attorneys may start prosecuting Japs under California's Alien Land Law. (In the past, it has been a custom for some Jap nationals to have farms operated in the name of son and daughter who are citizens). This practice, although a subterfuge, has been permitted.) They fear that some over-zealous D.A.'s may "crack-down" and cause an obstacle in normal flow of supplies.

- 2 -

6. It is recommended that a re-establishment of Japanese contacts such as their newspapers and associations would do much to alleviate doubts in the minds of the Jap farmers.

7. Question arises as to whether a Jap can sell his farm to a citizen and get his money.



DEPARTMENT OF AGRICULTURE  
WASHINGTON

343

December 12, 1941

The Honorable  
The Secretary of the Treasury

Dear Mr. Secretary:

This telegram, from the California State Director of the Extension Service, arrived at our office at approximately the same time as your telephone call regarding the Los Angeles situation. We have called the Chairman of our U.S.D.A. Defense Board and asked him to survey the situation, get in touch with Joseph Murphy, and get back to us, as rapidly as possible, a report and recommendations for action. We shall notify you just as soon as they arrive.

Sincerely yours,

A handwritten signature in cursive script that reads "Carl Hamilton".

Carl Hamilton,  
Assistant to the Secretary.

Enclosure

POWL27 311 GOVT COLLECT

KY BERKELEY CALIF 1223P Dec 11 1941

A L WILSON

DIRECTOR AGRICULTURAL WASHN DC

THE FREEZING OF JAPANESE ASSETS HAS PRODUCED DIFFICULT AND PERHAPS DISASTROUS SITUATION IN CALIFORNIA VEGETABLE SUPPLY WHERE MOST VEGETABLES ARE GROWN BY AMERICAN JAPANESE WHO ARE TIED BY FAMILY OR FINANCE WITH JAPANESE NATIONALS. VEGETABLE DELIVERIES TO LOSANGELES HAVE DROPPED TO ABOUT HALF AND GREAT FIELD LOSSES OF MUCH NEEDED FOOD ARE LIKELY TO RESULT. WE URGE IMMEDIATE APPOINTMENT FOR SUCH FARMS OF FEDERAL RECEIVER OR SOME SIMILAR DEVICE BY FEDERAL RESERVE SYSTEM IN ORDER THAT VEGETABLE PRODUCTION MAY GO FORWARD. QUICK ACTION IS ESSENTIAL. ON THIS PROBLEM WE HAVE OF COURSE BEEN IN TOUCH WITH STATE USDA DEFENSE BOARD AND WITH STATE DEFENSE COUNCIL AND ARE RETAINING INFORMATION TO FEDERAL RESERVE BANK, SANFRANCISCO, BUT IT IS OUR BELIEF THAT SITUATION WILL PROBABLY REQUIRE ORDER FROM HIGH NATIONAL OFFICIAL TO GET QUICK ENOUGH ACTION TO SAVE THIS ENORMOUS SUPPLY OF VEGETABLES WHICH SUPPLIES LARGE SECTION OF UNITED STATES. THE FOLLOWING TELEGRAM FROM OUR COUNTY AGENT IN IMPERIAL VALLEY IS TYPICAL OF CONDITIONS IN NUMEROUS CALIFORNIA COUNTIES QUOTE I INITIATED A SURVEY OF OPERATIONS OF JAPANESE FARMERS IN IMPERIAL VALLEY RELATIVE TO US FARM DEFENSES PROGRAM AND DEVELOPED FOLLOWING INFORMATION. FIRST TOTAL ABOUT 180 JAPANESE ARE FARMING AT LEAST 15,000 ACRES MOSTLY VEGETABLES SECOND, 99 PERCENT OF JAPANESE AMERICAN FARMERS ARE CLOSELY TIED IN FARMING OPERATIONS BY FAMILY OR PARTNERSHIP WITH JAPANESE NATIONAL THAT IT APPEARS UNLIKELY THEY CAN BE FREED FROM FEDERAL RESERVE BANK ORDER FREEZING ALL JAPANESE ASSETS THIRD, SINCE THE ABOVE CROPS CAN QUICKLY DETERMINE FROM LACK OF ATTENTION THE FOOD FOR DEFENSE GOALS REQUIRE THE FARMING OPERATIONS OF THE ABOVE BE QUICKLY TURNED OVER TO A FEDERAL RECEIVER OR OTHER

APPROPRIATE MEANS BE TAKEN TO HARVEST OR KEEP CROPS GOING ACCORDINGLY  
THROUGH USDA. CAN YOU EXPEDITE A SOLUTION TO THE PROBLEM WITH THE US  
TREASURY OR OTHER PROPER AGENCIES IN ORDER TO SAVE THESE ESSENTIAL  
FOOD STUFFS UNQUOTE

B H CROCHERON



346 ✓

Office of the Attorney General  
Washington, D.C.

December 13, 1941.

My dear Mr. Secretary:

I acknowledge with this your letter of December 12, 1941, enclosing a copy of the release with respect to the Japanese situation on the West coast.

Sincerely yours,

*Francis Biddle*  
Francis Biddle  
Attorney General.

The Honorable

The Secretary of the Treasury

Washington.

HARRY FLOOD BYRD, VA., CHAIRMAN  
KENNETH McKELLAR, TENN.  
ALVA B. ADAMS, CALIF.  
WYLLIE H. SILLETTE, IOWA  
SAMUEL B. ANDREWS, FLA.  
OTT M. LUCAS, ILL.  
JIM H. BARKHEAD, ALA.  
LOYD SPENCER, ARK.

ARTHUR H. VANDENBERG, MICH.  
W. HARRIS CARROLL, N. C.  
CHARLES W. TUBEY, N. H.  
WALLACE H. WHITE, JR., MAINE

United States Senate

347

COMMITTEE ON RULES

H. J. MENPICK, CLERK

December 13, 1941 d

The Honorable Henry Morgenthau

The Secretary of the Treasury

My Dear Mr. Secretary:

Senator George, on his return from your office yesterday, told me you would be available for a meeting of the Joint Committee on Reduction of Nonessential Federal Expenditures on Tuesday. Last night, therefore, I sent out notices for a meeting at 10 o'clock.

Through Mr. Bell, I was told today that you plan to be away. Of course, I do not want you to interfere with any engagements you have made, but this is a most important meeting, and if it is possible for you to be present, I shall greatly appreciate it.

I would have communicated with you before calling the meeting, but, as I have stated, Senator George told me you could come on Tuesday.

With best wishes, I am

Faithfully yours,

Harry J. P...  
*(Handwritten signature)*

2/16/41  
Secretary  
attended

December 18, 1941

**Norman Thompson****Secretary Morgenthau**

I understand that one of Mayor LaGuardia's secretaries is loaned and paid for by the Treasury. Please look into this and explain to me why. Have we loaned any other people to Mayor LaGuardia or to his organization?

Don't do anything about the above except to find out the facts and tell me about it in confidence.

1229  
December 13, 1941.

Secretary Morgenthau

Mr. Thompson

With reference to your memorandum as to one of Mayor LaGuardia's secretaries, I understand that Joseph S. Steiner is employed in that capacity. Steiner, formerly an investigator with the Alcohol Tax Unit at \$2,700 per annum, transferred from the Treasury to the Office of Civilian Defense on June 15, 1941. He is, therefore, not on a loan basis, his salary being paid by funds available to Office for Emergency Management.

Our records do not indicate that we have any employees on loan to Mayor LaGuardia or to his organization.

WMT:jo

350

December 18, 1941

Norman Thompson  
Secretary Morgenthau

Who paid Dr. Klein for his bill for Mrs.  
Cochran?

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

351

DATE December 13, 1941.

TO Secretary Morgenthau

FROM Mr. Thompson

Mr. Foley has been handling the bills in connection with Mrs. Cochran's illness and he advised me that no bill has been received from Dr. Klein.

*ofm*

December 15, 1941

Mr. E. M. Edwards,  
Office of the Secretary.

Sir:

Effective today your designation is changed from Assistant to the Secretary to Consulting Expert, CAF-15, in the Defense Savings Staff, without change in compensation or pay roll.

Very truly yours,

(Signed) A. BERGENTHAL, JR.  
Secretary of the Treasury.

*Copied to Mr. Edwards*

*N.M.C.*

FOR DEFENSE



# FIELD ORGANIZATION *News Letter*<sup>353</sup>

DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT, WASHINGTON, D. C.



DECEMBER 13, 1941

NUMBER 30

## THE DECLARATION OF WAR

THE DECLARATION OF WAR PLACES A NEW AND INCREASED RESPONSIBILITY ON DEFENSE SAVINGS COMMITTEES.

YOU AT ONCE SHOULD ADVISE ALL LOCAL COMMITTEES TO REDOUBLE THEIR ACTIVITIES AND CONDUCT A SALES CAMPAIGN WHICH BY ITS RESPONSE WILL DEMONSTRATE TO OUR ENEMIES THAT AMERICA TO A MAN IS BEHIND OUR GREATEST NATIONAL TEST.

IT IS SUGGESTED THAT PAY ROLL ALLOTMENT PARTICIPATION BE INCREASED, THAT EACH LOCALITY PUSH THE BANK DRAFT PLANS, STAMP BANKS, SCHOOL PROGRAMS, AND OTHER PLANS TO SECURE INCREASED CONSISTENT PURCHASING.

ALSO, LOCAL COMMITTEES SHOULD FORM GROUPS TO SOLICIT LIMIT PURCHASING OF ALL SERIES OF BONDS FOR 1941. INCREASED CO-OPERATION IN MERCHANDISING OF ALL FINANCIAL GROUPS SHOULD BE ASKED.

OUR COMMITTEES HAVE DONE A SPLENDID TASK IN ORGANIZATION AND PROMOTION WORK TO DATE. NOW THAT WAR IS ON US, LET EVERY MAN, WOMAN AND CHILD BE GIVEN THE OPPORTUNITY AND URGED TO PURCHASE BONDS ON A REGULAR PLAN. I KNOW YOU AND YOUR COMMITTEES WILL PERFORM GREAT SERVICE.

HENRY MORGENTHAU, JR.

(The above message is the text of the telegram sent on Monday, December 8, to all State Administrators and Chairmen of State Defense Savings Committees.)

Speaking of Shooting—



— HERBLOCK, of NEA Service, Inc.

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New York City  
 December 9, 1941.

TO THE FIELD STAFF:

War financing has become the order of the day for the entire Defense Savings Staff.

The Secretary's message to all State Chairmen and Administrators, reproduced on the first page of this NEWS LETTER, gives the order to proceed with all the power at our command.

Our committees are so constituted that they can step into this new situation without delay. A thorough marketing job can be done, and millions of new and regular purchasers can be enlisted in our many marketing plans now in operation. All committees are familiar with these methods.

Three activities are of special importance:

1. Committees should make an immediate effort to see that all those who can afford to do so, purchase Series E and Series F, or G Bonds "to the limit" before January 1st, 1942. An investment of \$53,750 for each individual and of \$50,000 for each separate corporate body is possible under present regulations.
2. Committees should arrange for expansion of pay roll allotment plans and all the other known methods of facilitating continuous investment on a systematic basis.
3. Every person not already enrolled on a regular purchase plan should be contacted by our committeemen or teams of workers and urged to enroll in such a plan at once.

Sincerely yours,

GALE F. JOHNSTON,  
 Field Director, Defense Savings Staff.

FIRST LADY CONGRATULATES NEWSBOY



Mrs. Franklin D. Roosevelt congratulates James Cotton, Philadelphia Evening Bulletin newspaper carrier boy, who as a volunteer U. S. Defense Agent sold 15,000 Defense Savings Stamps in 10 weeks. James has earned his Honor Shield, a Silver Bar, and 19 Gold Bars.

In the past month, over 250,000 newspaper boys throughout the United States have volunteered to participate in the Treasury Department's Defense Savings Stamp sales program. Over 600 newspapers, located in 466 cities in practically every state in the Union, already are co-operating.

THE FIRST TWO BILLION

The first two billion dollars have been raised through the purchase of Defense Savings Bonds. The following figures give us a base against which to measure our efforts and results in the months to come.

	<u>Series E</u>	<u>Series F</u>	<u>Series G</u>	<u>Total</u>
May	\$100,581,000	\$37,817,000	\$211,420,000	\$349,818,000
June	102,517,000	28,876,000	183,134,000	314,527,000
July	145,274,000	27,359,000	169,498,000	342,132,000
August	117,603,000	30,318,000	127,685,000	265,606,000
September	105,241,000	18,099,000	108,987,000	232,327,000
October	122,884,000	22,963,000	124,866,000	270,713,000
November	109,475,000	18,978,000	105,035,000	233,487,000
<b>Totals</b>	<b>\$292,656,000</b>	<b>\$174,410,000</b>	<b>\$1,030,625,000</b>	<b>\$2,008,611,000</b>

Watch these sales figures soar!

\* \* \*

A QUOTABLE QUOTE:

"The paramount issue confronting the nation today is one of self-preservation. . . . The workers have been, are now, and will always be in opposition to Hitlerism. It must be defeated and destroyed. Democracy can survive in no other way."

—Philip Murray, President,  
Congress of Industrial Organizations  
(Nov. 19, 1941)

BUFFALO FIGHTER PLANE CAMPAIGN HUGE SUCCESS

THE TREMENDOUS SUCCESS of Buffalo's campaign to invest a sufficient amount in Defense Savings Stamps to purchase two fighter planes was reported to the nation on the coast-to-coast broadcast of the Treasury Hour, "Millions For Defense" December 2.

IN EIGHT BUSINESS DAYS, between November 24, and December 2, Buffalo citizens purchased \$249,000 worth of Defense Savings Stamps, as compared with an October average of about \$1200 a day or under \$10,000 for an eight day period - an increase of 2480%!

BOND PURCHASES TOO WENT UP PHENOMENALLY. For the eight day period, sales of Defense Bonds amounted to \$807,000 as compared with \$87,000 during a previous eight day period - an increase of more than 800%.

A DESCRIPTION of this campaign was included in the NEWS LETTER for November 29. Additional information will be presented in the "Buffalo Pattern Book" now being prepared for distribution to all state administrators. This book will be of great help to other communities in conducting similar campaigns.



Leaders of organized labor who met and went on record to support the campaign. Note the special poster featuring the two fighter planes which were the objectives of the Buffalo campaign.



A group of the life underwriters who conducted a systematic telephone canvass of all business firms in Buffalo throughout the week.

\* \* \*



The billboard which charted progress of the campaign in the public square as it appeared flood lighted at night.

TINKEN DAYS IN CANTON, OHIO BOOST STAMP SALES 5,900%

CANTON, OHIO - a city of more than 100,000 - is the home of the great Tinken Roller Bearing Company, a vital part of this nation's Arsenal, in which nearly a third of all Canton workers are employed.



The Tinkenettes prepare to "go to town" on a Canton Fire Truck.

ON FOUR DAYS IN NOVEMBER, Canton proved that Americans respond to direct appeals to buy the securities which mean so much to the successful conclusion of the great struggle in which we are now engaged. On these days, eight colorfully uniformed Tinken girls, dubbed "Tinkenettes", staffed the stamp booth in Canton's public square (See NEWS LETTER, November 15) and carried on a sales promotion program that boosted Defense Savings Stamp sales from the previous daily average of about \$250 to a high of \$15,081.

HERE ARE A FEW of the things which were done to accomplish this magnificent result:

With cardboard popguns, people in the downtown section were "held up" by the Tinkenettes and asked to "Buy Defense Stamps Now." . . . "This gun is free. Real guns cost lots of money." . . . "Tinken is gunning for new Defense Stamp sales records. Help us shoot the works."

"Pal Joey," a Tinken workman in effigy, "climbed the flag-pole" in the public square, moving up a few notches each hour as sales mounted. "Help me touch the flag before sunset" was his appeal. The booth in Canton's public square, which was the focal point of all the activity outlined here is shown at the right. Note "Pal Joey," on the flag-pole.



A large percentage dial recorded progress of the sales effort towards the day's goal.

A "courier service" made stamps available to anyone in town who telephoned a request to headquarters. To prevent this service from being swamped by requests it was necessary to establish \$18.75 as the minimum amount of stamps which could be delivered.

In the Tinken plants a similar courier service made stamps available to the workmen on the job.

TINKEN DAYS IN CANTON  
(Continued)

A systematic canvass of all large downtown buildings was made by the Tinkenettes to sell stamps and distribute Defense Bond literature.



A Tinkenette makes a sale on a busy downtown street. Coin boxes and an ample supply of stamps were carried by all of the girls while on duty.

A Mystery Man went through the business section, passing out dollar bills to various persons who could show receipts for Defense Stamp purchases made that day at the booth in the public square. A tremendous amount of newspaper publicity grew out of the advance notices of the "Mystery Man's" scheduled appearance; and, on the following day, there was more publicity as a result of his gifts - pictures, quotes from the recipients, etc. Almost invariably, those receiving the money elected to return to the public square and purchase additional stamps.

ALL OF THESE THINGS resulted in publicity for the Defense Savings Program in newspapers and on the radio. Practically all sales involved some explanation of what the stamps were and how their purchase led towards the purchase of bonds. It is safe to assume that the Tinkenettes, in four days of strenuous activity, brought the Defense Savings message home to thousands of Canton citizens for the first time and that their activities will contribute towards large increase in the sales of both bonds and stamps which is confidently expected during December.

IN CANTON'S PUBLIC SQUARE, unnoticed for many years by pedestrian passersby, there is a plate, imbedded in concrete, which reads: "Here lies 'It Can't Be Done.'" The plate commemorates the successful termination of The Victory Loan drive World War I.

This grave of "It Can't Be Done," was shined and polished last month, both literally and figuratively.

Robert W. Tinken and Charles Moberly, a Tinken employee, at the Stamp Booth. Mr. Tinken and Mr. Moberly were schoolmates.



Three Tinkenettes report to Roy D. Moore, State Chairman of Ohio Defense Savings Committee and publisher of the Canton Repository.

CREDIT UNIONS ACTIVE IN BEHALF OF DEFENSE SAVINGS

MAKING DEFENSE BONDS CONVENIENTLY AVAILABLE is a primary objective of the Defense Savings Staff. With a large majority of post offices, banks, and savings and loan associations already qualified issuing agents for Series E Bonds, the steady increase in the number of credit unions which have so qualified deserves attention.

CREDIT UNIONS are co-operatively owned and operated small loan and thrift organizations, composed usually of the employees of a single business or factory. There are now nearly 10,000 of these organizations operating under either state or Federal charters. They have an estimated 3,000,000 members and total assets of about \$250,000,000.

BOTH STATE AND FEDERALLY CHARTERED CREDIT UNIONS may qualify as issuing agents for Series E Bonds by making proper application to the Federal Reserve Bank of the districts in which they are located. By the end of November, about 800 credit unions had so qualified. At credit union meetings now being held throughout the country, lantern slides pictured on the next page are being shown and the technique of qualifying and issuing Bonds explained. Both the Credit Union Section of FCA (the agency which supervises Federally chartered credit unions) and the Credit Union National Association, to which both state-chartered and Federal credit unions belong, are urging all credit unions to qualify as issuing agents and to educate their members in the principles of Defense Savings. (Note: All field representatives of the Federal Credit Union Section have a set of the slides pictured on the next page.)

ACTIVE SALESMANSHIP in behalf of Defense Savings is being carried on by many credit unions, according to the Credit Union National Association. The 123 credit unions replying to a recent questionnaire distributed by this association reported the following, among other, activities in behalf of Defense Savings: display of posters; talks of credit union officers with individual members; articles on Defense Savings in credit union bulletins; addresses at regular or special membership meetings; distribution of pledge cards; inclusion of advertising slips and Defense Bond folders in pass books.

THAT THESE ACTIVITIES SELL BONDS is evidenced by the fact that the 123 credit unions, more than half of which qualified as issuing agents after August 1, had sold \$612,000 in bonds to their 96,000 members by the end of October. The credit unions had also invested more than \$578,000 of surplus funds in Series F and G Bonds.

OUTSTANDING JOBS of Defense Bond promotion are reportedly being done by these, among other credit unions: "Groton Shipbuilders," New London, Connecticut (See NEWS LETTER, August 2); "Esso Marketers," in Bayonne and Newark; "Homestead Employees," in Pittsburgh; "Braniff Airways," in Fort Worth; and "Studebaker Employees," in South Bend.

EXPERIENCE OF THESE CREDIT UNIONS appears to indicate that they provide a convenient mechanism by which management and employees can co-operate in conducting an intensive, purposeful and continuing campaign.

THREE SLIDES TELL OUR STORY



These are the slides which have been used to present the message of Defense Savings at Regional, State and local meetings of credit union officers and members throughout the country.



This Oklahoma Rural Mail Carrier is one of many who are making it easy for children on their routes to buy Defense Savings Stamps. After telling them about the Program, the carriers personally deliver the Stamps to the schools each week. Meantime, children are studying Defense Savings in mathematics and social studies classes.



After learning about Defense Savings at school, high school students in Winchester, Mass. completed a novel assignment—each told four neighbors about Stamps and Bonds.



The Defense Savings Program stimulates children to earn their own money. This 11-year old Atlanta girl makes tiny dolls, then sells them to schoolmates for money to buy Stamps.



Student-managed Stamp Booths are instructive—in bookkeeping, salesmanship and public relations—as well as valuable aids to National Defense. This hall booth at Smiley Junior High School, Denver, is supervised by two boys and operated in turn by pupils from different grades.

**MADAME CHAIRMAN!** the guide for women's clubs' Defense Savings Program, has just been printed in a handy 3-1/2 x 7-3/4 inch booklet, which has the attractive cover design illustrated here and is printed in gray green ink. Copies of the booklet, which contain some revisions of the original mimeographed text included in the Women's Kit, are being sent to all State Administrators this week.

Four Program Aid booklets, to be included in a new kit with **MADAME CHAIRMAN!**, are now being printed. These Aids, which will be mailed as soon as they come off the Government printing presses, include:

Program Aid # 1 - This is a revised speech for the presidents of women's clubs, lodges and other organizations which are launching Defense Savings Programs of their own.

Program Aid # 2 - This is a twelve minute suggested speech for the Chairmen of Defense Savings Committees of women's clubs, lodges and other organizations.

Program Aid # 3 - A set of discussion questions and answers for use at club meetings.

Program Aid # 4 - Rapid Fire Quizzes on Some Puzzling Problems, rewritten in concise language for the use of women's organizations. The Quizzes are divided into seven groups of about ten questions each, and it is suggested that one group of questions be used at the beginning or end of meetings of clubs which have a Defense Savings Program.

A study pamphlet especially designed for women's organizations particularly interested in political science and economics is now undergoing a final revision and probably will be out in printed form sometime in January.



Cover design and illustration from the new printed edition of **MADAME CHAIRMAN!**

A daily boxed feature in the Minneapolis, Minnesota STAR JOURNAL.

**'THRIFT GIRL' OF WORLD WAR NO. 1 Buys Defense Stamp Every Day**  
 By Anne Louise Larson, 1428 W. Taylor Street, Minneapolis, Minnesota.  
 I have been buying defense stamps every day since I was 14 years old. I have saved up \$100.00 and I am going to buy more stamps every day. I have a collection of stamps from all over the world. I have a collection of stamps from all over the world. I have a collection of stamps from all over the world.

**Uncle Sam's Emergency Fund Provides Also Personal Fund**  
 By Marie, Washburn Ave., 114 Washburn, Washburn, Minn.  
 I have been buying Uncle Sam's Emergency Fund stamps every day. I have a collection of stamps from all over the world. I have a collection of stamps from all over the world. I have a collection of stamps from all over the world.

**Sailor's Wife Buys Bond, Advises You to Do Likewise**  
 By Myrtle Harris (Mrs. Walter L. Harris), 1429 Third Street S.E., assistant organizer, Minnesota Central Labor Union, member of United General Workers, local union No. 27, affiliated with AFL.  
 My husband, Walter L. Harris, has resubmitted in the United States army, this time as a drug supply officer with a chief specialist rank. I have been buying defense stamps every day. I have a collection of stamps from all over the world. I have a collection of stamps from all over the world. I have a collection of stamps from all over the world.

**Buying Defense Bonds Is Duty of All Wage Earners**  
 By Mrs. Frank E. Williams, 213 N. Myrtle Street, Minneapolis, Minn.  
 I have been buying defense bonds every day. I have a collection of bonds from all over the world. I have a collection of bonds from all over the world. I have a collection of bonds from all over the world.

**Polish People Are Eager to Buy Defense Savings Bonds**  
 By Mrs. John J. Sobolewski, 2721 University Avenue, N.E., Fremont, Council No. 24, Polish National Alliance.  
 I have been buying defense savings bonds every day. I have a collection of bonds from all over the world. I have a collection of bonds from all over the world. I have a collection of bonds from all over the world.

**Ash Collector and Wife Buy Stamps for Defense**  
 By Mrs. C. F. King, 4125 Clifton Avenue, Minneapolis, Minn.  
 I have been buying defense stamps every day. I have a collection of stamps from all over the world. I have a collection of stamps from all over the world. I have a collection of stamps from all over the world.

**Elizabeth Quinlan Tells of Defense Bond Advantages**  
 By Elizabeth Quinlan, 401 W. Chicago Street, Minneapolis, Minn.  
 I have been buying defense bonds every day. I have a collection of bonds from all over the world. I have a collection of bonds from all over the world. I have a collection of bonds from all over the world.

**Even a Three-Year-Old Can Save Pennies for Defense**  
 By Mrs. A. L. Knapp, 2513 Madison Avenue, St. Louis Park, Minn.  
 I have been buying defense bonds every day. I have a collection of bonds from all over the world. I have a collection of bonds from all over the world. I have a collection of bonds from all over the world.

**Wife of Former Mayor of Norfolk, Norway, Buys Bonds**  
 By Mrs. Theodor Brack, 1216 York Avenue, Norfolk, Norway.  
 I have been buying defense bonds every day. I have a collection of bonds from all over the world. I have a collection of bonds from all over the world. I have a collection of bonds from all over the world.

A PUBLICITY IDEA OF THE WOMEN'S DIVISION OF THE MINNEAPOLIS DEFENSE SAVINGS COMMITTEE

CHRISTMAS BONUSES IN DEFENSE SECURITIES

**NOW MORE THAN EVER** there is point to Secretary Morgenthau's suggestion that customary Christmas bonuses be paid in Defense Bonds and Stamps and from many parts of the country come reports that the suggestion has been accepted. Business firms of all kinds, big and small, are taking up this patriotic and practical way of rewarding their employees. In some cases where employers have seen fit to make bonus payments in cash, they have urged that a portion of the money be invested in Defense securities; and by their response to this suggestion, employees have shown that they approve the idea.

**HERE ARE A FEW** early reports of well-known companies which are extending "Greetings of the Season" to their employees with a "Share in America":

**Rational Cash Register Company.** Approximately 9,000 employees in Dayton, Ohio and throughout the country are to receive more than \$200,000 in Defense Bonds as their Christmas bonus.

**Surging Cotton Mill Company.** This company, with plants at Lancaster and three other points in South Carolina, has purchased \$138,000 in Defense Stamps to be distributed as a Christmas bonus to its 11,000 employees. The purchase included 400,000 - 25¢ stamps and 35,000 - \$1 stamps. Faced with the task of placing all the stamps in the albums, the company called on State Administrator **W. P. Bowers** and his staff of willing volunteers for assistance. Captain **Elliott Springs**, owner of the mills is a renowned aviator of World War I. At the beginning of the Defense Program he relinquished executive management of the mills and took up active duties with the Army Air Corps for the duration.

**Douglas Aircraft Company.** A special "defense dividend" of more than \$1,000,000 will be paid soon to the 35,000 workers in the Douglas plants in California and Oklahoma. The bonus will be accompanied by a strong recommendation from President **Donald W. Douglas** that the money be converted into Defense Bonds.

**General Electric Company.** This year the annual bonus to employees will be paid in Defense Bonds instead of bonds of the **Employee Securities Corporation**, President **G. E. Wilson** has announced.

SOME OTHER BONUSES IN DEFENSE BONDS AND STAMPS

- Rudson Silk Hosiery Company, Charlotte, North Carolina - \$36,000.
- Riegel Paper Corporation of New Jersey - \$95,000 to 1,495 employees.
- Hyman Gondelman, Boston merchant - \$5 to \$1000 to each of 127 employees.
- Service Plumbing Company, Fort Worth, Texas - \$3,500.
- Schuylkill Valley Lines, Inc., Norristown, Pa. - \$6,550 to 70 employees.
- Mengel Company, New York - \$100,000 to 4,000 employees.
- Mohawk Postcard Company, Schenectady, New York - \$8,000 to 18 employees.

FIELD ORGANIZATION NEWS

**ARKANSAS.** The state's largest employer, the Crossett Lumber Company, has installed an allotment plan for its more than 2,000 workers; State Administrator Roy G. Paschal has announced.

**CONNECTICUT.** Purchase of a \$1000 Defense Bond by the Hartford Teamster's Union, Local 589, (AFL) is recorded in the picture at the left.



In this picture E. B. Newell, president of the Hartford National Bank & Trust Company and state chairman of the Connecticut Defense Savings Committee is shown seated at his desk as Herbert A. Miller, secretary-treasurer of the Union, signs the application for the Bond. Standing, left to right, are Deputy Administrator Philip Hawes; Frank Basso, Union representative; Oliver B. Ellsworth, chairman of the Hartford Defense Savings Committee; and Nicholas Yannone; and Joseph M. Baker, union representatives. As the purchase was made, officials of the union

issued the following statement:

"The American Federation of Labor is 100% back of the Defense Savings Program. We figure that everybody is in the same boat as far as defense and rising prices go. The more money that goes into these Bonds, the more there is for defense and the less there is left to help drive prices up. Our unions are buying bonds for their own treasuries. Our members are buying bonds for themselves and their families. If there is a pay roll allotment plan where they are working, our members are signing up."

**DELAWARE.** All of the 46 banks in this state have now qualified as issuing agents for Series M Bonds.

**IDAHO.** Idaho, with 50 banks, has become the seventh state in the nation, and the second in the Pacific Northwest, in which all banks have qualified as issuing agents for Series M Bonds.

**ILLINOIS.** Members of the Amalgamated Clothing Workers Union in Chicago are reported to have invested more than \$125,000 in Defense Savings Securities through the so-called "Rochester Plan," a plan whereby union officers or leaders act as group agents. Deputy State Administrator John G. Gallaher addressed a group of Amalgamated officers recently.

N. P. Seeburg Corporation, manufacturer of the automatic phonograph specially decorated to boost "Any Bonds Today?" and other patriotic songs, continues its effective co-operation with the State Headquarters office according to State Administrator Norman B. Collins.

FIELD ORGANIZATION NEWS

ILLINOIS (Continued)

Plans for a systematic canvass of all firms employing 500 or more in the Chicago area, to present full information about the allotment plan, have been completed and this important project is now well under way. The work is being done by 338 life underwriters working under a committee headed by George Rath of the Provident Mutual Life Insurance Company and Edward R. Sages of the Metropolitan Life Insurance Company. Approximately 500 concerns employing a total of 1,166,000 are to be asked to install the plan.

The Curtiss Candy Company of Chicago is conducting among their salesmen a contest in which Defense Bonds are to be awarded as prizes.

The Sawyer Biscuit Company of Chicago has a Rhymer Program over radio station WGN in which eight \$25 Defense Bonds are awarded as prizes each week.

The L. Fish Furniture Company and Triangle Restaurants are among the concerns in Chicago which have recently installed allotment plans. In the picture at the right, Lu A. Toffanetti, president of Triangle Restaurants, and five waitresses receive congratulations from Deputy Administrator Gallaher for their participation in the Defense Savings Program.



**IOWA.** The Iowa Bankers Association now has a Defense Savings Bond Committee of 11 members, headed by G. R. Ayers of the Sibley State Bank. The committee was appointed by the president of the Association, A. E. Bonhove, who is also vice-president of the Central National Bank and Trust Company of Des Moines.

**KENTUCKY.** To familiarize Kentuckians with the benefits of investing in Defense Savings securities, the Kentucky Bankers Association announced that the subject of its fourth annual public speaking contest for high school students would be "Your American Duty—To Buy Defense Bonds."

"We believe this competition, with its wide participation, will go far towards acquainting Kentuckians with the importance of buying Defense Bonds," said William F. Miller, president of the Kentucky Bankers Association.

**MASSACHUSETTS.** Feature of a recent banquet of the Milk Wagon Drivers, Local No. 390, in Boston, was the delivery of a \$10,000 Defense Bond purchased by the union. This gathering of approximately 1,000 union members and guests was addressed by Harold G. Jackson, chairman of the Defense Savings Staff's State Speakers' Bureau.

State Administrator Daniel J. Doherty reports that 29 large companies (500 or more employees) have installed allotment plans.

FIELD ORGANIZATION NEWS

MASSACHUSETTS (Continued)



In the picture at the left, Manager William McKeogh of the Gardner Electric Company of Gardner, Massachusetts receives allotment authorization cards from a few of the many employees of the company who are now saving for Defense Bonds.

The Sons of Italy of Massachusetts have purchased another \$30,000 in Defense Bonds. This organization had previously invested \$20,000 in these securities.

MICHIGAN. A number of one-minute news reel shots have been taken in various Michigan cities of persons in various walks of life, telling why they are buying Defense Bonds and Stamps. The pictures will be distributed throughout the State.



The Retail Merchants Association of St. Joseph will award \$50 in Defense Stamps in its annual Christmas home decorating contest.

Two foreign language newspapers in Detroit publish a weekly column on Defense Savings, written by Peter F. Szluk, Deputy Collector of Internal Revenue. Mr. Szluk has spoken several times on the radio, explaining the program to Hungarian-American audiences in Michigan and Ohio.

The Slav-American Defense Savings Committee of Michigan was organized December 7 at a meeting of the Michigan Committee of the Slav-American Congress held in Masonic Temple, Detroit, Michigan. United States Attorney General Francis Biddle was the principal speaker of the occasion. This was an occasion similar to the one at which Michigan's Italian-American Defense Savings Committee was organized. (See NEWS LETTER, December 6.) However there was a difference. While the dinner was in progress, the first electrifying news of the attack on Pearl Harbor was received.

MINNESOTA. In Fergus Falls (pop. 10,000), 72 places of business now have "Bond-A-Month" Clubs. Through the efforts of Chairman Cyrus Field, the city is filled with placards proclaiming, "We Belong 100 Per Cent - Defense Bonds or Stamp Club."

Duluth and St. Paul ran a close race for honors as the first city in Minnesota to establish a pay roll allotment plan for city employees.

FIELD ORGANIZATION NEWS

MINNESOTA (Continued)

In St. Paul, Mayor McDonough has announced in a letter to all employees that the City and County Employees Credit Union will handle bond purchases on the allotment plan. In Duluth, the City Council formally authorized pay roll allotments.

Many billboards featuring the Defense Savings Program have been put up throughout the state. The Northern States Power Company has had "bull's eyes" featuring Defense Savings on 300 of its 24 sheet panels in 129 cities and towns in Minnesota, Wisconsin and the Dakotas during the past three months. The Northwestern National Bank of Minneapolis has placed Defense Bond messages on 35 large boards.

MISSISSIPPI. Deputy Administrator Orrin Swayze reports that the members of the Women's Division of the Hinds County Committee, after more than six months of active service, are more enthusiastic workers for Defense Savings than ever. Members of this Division are responsible for staffing two department store bond and stamp booths.

"These girls took this job for the duration," Mr. Swayze wrote on November 28, ten days before hostilities began. "And it would do your heart good to see how high their loyalty is now—much higher than when they began, and they are ready and willing to keep on until the boys are mustered out."

The important job of distributing Defense Savings display material in Jackson has been entrusted to a selected group of SS Boy Scouts, under the direction of Scout Executive Harry Maxfield. The boys, four of whom are shown at the right, not only make the original distribution of such material, but are responsible for its "upkeep," replacing posters whenever they become dirty or frayed. The boys are on the job whenever a new display piece becomes available and are able to do a thorough and efficient job of distribution as each boy has been entrusted with a particular district of the city and knows exactly where posters and signs of various sizes should be placed.



NEW YORK. George L. Harrison, president of the New York Life Insurance Company, has accepted the chairmanship of the finance group of the Greater New York Defense Savings Committee. Lewis W. Douglas, general chairman of the New York City Committee has announced.

FIELD ORGANIZATION NEWS

NEW YORK (Continued)

The first union-sponsored Defense Bond poster contest was recently conducted in New York City by the art class of Local 22, International Ladies Garment Workers Union. At the left Miss Anna Peraz receives the first prize, Defense Stamps, and congratulations from Mrs. Lottie Ball, vice-chairman and director of women's activities of the New York State Defense Savings Committee.



An important activity of the State Committee's Women's Division has been the training of speakers who are addressing women workers in industry on the allotment plan. Special classes for these carefully chosen speakers are being conducted under the direction of the division's executive, Mrs. Marion M. Miller, and Rose Schneiderman, Secretary of the New York State Labor

Department and a member of the State Committee, is arranging with employers and union representatives for these speakers to address workers in plants and factories in order to reach the largest possible audiences.

Arthur T. McManus, formerly publicity director of both the New York State Federation of Labor and the American Federation of Labor Publicity Bureau, is serving full time as a labor consultant on the staff of State Headquarters.

Genesee Valley Trust Company employees have subscribed 100% to the allotment plan, according to a report by Raymond H. Ball and Marion Folsom, co-chairmen of the Rochester and Monroe County Committee. The reports stated that 16 industries in the Rochester area have adopted the allotment plan, including Eastman Kodak Company, Rochester Telephone Company, Bausch-Lomb Company, and Stroberg-Carlson Company.

OREGON. Employees of the Fearless Pattern Works in Portland are participating 100% in the allotment plan. In the picture at the right, Ted Miller (with hat), chairman of the pay roll allotment division of the Multnomah County Committee, congratulates C. E. Papp, manager of the company. The poster "United We Stand" (distributed by the Division of Information, ODM) has added significance now.



WASHINGTON. In Bremerton, Basil Gossett has formed a "Bond-A-Month" Club and is doing an exceptional job of promoting it. He carries with him a supply of the "Buy-Me-A-Bond" application forms of the Bremerton Branch of the National Bank of Commerce, and when he finishes his "sales talk" he is ready to "close the deal." Here's an idea worthy of wider application.

ON THE AIR

These three Treasury Programs continue their great contribution to national morale, economic well-being, future security and Victory!

Monday, December 15 **"FOR AMERICA WE SING"** 9:30-10:00 PM (EST)  
NBC Blue Network

Dr. Frank Black's orchestra and chorus  
**GUEST STARS:** Helen Jenson, Metropolitan Opera Star,  
and Walter Cassel, radio and concert singer.

Tuesday, December 16 **"MILLIONS FOR DEFENSE"** 8:00-9:00 PM (EST)  
NBC Blue Network

**THE TREASURY HOUR:** Variety program with leading entertainers of stage, screen, and radio.

Thursday, December 18 **"AMERICA PREFERRED"** 9:00-10:00 PM (EST)  
Mutual Network

Alfred Wallenstein's Orchestra: Deems Taylor Commentator.  
**GUEST STAR:** Joseph Szigeti, violinist

\* \* \*

PRESS AND RADIO MOVE SWIFTLY TO BRING NEW APPEAL TO "BUY BONDS NOW"

Immediately following the outbreak of war, all newspapers, through their wire services, and all radio stations, directly, received messages from the Treasury Department, asking their co-operation in placing before the American people the imperative necessity of increasing investment in Defense Bonds and Stamps.

Newspapers were given a suggested announcement which undoubtedly all members of the Field Staff have seen in their own daily papers. Radio stations received several different announcements on Monday by wire and telephone and other announcements later in the week.

By their full and prompt co-operation, newspapers and radio networks, stations and sponsors, have demonstrated that they know the importance of the Savings Program and are prepared to render all possible assistance to the Defense Savings Staff in placing its message before the public.

The sign shown at the right is at a busy intersection in downtown Boston. Since early fall it has helped prepare Bostonians for the days and months which lie ahead.



# News Letter

## THE FIRST PRIZE FLOAT. . .



In the National Defense celebration held recently in the Frankford Section of Philadelphia, Pennsylvania.

## ON A VIRGINIA HILLSIDE. . .



Huge letters clearly legible at a distance of more than a mile spell out the slogan "Buy Defense Bonds Now."

## A CAPTIVE BALLOON. . .



Is the unusual Defense Bond Ad of the Towner Grove Bank & Trust Company of St. Louis, Missouri.

## IN A NEIGHBORHOOD STORE. . .



In Mankato, Minnesota a customer takes her change in Defense Stamps.

## PHOTOGRAPHS OF UNCLE SAM'S ARMORED MIGHT. . .



Make up the timely window display of the Citizen's Savings Bank at Lexington and 51st Streets in Midtown Manhattan, New York City.

b

OFFICE OF FACTS AND FIGURES  
WASHINGTON

THE DIRECTOR

December 14, 1941

Dear Henry:

Thank you very much for telling me about the intensification of your defense bond program following the outbreak of war. The information you give would be extremely interesting to my colleagues of OFF, and I am grateful to you for taking the time to keep us informed.

With best regards,

Faithfully yours,

*Archibald MacLeish*  
Archibald MacLeish

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

NOV 12 1941

Dear John:

With further reference to your letter of November 21, 1941 about payroll deductions for the purchase of Defense Savings Bonds and my telegram of November 26 to you on this subject, I am glad to be able to tell you that Secretary Perkins has just issued an amendment of the existing regulations under the Copeland Kick-back Act and the Davis-Bacon Act. This amendment specifically authorizes voluntary payroll deductions for the purchase of Defense Savings Bonds and Stamps, as well as our Tax Savings Notes, in situations where the Copeland Kick-back Act and Davis-Bacon Act are applicable. The matter had been held up for some time because the Department of Labor is preparing a comprehensive revision of its regulations on this subject, but at our urgent request, Secretary Perkins was good enough to issue an interim regulation covering our problem. This became effective on December 9 and is printed

- 2 -

on page 6329 of the Federal Register of December 10,  
which I enclose.

I am glad that Anna and you were able to get a  
short vacation before the war began. There won't  
be much opportunity for vacations from now on.  
Elinor joins me in sending you both our love.

Sincerely,

(Signed) Henry

Mr. John Boettiger,  
Publisher, Seattle Post-Intelligencer,  
Seattle, Washington.

SJS:mfw  
12/10/41

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

DEPARTMENT OF LABOR  
OFFICE OF THE SECRETARY  
WASHINGTON

December 1 1941.

Dear Henry:

Thank you for your note of November 25, 1941, enclosing a copy of a letter from John Boettiger of November 21, 1941 with reference to payroll deductions for Defense Bonds.

On November 25, 1941 the Solicitor of this Department sent a proposed revision of the regulations under the Copeland and Davis-Bacon Acts to some sixty-two persons in the Government service who are concerned with these regulations, including Messrs. Cairns and O'Malley of the Treasury Department. We will hear their views on December 2, 1941 and expect to promulgate the revised regulations very shortly afterward.

The proposed revision of the regulations permits deductions for the purchase of Defense Stamps and Bonds where voluntarily consented to by the employees. This revision is that which I explained in my letter of October 14, 1941.

Sincerely,



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



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

358

PROCUREMENT DIVISION

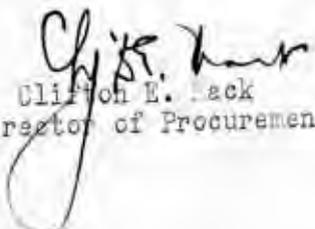
WASHINGTON

December 13, 1941

MEMORANDUM TO THE SECRETARY

The detailed specifications are being received on the steel requirements for the first quarter of 1942.

Orders are being placed as rapidly as specifications are received. As of today 496,000 tons have been placed against the total requirements of 772,000 tons. Commitments have not been reported against these orders for the reason that the price has not been definitely determined.

  
Clifford E. Mack  
Director of Procurement

Attachment

FOR DEFENSE



## OPERATING REPORT - LEND-LEASE PURCHASES

359

WEEK ENDED DECEMBER 13, 1941

TOTAL ALLOCATIONS		\$515,975,712.00
LESS: REVOLVING FUNDS	\$135,330,609.00	
FUNDS AWAITING		
CLEARANCE BY O.P.M.	2,961,130.59	138,291,739.59
NET ALLOCATIONS		<u>\$377,683,972.41</u>

*REQUISITIONS APPROVED FOR PURCHASE		\$346,328,771.23
-------------------------------------	--	------------------

PURCHASES PREVIOUSLY REPORTED	\$274,387,308.18	
PURCHASES THIS WEEK	<u>12,174,113.81</u>	
TOTAL PURCHASES		<u>286,561,421.99</u>

REQUISITIONS IN PROCESS INCLUDING THOSE AWAITING SPECIFICATIONS		\$ 59,762,349.24
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\*THE DIFFERENCE BETWEEN NET ALLOCATIONS AND REQUISITIONS APPROVED FOR PURCHASE REPRESENTS ALLOCATIONS IN EXCESS OF COMMITMENTS, REQUISITIONS TRANSFERRED TO OTHER AGENCIES, AND CANCELLED REQUISITIONS.

DEC 10 1941

Dear Mr. Howe:

I have received your letter of November 24, referring to the question of the United States purchasing in Canada completed defense articles for lend-leasing to the United Kingdom.

On December 1, officials of this Treasury met with officials of the Lend-Lease Administration and with Mr. Carswell of the Canadian Department of Munitions and Supply in order to discuss this problem. As Mr. Carswell undoubtedly informed you, it was agreed at that meeting that the Treasury should explore with Mr. Carswell Canada's dollar exchange prospects, in order to ascertain the importance of the transactions in question to Canada's dollar position. We hope shortly to be ready to discuss the problem with you, with Mr. Carswell, or with anyone else whom you wish to name.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.]

Secretary of the Treasury.

Mr. C. D. Howe,  
Minister of Munitions and Supply  
for Canada,  
1205 - 17th Street, N. W.  
Washington, D. C.

RHW:AM:bvl  
12-10-41

By Messenger

*Handwritten notes:*  
Please file with  
Should file to 11-28-2



WASHINGTON OFFICE  
DEPARTMENT OF MUNITIONS AND SUPPLY  
CANADA

1205 - 15th St. N. W.,  
Washington, D. C.,  
November 24th, 1941.

Personal.

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

Dear Mr. Morgenthau:

At our very pleasant luncheon engagement of this noon, I mentioned to you a letter addressed to our Mr. J. B. Carswell from Mr. Philip Young, copy of which is enclosed herewith.

Mr. Young's letter states that it is the policy of your Administration not to use Lend-Lease funds to make purchases in one part of the British Empire for completed defense articles destined for use in another part of that Empire.

You are very familiar with the Hyde-Park Agreement, in fact I believe you had a hand in drafting the Agreement. I think you will agree with me that Mr. Young's statement of Administration policy does not conform to either the letter or the spirit of the Agreement. My opinion in this regard is witnessed by the fact that a number of transactions have already been completed, contrary to Mr. Young's interpretation of Administration policy.

Unless Mr. Young's view can be changed, the usefulness of the Hyde-Park Agreement will be largely at an end. I will greatly appreciate anything that you may be willing to do in remedying the situation. It would

....

Washington, D. C., November 24th, 1941.

Mr. Henry Morgenthau, - 2 -

seem most desirable that Mr. Young's letter be either withdrawn or corrected.

Yours sincerely,



C. D. Howe,  
Minister of Munitions and Supply

CDH\*B

OFFICE OF LEND-LEASE ADMINISTRATION  
FIVE-FIFTEEN 22nd STREET N.W.  
WASHINGTON, D.C.

NOVEMBER 21st, 1941.

Dear Mr. Carswell:

On November 6, 1941, you inquired as to the status of Requisition No. 5828 for Anson Training planes proposed to be built in Canada.

I have explained to you the reasons why this requisition cannot be approved and this will confirm that it is the policy of this Administration not to use Lend-Lease funds to make purchases in one part of the British Empire of complete defense articles destined for use in another part of that Empire.

Sincerely yours,

(Signed) Philip Young,

Assistant Executive Officer

Mr. J. B. Carswell  
Director General  
Department of Munitions and  
Supply  
1205 - 15th St., N.W.,  
Washington, D. C.

Mr. Edward R. Stettinius, junior

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12-13-41

**THIRD REPORT TO CONGRESS  
ON LEND-LEASE OPERATIONS**

**Under Act of March 11, 1941**

.....

**THIRD REPORT TO CONGRESS  
ON LEND-LEASE OPERATIONS**

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Under Act of March 11, 1941

.....

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## PRESIDENT'S LETTER OF TRANSMITTAL

THE PRESIDENT OF THE SENATE,  
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES:

I am transmitting herewith to the Congress the third report of the aid which our Government has rendered under the Lend-Lease Act to the nations opposing the Axis.

We are now engaged in a total war against a group of Axis powers led by Nazi Germany and bent on world domination. Their strategy is world-wide. Ours also must be world-wide.

Underlying the Lend-Lease Act was the conception that those who were fighting the aggression of the Axis powers were fighting our potential enemies. The Axis powers now have openly declared themselves to be our enemies. We must not only help others to defeat them. We must fight them, with all the forces we have and can get.

The world-wide strategy of the Axis powers must be met with equal strategy on the part of all the nations who are joined together in resisting their aggression. Accordingly we must use the weapons from the arsenal of the democracies where they can be employed most effectively. And that means we must let Britain, Russia, China, and other nations, including those of this Hemisphere, use the weapons from that arsenal so that they can put them to most effective use. Too much is at stake in this greatest of all wars for us to neglect peoples who are or may be attacked by our common enemies.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,  
December 12, 1941.

## Chapter 1

# LEND-LEASE PROGRESS

The Lend-Lease Administration is responsible for coordinating and expediting the procurement and delivery of Lend-Lease goods and services and operates with the assistance of the War and Navy Departments, the Maritime Commission, the Treasury Department, and the Department of Agriculture. These and other Government departments and agencies such as the State Department and the Economic Defense Board work together in the administration of the Lend-Lease program. In the past ninety days steps have been taken which have greatly accelerated the rendering of Lend-Lease aid.

This report, to the extent that the defense policy will permit, discloses the facts concerning Lend-Lease operations to November 30, 1941.

### What Congress Has Appropriated.

To enable the President to carry out the provisions of the Lend-Lease Act, Congress has passed two appropriation acts calling for \$7,000,000,000 and \$5,985,000,000, respectively. How the money is to be spent is indicated in Table No. 1 on the following page.

## Allocations and Obligations.

Allocation of the 7 billion dollars appropriated under the first appropriation act was completed on November 13, 1941. Allocation of the second appropriation is proceeding at an accelerated rate; over 2 billion dollars, or more than one-third of the amount appropriated, has already been allocated.

Chart No. 1 shows the progress to date in allocating funds provided by the Lend-Lease appropriation acts.

### LEND-LEASE APPROPRIATIONS First Appropriation Act—March 27, 1941 Second Appropriation Act—October 28, 1941

Millions of Dollars

Category	First Appropriation Act			Second Appropriation Act	Total First and Second Acts
	As Appropriated	Adjustment (+ or -)	As Adjusted		
Ordnance and ordnance stores..	1,343	+117	1,460	1,190	2,650
Aircraft and aeronautical mat'l	2,054	-29	2,025	685	2,710
Tanks and other vehicles.....	362	+100	462	385	847
Ships.....	629	+149	778	850	1,628
Misc. military equipment.....	260	+16	276	155	431
Production facilities in U. S. ....	752	-150	602	375	977
Agric. and indust. commodities..	1,350	-182	1,168	1,875	3,043
Servicing, repair of ships, etc....	200	-34	166	175	341
Services and expenses.....	40	.....	40	285	325
Administrative expenses.....	10	.....	10	10	20
<b>Total</b>	<b>7,000</b>	<b>-13</b>	<b>6,987</b>	<b>5,985</b>	<b>12,972</b>

Table No. 1

\*The adjustments in connection with the first appropriation act were made in accordance with the provision of the act that permitted the transfer of not in excess of 20 percent of the amount appropriated in one category to the amount appropriated in another, so long as no appropriation was increased by more than 30 percent. The \$13,000,000 net adjustment represents the sum used to reimburse the Treasury Department for Coast Guard vessels transferred to the United Kingdom, leaving \$6,987,000,000 available for allocation to the procurement agencies.

After requests for aid from the various Lend-Lease countries have been carefully reviewed by the Lend-Lease Administration and the other Government agencies concerned, the necessary funds are allocated to the proper procurement agencies. As soon as funds are allocated, the procurement agencies proceed with the letting of contracts to suppliers for the designated goods and services. (See Chapter 6—How the Lend-Lease Program Works.)

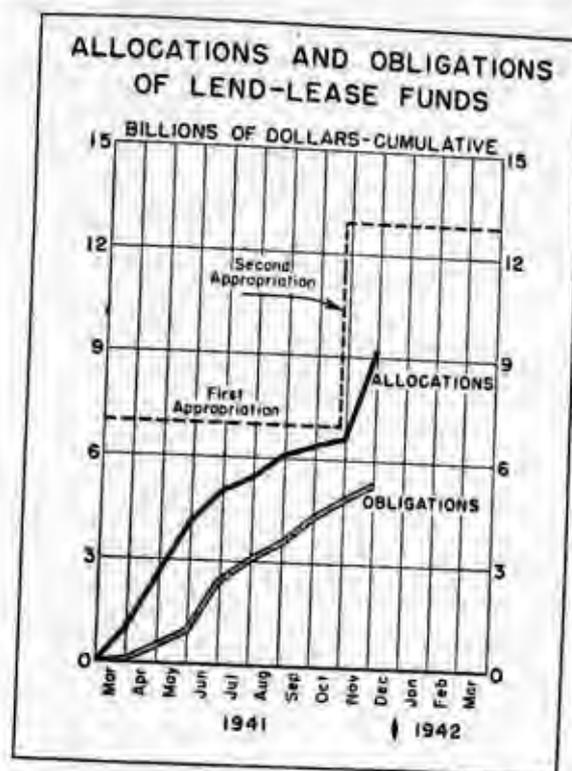


Chart No. 1

Contracts have been let for nearly two-thirds of the amount of funds allocated, and the remainder is being obligated as rapidly as possible.

Progress in the allocation and obligation of funds provided by Lend-Lease appropriations is shown in Table No. 2. The table presents the information by procurement agencies and by appropriation categories.

**ALLOCATIONS AND OBLIGATIONS**  
Under Lend-Lease Appropriation Acts  
To November 30, 1941  
Millions of Dollars

BY PROCURING AGENCY		
Procuring Agency	Allocations	Obligations
War Department.....	5,099	2,979
Navy Department.....	2,032	819
Maritime Commission.....	788	732
Treasury Department.....	436	260
Department of Agriculture.....	831	453
Total	9,186	5,243

BY APPROPRIATION CATEGORY		
Category	Allocations	Obligations
Ordnance and ordnance stores.....	2,215	947
Aircraft and aeronautical material.....	2,040	1,727
Tanks and other vehicles.....	628	316
Ships.....	1,303	713
Miscellaneous military equipment.....	311	70
Production facilities.....	757	427
Agricultural and indust. commodities.....	1,665	930
Servicing, repair of ships, etc.....	167	109
Services and expenses.....	95	3
Administrative expenses.....	5	1
Total	9,186	5,243

Table No. 2

**Total Lend-Lease Aid.**

Lend-Lease aid cannot be adequately reflected by figures alone. It includes the repair of hundreds of ships and the 2,000,000 tons of American shipping that have been made available to carry defense goods. It includes the shipways that will produce Lend-Lease ships and the training of airplane pilots for Lend-Lease countries. It includes the goods which have been completed and the facilities that are being expanded to produce more goods. It includes the raw materials and machine tools that have made it possible for the Lend-Lease countries to step up their production of war material. It includes the hundreds of things that are being done which are described in subsequent chapters.

**QUANTITIES OF NONMILITARY GOODS TRANSFERRED**  
To November 30, 1941

Commodity	Quantity
Meat and fish products.....	535,742,451 pounds
Milk products.....	343,301,116 pounds
Egg products.....	87,438,813 pounds
Fruits and vegetables.....	548,091,424 pounds
Grain and cereal products.....	719,834,984 pounds
Sugar and related products.....	6,058,740 pounds
Cotton linters.....	13,094,955 pounds
Raw cotton.....	439,619 bales
Leaf tobacco.....	120,822 hogsheads
Petroleum products.....	30,546,999 barrels
Fertilizer.....	447,162 tons
Iron and steel.....	1,361,492 tons
Nonferrous metals.....	63,012 tons

Table No. 3

Indicative of the magnitude of aid rendered thus far is the physical volume of nonmilitary articles transferred. Transfers of some of the more important nonmilitary items are shown in Table No. 3.

In terms of dollars, total Lend-Lease aid to November 30, 1941, amounted to more than 1.2 billion dollars, or approximately 15 percent of our total defense expenditures since the Lend-Lease Act was enacted. This figure is comprised of two things—the value of articles transferred from other than Lend-Lease appropriations,\* and expenditures under the two Lend-Lease appropriation acts. As of November 30th, the value of goods transferred from other than Lend-Lease appro-

### TOTAL LEND-LEASE AID

Millions of Dollars

Type of Aid	Cumulative to Nov. 30, 1941	Month of November 1941
Defense articles transferred.....	723	168
Articles awaiting transfer or use.....	140	40
Articles in process of manufacture.....	92	9
Servicing and repair of ships.....	79	23
Rental and charter of ships, etc.....	92	32
Production facilities in U. S.....	75	11
Miscellaneous expenses.....	1	..
<b>Total</b>	<b>1,202</b>	<b>283</b>

Table No. 4

priations was 138 million dollars and the total of expenditures for goods, services and production facilities, under the first and second Lend-Lease appropriation acts was 1.1 billion dollars, bringing the total of Lend-Lease aid to more than 1.2 billion dollars.

\*Section 3 of the Lend-Lease Act provides that a maximum of \$1,300,000,000 of goods procured from appropriations made prior to March 11, the date of the Lend-Lease Act, may be transferred to Lend-Lease countries.

Table No. 4 summarizes total Lend-Lease aid by principal types. "Defense Articles Transferred" represents the value of goods which have actually been transferred to the different Lend-Lease countries. "Articles Awaiting Transfer or Use" are finished articles ready to be transferred to a Lend-Lease country or to be used in the manufacture of other articles for such countries; in this category a finished airplane ready to be flown to the point of transfer. "Articles in Process" represents expenditures for items such as ships, upon which payment is made by the Government as the work progresses; this category does not include the great majority of Lend-Lease articles in process of manufacture which are not paid for until the finished goods are delivered. "Servicing and Repair of Ships" includes the cost of repairing, servicing and reconditioning the

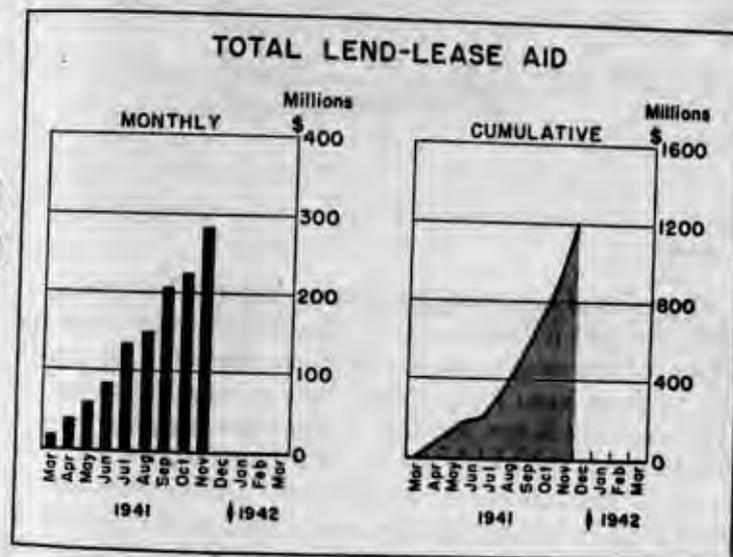


Chart No. 2

ships of Lend-Lease countries in United States ports. "Rental and Charter of Ships, etc.," represents the cost of transporting Lend-Lease cargoes to foreign countries. "Production Facilities in United States" represents production facilities being built in this country for the manufacture of Lend-Lease goods.

"Miscellaneous Expenses" includes the cost of administration and other items not otherwise classifiable.

### Acceleration in Lend-Lease Aid.

Chart No. 2 shows how Lend-Lease aid has grown. Aid each month has exceeded that of the preceding month and reached a high of 283 million dollars in November. The actual monthly amounts of aid are shown in Table No. 5.

### LEND-LEASE AID EACH MONTH

Millions of Dollars

Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
18	40	60	85	134	150	207	225	283

Table No. 5

### Exports.

The value of exports of Lend-Lease items to November 30, 1941, was 595 million dollars. The difference between this figure and the total value of articles transferred is principally due to three facts: First, the amount of transfers under the ships category is not included in the exports figure; second, certain goods are transferred to Lend-Lease countries for use in the United States, such as equipment and supplies for airplane pilot training programs; and, third, it is necessary to maintain some inventory of stocks of finished articles at the various warehouses at the points of export, so that there always will be plenty of material ready to be loaded as shipping space becomes available.

Lend-Lease aid alone is only a part of our total aid to those fighting the aggressors. Thus, since the beginning of the war, our exports to the British alone have amounted to nearly 5¼ billion dollars, most of which was financed by the British with their own dollars.

Chart No. 3 shows exports to the British, by months, broken down by direct purchase exports and exports under

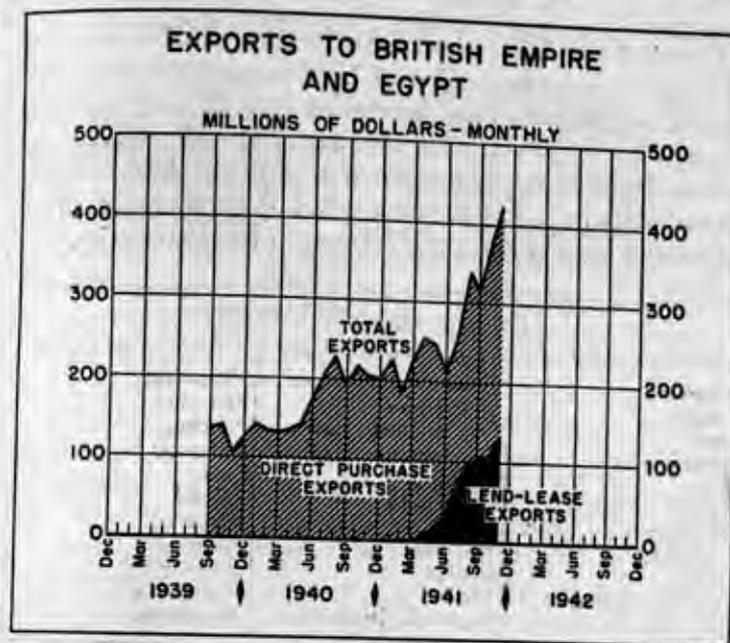


Chart No. 3

Lend-Lease. One of the purposes of the Lend-Lease Act was to take up the slack resulting from the completion of current British contracts. The black area in the chart may be expected to increase rapidly, whereas the shaded area will tend to decline. The important consideration is to keep total exports at steadily increasing levels.

## Chapter 2

### LEND-LEASE COUNTRIES

Descriptions of allocations and expenditures of funds cannot give an adequate impression of Lend-Lease activities. The Lend-Lease program must be viewed as it actually operates throughout the world. The defenses of 32 countries and the British Empire have been declared vital to the defense of the United States. Steps have been taken or programs are being formulated to strengthen the defenses of these countries.

#### LEND-LEASE COUNTRIES

Argentina	Egypt	Nicaragua
Bolivia	El Salvador	Norway
Brazil	Free Belgium	Panama
British Empire	Free France	Paraguay
Chile	Greece	Peru
China	Guatemala	Poland
Colombia	Haiti	Russia
Costa Rica	Honduras	Turkey
Cuba	Iceland	Uruguay
Dominican Republic	Mexico	Venezuela
Ecuador	The Netherlands	Yugoslavia

Some of these countries have not as yet received Lend-Lease aid.

The fight from the British Isles is supported by men and ships from Norway, Poland, Belgium, Greece, the Netherlands, Yugoslavia, and Free France. Linking the war zones of Russia and North Africa are the strategic defenses of Turkey. Greeks and Yugoslavs in Egypt and Greek ships in the Mediterranean are aiding the British forces in North Africa. Free French and Belgian troops stand ready in French Equatorial Africa and the Belgian Congo to check any attempted Axis drive southward in Africa. In the Far East stand the combined forces of China, the Netherlands East Indies, Australia, New Zealand, and India.

Lend-Lease countries, as shown by Chart No. 4, cover two-thirds of the earth's surface and contain nearly two-thirds of its population.

The task of Lend-Lease is to supply the millions of men who are resisting or stand ready to resist Axis aggression with the tools to make that resistance effective. The task is gigan-

### DISTRIBUTION OF WORLD LAND AREA AND POPULATION

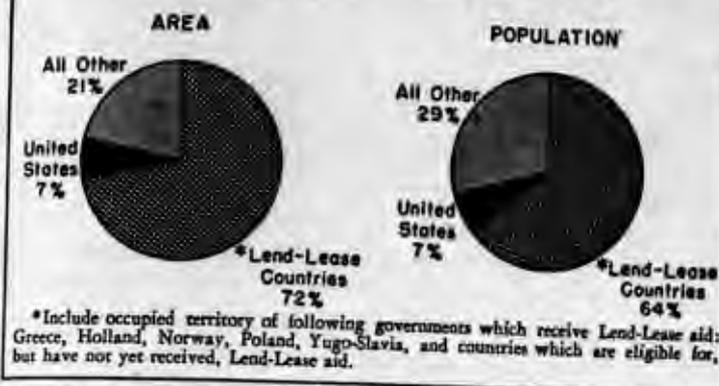


Chart No. 4

tic; only in America are there the raw material resources, the productive capacity and the manpower to complete the job. There must be guns and tanks and planes in quantities beyond any production we have yet accomplished or planned.

Although a vastly increased program of aid is required, Lend-Lease activities have already contributed substantial support to the fight in the air, on sea, and on land.

## Chapter 3

### THE FIGHT ON LAND AND IN THE AIR

#### British Empire.

The defense of the British Isles and the effectiveness of the forces in Lybia have been strengthened by materials of all kinds. Guns, ammunition, airplanes, tanks, fire-control instruments, scout cars, supply trucks, communications equipment, gasoline, oil, fire-fighting equipment, medical supplies and other military supplies shipped under Lend-Lease have aided Britain's home defenses. Tractors, earth-moving equipment, paving materials and the like have provided means for strengthening air bases and military supply lines.

Besides contributing finished military supplies, much has been done under Lend-Lease to increase British production of war materials. Iron and steel and other metals have been supplied to British tank and gun factories. Chemicals have been provided for the manufacture of explosives. Lumber, raw and semifinished materials, machine tools, and construction equipment have kept British war production at full operation.

In increasing measure, the productive enterprise of the British Isles is being coordinated with production here. A careful study of British machine tool requirements and operations has provided a basis for determining where our limited supply can be most effectively used. In all fields of production we are benefiting from a constant exchange of technical information arising from actual operations.

Similar support is being given to other parts of the British Empire where a coordinated scheme of war production is being carried out. In the main the Dominions are manufacturing their own war materials. Machine tools, raw materials, and construction material have been sent to Australia, New Zealand, India, and South Africa to increase their wartime production.

#### Russia.

Even before Lend-Lease shipments were sent to Russia in November, representatives of this Government had assisted in expediting Russian purchases here. Tanks, airplanes, guns,

and ammunition have been provided and materials have been sent for the maintenance of Russia's lines of transportation and communication. Metals, materials for explosives, construction equipment, furnaces, machine tools, and other supplies have been furnished to Russian war industries. Large quantities of gasoline and other petroleum products are fueling Russia's war machine. Medical supplies and equipment are being provided. Under our agreement to provide one billion dollars worth of Lend-Lease aid by June 1942, additional assistance is being given.

#### China.

With Lend-Lease assistance and with the \$100,000,000 she has borrowed from the Export-Import Bank since 1934, China is adding to her defenses and strengthening her important supply line, the Burma Road. In large degree the main work of aiding China to date has centered around the transport problems of this lifeline. American equipment and personnel have done much to improve this line of supply and thousands of American trucks are now moving over it, supplied with Lend-Lease fuel and oil.

With the improvement of transport facilities well advanced, future Lend-Lease assistance will include more and more direct aid to the Chinese Army. The army has already been supplied with rifles, machine guns, field guns, airplanes, ammunition, telephone and radio equipment, combat vehicles, and signal and engineering equipment.

#### Other Nations.

Countries overrun by the aggressors still have large areas and large numbers of men free of subjugation. They are receiving Lend-Lease aid in the fight against the Axis. The Netherlands East Indies and Dutch Guiana are receiving military and naval equipment and machinery for war production. Poland has a troop-training center in Canada which is being outfitted under the Lend-Lease program. Belgian troops in the Belgian Congo, who are collaborating with the British in the Middle East, have been furnished combat vehicles and field guns. The Free French troops in French Equatorial Africa have been provided with tanks and are to receive numer-

ous trucks needed to meet their supply problems. Turkey, which is today outside the conflict, is having her defenses strengthened under Lend-Lease. A substantial program of aid to countries of the Western Hemisphere is under way.

## THE FIGHT ON THE SEA

The production of arms is not enough; the arms must be delivered to the fighting men at the front. The quantities of materials to be transported are enormous and they must be carried to fighting forces all over the world. Supplies must be delivered over many thousands of miles of water—to Britain, to Suez, to Burma, to the Arctic Ocean, to Siberia, to the Persian Gulf. No supply problem of this magnitude has ever been encountered before.

Hundreds of ships carrying airplanes and guns and food and machines and other cargoes are required for each supply route. Some indication of the work to be done and of the transportation problems involved is given by the quantities which can be included in a typical loading of a small cargo steamer: 24 pursuit planes; 12 medium tanks; 8 light tanks; 140 tons of ammunition; 200 trucks; 1,000 drums of petroleum products; 170 tons of barbed wire; 200 tons of explosives; 100 tons of chemicals; 500 tons of metals.

The service of supply means more than merely loading and dispatching vessels. It means the construction of a vast new fleet—"the bridge of ships"—to replace losses and to furnish the increased tonnage needed for carrying the mountains of material which will pile up when the production program attains its full stride. It means repairing and refitting damaged vessels, installing protective equipment and additional gear on many ships, and constructing new facilities in ports of debarkation.

## Construction of Merchant Ships.

First in the battle for the seas is the battle of the shipyards. The greatest ship construction program in history is rapidly taking shape.

On the East and West Coasts, on the Gulf and on the Great Lakes, 26 shipyards in 18 States are at work building Lend-Lease ships. The total Lend-Lease construction program calls for an expenditure of \$530,750,000 to build 292 new merchant vessels including 213 large cargo vessels and tankers, 45 small freighters, 8 coastal tankers, and 26 harbor tugs. Already about 70 keels have been laid and it is estimated that the

first Lend-Lease vessels will be delivered in the early part of 1942. New facilities are being added under Lend-Lease to speed this construction. Fifty-six new shipways costing some \$55,000,000 are being built at 14 shipyards, and increased plants for the production of marine engines are under construction.

Lend-Lease construction supplements our own emergency program for greatly enlarging the American Merchant Marine. Under this emergency program there are under contract 707 ships, in addition to the 292 being constructed with Lend-Lease funds. We are now launching two ships every week; by the middle of 1942 we will be launching two every day.

### Shipping Aid.

Although ships being built under the Lend-Lease program have not yet been completed for delivery, we have given substantial aid from our merchant fleet to the fleets of the countries we are aiding. Under the control of the Maritime Commission, 2 million tons of United States owned shipping have been made available along with 36 interned Axis ships. Vital cargoes of war materials are being hauled to the Red Sea, to Burma, to Russia, to Iceland, and the British Isles. Despite all hazards involved, our ships continue their steady transport of war supplies.

The ever-increasing quantities of Lend-Lease materials being shipped to the fighting fronts are straining our shipping service to the utmost. The effectiveness of the entire Lend-Lease program may well depend upon the ability of American shipbuilders to expedite and expand their construction of ships.

### Repair and Outfitting of War and Merchant Ships.

Under the Lend-Lease program war and merchant ships continuously put into American ports for repair of battle damage, overhauling, provisioning, or outfitting. Many British warships, including battleships, cruisers, destroyers, submarines, aircraft carriers, and other naval craft have been serviced in our shipyards. The Free French submarine *Surcouf*, the largest in the world, was overhauled as part of the same program. Some British warships are presently under repair. In order to expedite the return of

ships to sea, special types of equipment peculiar to British ships have been assembled at our navy yards.

Alterations and repairs have been made on hundreds of merchant ships. Included among these were British, Dutch, Norwegian, Greek, and Russian vessels, and also interned Axis ships. Damage caused by heavy weather, by fire, and by enemy action through aerial, submarine, and surface attack, has been repaired. General overhauling has included re-gunning and re-tubing of boilers and condensers and repairs to main and auxiliary machinery. High-speed marine engines, electric generators, sets of radio equipment, and gyro-compasses have been installed.

Lend-Lease is fueling, provisioning, and loading a constant stream of vessels, carrying supplies to the war fronts. Clothing and food for the men and fuel and ship stores of every description for the ships have been provided. Hundreds of vessels have been furnished these services.

## Chapter 5 THE FOOD FRONT

Within recent weeks Lend-Lease foods marked "Produce of the U. S. A." are beginning to appear in sizable quantities on grocers' shelves and in the kitchens of Great Britain. Since the last report to the Congress, Lend-Lease food has moved steadily and in increasing quantities over the bridge of ships, bringing new strength to the bodies and new hope to the minds and spirits of the British people.

To appreciate Britain's urgent need of foodstuffs it is necessary to understand the serious plight of a nation which before September 1939, had imported 63 percent of her foodstuffs and which saw her sources of supply cut off one by one by enemy occupation or reduced by submarine warfare. Britain was faced a year ago with a quarter less animal protein foods than she had before the war. Had this continued, the health and the working and fighting efficiency of her people would have been undermined.

Since the beginning of Lend-Lease, we have shipped to the British food and farm produce totalling 2,796,000,000 pounds with a value of \$292,000,000. Of this total, 1,892,000,000 pounds with a value of \$181,000,000 have been supplied in the last three months. The steady increase of our aid is shown by the fact that the tonnage provided in the last three months is twice as great as that provided in the preceding six months.

The British are expanding their production of bulky foods, such as wheat and potatoes, and have greatly increased their truck gardening. Since 1939, acres under cultivation have increased from 12,000,000 to 16,000,000 and some further expansion is expected. To aid this source of production, tractors and other farm equipment have been supplied by Lend-Lease and deliveries of seed are planned.

So far as food is concerned the British are better off today than a year ago. But their food allowances remain at a low level. In a country highly geared for war production, having an average industrial working week of 56 hours, nutrition has a special relation to the war effort.

## British Food Allowances.

British food allowances for important food items have been affected by arrival of Lend-Lease cargoes. The present British rationing system includes most of the important protein foods. The weekly allowance of bacon is 4 ounces, half of average pre-war consumption. Civilians can have 3 ounces of cheese a week while farm workers and miners are permitted 12 ounces. The weekly fat ration has recently been increased by 2 ounces to 10 ounces.

Increasing quantities of Lend-Lease food shipments make themselves felt in many ways. In certain instances, as in the case of bacon, the already low ration would have had to be reduced but for Lend-Lease assistance. Other shipments have permitted increases in the rations. Canned meats and canned fish, because of supplies we have furnished, are now appearing on the ration lists for the first time. In the month of December, the housewife will be able to buy with one person's monthly allowance a half pound of canned meat, a quarter pound of canned fish and a pound tin of pork and beans.

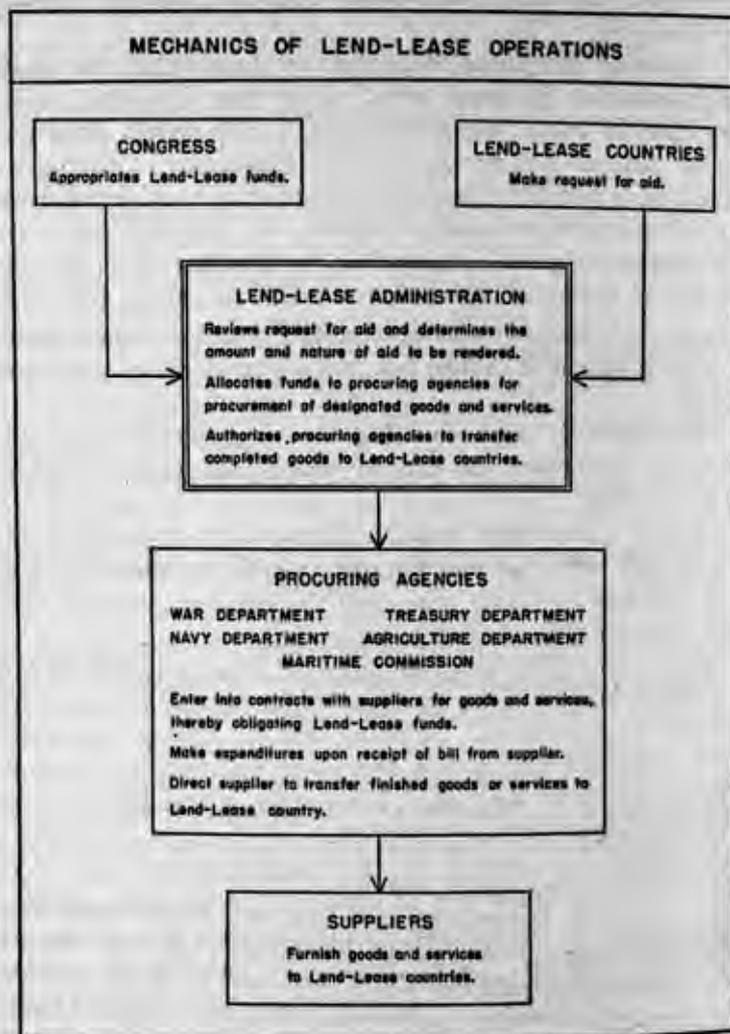
Lend-Lease is supplementing the shortage of fresh milk through shipments of canned evaporated milk and skim milk powder.

Outside the rationed articles, there are two types of foods: Foods such as bread and potatoes which are plentiful; and certain foods so scarce that even the smallest amounts cannot be guaranteed to everyone.

Eggs are being allocated so that a Britisher can get from 2 to 3 a month instead of the 14 eggs which represented average pre-war consumption. Shipping and packaging difficulties have prevented our giving any great addition to the low British supply of shell eggs, but sizable quantities of dried and frozen eggs are being supplied.

We have made no more important contribution on the food front than our shipments of concentrated vitamins, which, being small in bulk, have frequently been transported to Britain by bomber. Supplemented by supplies of concentrated fruit juices from the United States, these vitamin shipments are largely responsible for a new project of free distri-

bution of vitamins to children under 2 years of age. Beginning in December, over 1,300,000 small children are receiving, through maternity and child-welfare clinics and local food officers, a regular supply of concentrated orange or black-currant juice, and of cod liver oil compound.



## HOW THE LEND-LEASE PROGRAM WORKS

The Lend-Lease Administration is responsible for coordinating and expediting the procurement and delivery of Lend-Lease goods and services. In carrying out the Lend-Lease program, however, the Lend-Lease Administration acts with the assistance of other Government agencies, which may be classified as follows:

(1) The procurement agencies, consisting of the War Department, the Navy Department, the Department of Agriculture, the Procurement Division of the Treasury Department, and the Maritime Commission. These agencies procure the defense articles and services to be transferred to countries we are aiding.

(2) The advisory agencies, consisting primarily of the State Department, the Economic Defense Board, and the Office of Production Management. These agencies regularly participate in the making of Lend-Lease decisions which impinge on their respective fields of responsibility.

(3) The special service agencies which are called in from time to time for assistance on special problems peculiar to their fields. For example, the Public Health Service of the Federal Security Agency arranged for the sending of medicine and a medical mission to combat malaria on the Burma Road.

The Lend-Lease Administration does not buy anything. Its task is to coordinate and expedite the Lend-Lease program. The task of the procurement agencies is to obtain materials and services with funds allotted by the Lend-Lease Administration and to see that they get to the places where they will do the most good. In this way the program is administered with a minimum of duplicating effort, and with the fullest possible use of existing procurement facilities.

When the Lend-Lease program was first put into operation, all allocations of funds to the procurement agencies and all directives to these agencies to transfer Lend-Lease goods were signed by the President. Gradually, as policies were formulated and as the requests for assistance multiplied, it became advisable to delegate these functions. On October 28th,

therefore, the Office of Lend-Lease Administration was established by Executive Order, and there was delegated to Mr. Edward R. Stettinius, Jr., as the first Lend-Lease Administrator, the function of allocating the Lend-Lease appropriations to the various procurement agencies and of authorizing these agencies to transfer defense articles and services to the countries whose defense the President should find to be vital to the defense of the United States.\*

Under the Executive Order, the President retains the authority to determine what nations shall receive aid under the Lend-Lease Act, and he continues to determine all major policies for the guidance of the Lend-Lease Administrator. The State Department is authorized to negotiate the master agreements† setting forth the general terms and conditions under which countries receive Lend-Lease aid, with the advice of the Economic Defense Board and the Lend-Lease Administration. All matters affecting the economic defense of the United States are brought to the attention of the Economic Defense Board. Procurement of strategic and critical materials is subject to the review of the Office of Production Management. Provision is thus made for insuring that the Lend-Lease program will be in accord with latest developments in America's foreign policy, its economic defense, and its strategic production situation.

Within this frame work, the Lend-Lease Administrator has been delegated full authority to carry out the Lend-Lease program. This delegation has materially speeded up the operation of that program. It has obviated the necessity of forwarding to the White House hundreds of documents which previously had to be signed by the President.

A similar speeding-up of Lend-Lease procedure has recently been effected in the administrative handling of the requests for defense aid by the Lend-Lease Administration and the various procurement agencies. Substantial reduction has been made under the new procedure in the time which elapses between the filing of a request for Lend-Lease aid and the granting of authority to the procuring agency to place the order. This procedure has been designed so as to combine a maximum of care in examining requests for aid with a mini-

\* The Executive Order is set forth in Appendix IV.

† See Chapter 7.

mum of delay in getting the tools of war into the hands of the fighting forces.

Allocations of funds to the procurement agencies are now handled in two ways,

First, allocations are made on a program basis to cover items the need for which can be readily foreseen. Under the procedure recently adopted, these programs are submitted to the Lend-Lease Administration by the various agencies in collaboration with representatives of the Lend-Lease countries. If a program is approved by the Lend-Lease Administration, the funds required to put it into operation are allocated to the appropriate agency. The submission and review of programs in this manner have the great advantage of presenting the needs of the Lend-Lease countries in their proper perspective. An airplane program or a steel program for 6 months, for example, can be more quickly and more accurately evaluated, in terms of need, available funds and available supplies, than can piecemeal and recurring requests for small quantities of defense articles.

Second, blanket allocations are made to cover the cost of the many items which cannot readily be planned in advance on a program basis, such as emergency ship repairs. These items must be handled separately, from day to day, as critical needs arise. These blanket allocations are available to the procurement agencies for "spot" and other rush purchases and are replenished from time to time as they are depleted.

In either case, a requisition must be filed with the Lend-Lease Administration by the country seeking aid. This requisition must set forth the use to which the requested article or service is to be put and the reason why it is needed. No items are approved, whether on a program or an individual basis, unless the following conditions are met:

*One.* The Lend-Lease aid requested must be for a use essential to the war or defense effort of a country whose defense the President has found vital to the defense of the United States.

*Two.* Lend-Lease funds must be available to supply the requested Lend-Lease aid or it must be available for transfer from appropriations made prior to March 11, 1941.

*Three.* The requested Lend-Lease aid must come within the legal scope of the Lend-Lease Act.

*Four.* The defense aid requested must not be obtainable, as a practical matter, by payment therefor in American dollars or other currency available to the requisitioning country.

*Five.* The requested Lend-Lease aid must be of the most economical and efficient type suitable for the intended use.

If the requisition meets these conditions, it is approved by the Lend-Lease Administration and sent to the procurement agency to buy the goods or services. These agencies do not, as previously, have to come back to Lend-Lease for funds, since they have already been made available. If for any reason the agency does not feel that it should procure a particular article—for example, because it believes the article should be retained in this country for our own defense—the agency will notify the Lend-Lease Administration and the matter will be worked out in consultation between them. In almost all cases, however, as has already been pointed out, these matters will have been thoroughly checked and agreed upon in advance and the agency will be prepared immediately to proceed with procuring the defense articles or services.

The Office of Production Management plays a very considerable role with respect to the consideration of requests for strategic and critical materials. Accordingly, there is close collaboration between the Office of Production Management, the procuring agencies, and the Lend-Lease Administration, to insure that our own defense and civilian needs are properly coordinated with the Lend-Lease program.

Once a requisition is approved, the procurement agency designated buys the articles and services just as it would buy them for its own purposes. In almost all cases, the Lend-Lease Administration now authorizes the transfer of these articles at the time it approves the requisition. The department or agency charged with procuring the articles bears the responsibility of obtaining the goods and assuring that they are delivered. The grants of authority to the various procuring agencies to procure and to transfer articles manufactured or supplied with funds already allocated are thus combined in one operation.

The Lend-Lease Administration obtains reports from the procuring agencies showing when defense aid contracts are placed, the progress being made under them, the date on

which delivery of the finished articles will be made, and the time, method, and other details of their actual shipment. In this way it keeps in close touch with the procurement process and can carry out its function of coordinating and expediting Lend-Lease aid.

Once articles are transferred to a Lend-Lease country, they may not be retransferred, either to private individuals or to other countries, without the consent of the Lend-Lease Administration. This consent is granted only where it will further the total war effort so to permit such retransfers.

Even after the goods are sent, the Lend-Lease Administration is making every effort to keep in touch with their use. It is our determination to see that the material assistance being provided by the United States under the Lend-Lease Act will be made available in the shortest possible time and will be used in the most effective possible manner.

## Chapter 7

### LEND-LEASE AGREEMENTS

We have already negotiated Lend-Lease agreements with some of the nations we are aiding and other agreements are in process of negotiation. These agreements embody the general terms and conditions upon which Lend-Lease assistance is given.

The agreements also confirm certain preliminary obligations undertaken by each foreign government before any Lend-Lease aid is transferred to it. Those obligations include an undertaking not to permit the use of any Lend-Lease material or information by anyone not an officer, employee, or agent of the transferee government without our consent. They also include an undertaking to protect the rights of all citizens of the United States who have patent rights in and to any articles or information transferred under the Lend-Lease Act.

Lend-Lease agreements and Lend-Lease aid have, of course, created certain problems for our export trade. These problems are receiving continued study, with the view to protecting American interests in foreign trade so far as is compatible with the war effort. Policies relating to some of these problems were announced in the British White Paper of September 10, 1941 (Eden Memorandum) the text of which is included in Appendix V. Policies and procedures for meeting all of the repercussions of the Lend-Lease program on our foreign trade are being developed and will be fully discussed in the next Lend-Lease report.

#### Great Britain.

The agreement with Great Britain will rest on principles of common defense and mutual assistance which have been dominant in Anglo-American relationships since long before the enactment of the Lend-Lease Act. Over a year ago, Great Britain, in return for 50 over-age destroyers, gave the United States the right to establish defense outposts and naval bases on British island possessions in the North Atlantic. Since then, the Lend-Lease program has made it possible for the United States to fill out its ring of strategic North Atlantic bases. Under that program we have aided in the construction of new naval bases. We have also obtained from the British

defense information invaluable to our own armed forces. We have received new plans and new designs for guns and planes which are enabling us to improve the efficiency of our latest models.

The agreement now in process of negotiation with Great Britain will set forth the terms and conditions under which Lend-Lease aid is being rendered. Discussions regarding the British agreement have been going forward both here and in London. These discussions have covered a wide range of subjects. The two governments have exchanged statements of the basic principles which they believe to be applicable, and, as a result of further discussion of their views, substantial progress has been made toward a mutually satisfactory formulation. In view of the pending discussions, a more detailed report would not be advisable at this time.

#### Iceland.

Recently the defense of Iceland was declared to be vital to the defense of the United States. A Lend-Lease agreement was concluded, providing that Iceland could, through Lend-Lease, procure on a cash reimbursement basis its vital requirements within this country. Supplementary arrangements were made in order to furnish Iceland the necessary dollar exchange and to supply the British with foodstuffs available in Iceland. Under these arrangements the United States will purchase Iceland's fish and fish oil for dollars. The dollar exchange representing the purchase price will be credited to Iceland's dollar balance in the United States and will be used by Iceland to pay for its purchases here. The fish and fish oil purchased by the United States will be transferred to the British as defense aid. As a result of the Lend-Lease agreement and these arrangements, we shall fulfill our pledge to supply Iceland with its vital necessities and essential shipping space will be conserved by supplying Britain from a source near her shores.

#### Russia.

In exchange for the war supplies now being furnished her under the Lend-Lease Act, the Soviet Government has agreed to reimburse the United States in dollars or in materials over a 10-year period to begin 5 years after the war is over. The

Soviet Union has also agreed to expedite sales of raw materials vital to our defense.

### The Netherlands

We have recently concluded an agreement with the Dutch under which they are paying us in advance dollar for dollar for the Lend-Lease articles we are supplying them. They in turn sell to us from the Dutch East Indies large quantities of such vital products as rubber, tin, quinine, and petroleum. Most of our bauxite, the basic material from which aluminum is made, comes from Dutch Guiana, situated at the northern tip of South America, where our troops, at the invitation of the Dutch Government, have just established another important military base. In addition, the Netherlands government is working together with Great Britain and the United States to establish a collaborative system of export control.

### The Western Hemisphere

At the Inter-American Conference which was held in Lima, Peru, in 1939, the 21 American republics, in their Declaration of the Principles of Solidarity of America expressed their common concern and determination to make effective their solidarity in the face of any threat to the peace, security, or territorial integrity of any one of the American republics. Since that conference, the governments of the American republics have collaborated to translate that declaration into effective action.

Collaboration is proceeding with a single immediate objective—to mobilize the resources of this hemisphere for the struggle against aggression. Under that policy, we are developing a broad program of Lend-Lease deliveries of military and naval supplies to the countries of the Western Hemisphere. In connection with that program we have concluded agreements with Bolivia, Brazil, Cuba, the Dominican Republic, Haiti, Nicaragua, and Paraguay, and are negotiating agreements with various other American republics. All of the agreements which have been concluded provide that the country receiving defense aid shall pay some proportion of the cost of the defense articles transferred. These proportions vary in accordance with the varying economic positions of the countries involved.

These Lend-Lease agreements are merely one strand in a larger pattern of hemispheric unity and hemispheric defense. Accordingly, the benefits from our hemispheric Lend-Lease program cannot be measured simply in terms of the commitments embodied in formal agreements. Many of the valuable defense measures adopted by the other American republics, even though not required by a Lend-Lease agreement, undoubtedly flow from our Lend-Lease program and the hemispheric unity which it promotes. These measures all add up to a broad and growing program of military and economic defense for this hemisphere.

A number of countries have given permission for our naval vessels to make use of their ports under appropriate conditions. The construction and expansion of important airports by Pan American Airways has been made possible only by the consent of several American republics.

Supplementing these measures, there has been significant cooperation on the part of the other American republics in a broad program of economic defense. This program assumes more and more importance as production, commerce, and finance become increasingly the tools of defense. In order to make materials available to us and to prevent their leakage to those with purposes hostile to the welfare of this hemisphere, these republics have instituted systems of export control. In addition, the other American republics have concluded or are negotiating with the Federal Loan Agency arrangements whereby \$500,000,000 of strategic materials will be imported into the United States annually. As a result, we are securing vital supplies of antimony, copper, lead, mercury, tungsten, zinc, and other important materials.

All of the American republics have recently adopted a plan for placing into service the Axis ships immobilized in this hemisphere. This action has added a substantial number of vessels to the active merchant marine of this hemisphere and will permit the release of other vessels for supplying other demands.

Many of these republics are also actively cooperating with our Proclaimed List program whose underlying purpose is to eliminate Axis influence in the social and economic life of this hemisphere.

Through the Lend-Lease program we are establishing ties of friendship and cooperation with the other free nations of the world, nations which are willing to subordinate individual interests to the common interest of all.

## APPENDICES

## Appendix I LEND-LEASE ACT

Further to promote the defense of the United States, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "An Act to Promote the Defense of the United States".*

### Section 2.

As used in this Act—

(a) The term "defense article" means—

- (1) Any weapon, munition, aircraft, vessel, or boat;
- (2) Any machinery, facility, tool, material, or supply necessary for the manufacture, production, processing, repair, servicing, or operation of any article described in this subsection;
- (3) Any component material or part of or equipment for any article described in this subsection;
- (4) Any agricultural, industrial or other commodity or article for defense.

Such term "defense article" includes any article described in this subsection: Manufactured or procured pursuant to section 3, or to which the United States or any foreign government has or hereafter acquires title, possession, or control.

(b) The term "defense information" means any plan, specification, design, prototype, or information pertaining to any defense article.

### Section 3.

(a) Notwithstanding the provisions of any other law, the President may, from time to time, when he deems it in the interest of national defense, authorize the Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government—

(1) To manufacture in arsenals, factories, and shipyards under their jurisdiction, or otherwise procure, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for the government of any country whose defense the President deems vital to the defense of the United States.

(2) To sell, transfer title to, exchange, lease, lend, or otherwise dispose of, to any such government any defense article, but no defense article not manufactured or procured under paragraph (1) shall in any way be disposed of under this paragraph, except after consultation with the Chief of Staff of the Army or the Chief of Naval Operations of the Navy, or both. The value of defense articles disposed of in any way under authority of this paragraph, and procured from funds heretofore appropriated, shall not exceed \$1,300,000,000. The value of such defense articles shall be determined by the head of the department or agency concerned or such other department, agency or officer as shall be designated in the manner provided in the rules and regulations issued hereunder. Defense articles procured from funds hereafter appropriated to any department or agency of the Government, other

than from funds authorized to be appropriated under this Act, shall not be disposed of in any way under authority of this paragraph except to the extent hereafter authorized by the Congress in the Acts appropriating such funds or otherwise.

(3) To test, inspect, prove, repair, outfit, recondition, or otherwise to place in good working order, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for any such government, or to procure any or all such services by private contract.

(4) To communicate to any such government any defense information, pertaining to any defense article furnished to such government under paragraph (2) of this subsection.

(5) To release for export any defense article disposed of in any way under this subsection to any such government.

(b) The terms and conditions upon which any such foreign government receives any aid authorized under subsection (a) shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory.

(c) After June 30, 1943, or after the passage of a concurrent resolution by the two Houses before June 30, 1943, which declares that the powers conferred by or pursuant to subsection (a) are no longer necessary to promote the defense of the United States, neither the President nor the head of any department or agency shall exercise any of the powers conferred by or pursuant to subsection (a); except that until July 1, 1946, any of such powers may be exercised to the extent necessary to carry out a contract or agreement with such a foreign government made before July 1, 1943, or before the passage of such concurrent resolution, whichever is the earlier.

(d) Nothing in this Act shall be construed to authorize or to permit the authorization of convoying vessels by naval vessels of the United States.

(e) Nothing in this Act shall be construed to authorize or to permit the authorization of the entry of any American vessel into a combat area in violation of section 3 of the Neutrality Act of 1939.

### Section 4.

All contracts or agreements made for the disposition of any defense article or defense information pursuant to section 3 shall contain a clause by which the foreign government undertakes that it will not, without the consent of the President, transfer title to or possession of such defense article or defense information by gift, sale, or otherwise, or permit its use by anyone not an officer, employee, or agent of such foreign government.

### Section 5.

(a) The Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government involved shall, when any such defense article or defense information is exported, immediately inform the department or agency designated by the President to administer section 6 of the Act of July 2, 1940 (54 Stat. 714), of the quantities, character, value, terms of disposition, and destination of the article and information so exported.

(b) The President from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the

public interest to disclose. Reports provided for under this subsection shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

#### Section 6.

(a) There is hereby authorized to be appropriated from time to time, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to carry out the provisions and accomplish the purposes of this Act.

(b) All money and all property which is converted into money received under section 3 from any government shall, with the approval of the Director of the Budget, revert to the respective appropriation or appropriations out of which funds were expended with respect to the defense article or defense information for which such consideration is received, and shall be available for expenditure for the purpose for which such expended funds were appropriated by law, during the fiscal year in which such funds are received and the ensuing fiscal year; but in no event shall any funds so received be available for expenditure after June 30, 1946.

#### Section 7.

The Secretary of War, the Secretary of the Navy, and the head of the department or agency shall in all contracts or agreements for the disposition of any defense article or defense information fully protect the rights of all citizens of the United States who have patent rights in and to any such article or information which is hereby authorized to be disposed of and the payments collected for royalties on such patents shall be paid to the owners and holders of such patents.

#### Section 8.

The Secretaries of War and of the Navy are hereby authorized to purchase or otherwise acquire arms, ammunition, and implements of war produced within the jurisdiction of any country to which section 3 is applicable, whenever the President deems such purchase or acquisition to be necessary in the interests of the defense of the United States.

#### Section 9.

The President may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act; and he may exercise any power or authority conferred on him by this Act through such department, agency, or officer as he shall direct.

#### Section 10.

Nothing in this Act shall be construed to change existing law relating to the use of the land and naval forces of the United States, except insofar as such use relates to the manufacture, procurement, and repair of defense articles, the communication of information and other noncombatant purposes enumerated in this Act.

#### Section 11.

If any provision of this Act or the application of such provision to any circumstance shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances shall not be affected thereby.

Approved, March 11, 1941.

## Appendix II FIRST LEND-LEASE APPROPRIATION ACT

Making supplemental appropriations for the national defense to provide aid to the government of any country whose defense the President deems vital to the defense of the United States, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That to enable the President, through such departments or agencies of the Government as he may designate, to carry out the provisions of An Act to Promote the Defense of the United States, approved March 11, 1941, and for each and every purpose incident to or necessary therefor, there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the following sums for the following respective purposes, namely:

(a) For the procurement, by manufacture or otherwise, of defense articles for the government of any country whose defense the President deems vital to the defense of the United States, including services and expenses in connection therewith, as follows:

(1) Ordnance and ordnance stores, supplies, spare parts, and materials, including armor and ammunition and components thereof, \$1,343,000,000.

(2) Aircraft and aeronautical material, including engines, spare parts, and accessories, \$2,054,000,000.

(3) Tanks, armored cars, automobiles, trucks, and other automotive vehicles, spare parts, and accessories, \$362,000,000.

(4) Vessels, ships, boats, and other watercraft, and equipage, supplies, materials, spare parts, and accessories, \$629,000,000.

(5) Miscellaneous military equipment, supplies, and materials, \$260,000,000.

(6) Facilities and equipment, for the manufacture or production of defense articles, by construction or acquisition, including the acquisition of land, and the maintenance and operation of such facilities and equipment, \$752,000,000.

(7) Agricultural, industrial, and other commodities and articles, \$1,350,000,000.

(b) For testing, inspecting, proving, repairing, outfitting, reconditioning, or otherwise placing in good working order any defense articles for the government of any country whose defense the President deems vital to the defense of the United States, including services and expenses in connection therewith, \$200,000,000.

(c) Not to exceed 20 per centum of any of the foregoing eight appropriations may be transferred by the President to any other such appropriation, but no appropriation shall be increased by more than 30 per centum.

(d) For necessary services and expenses for carrying out the purposes of such Act not specified or included in the foregoing, \$40,000,000.

(e) For administrative expenses, \$10,000,000.

(f) In all, \$7,000,000,000, to remain available until June 30, 1943.

#### Section 2.

If any defense article procured from an appropriation made before March 11, 1941, is disposed of, under such Act of March 11, 1941, by any depart-

ment or agency to the government of any country whose defense the President deemed vital to the defense of the United States, the President may transfer, from the appropriations made by this Act to the appropriate appropriation of such department or agency, an amount equivalent to the value (as computed for the purposes of the \$1,300,000,000 limitation contained in section 3 (a) (2) of such Act of March 11, 1941) of the defense article so disposed of, but not to exceed in the aggregate \$1,300,000,000.

### Section 3.

Any defense article procured from an appropriation made by this Act shall be retained by or transferred to and for the use of such department or agency of the United States as the President may determine, in lieu of being disposed of to a foreign government, whenever in the judgment of the President the defense of the United States will be best served thereby.

### Section 4.

No part of any appropriation contained in this Act shall be used to pay the salary or wages of any person who advocates, or who is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence: *Provided*, That for the purposes hereof an affidavit shall be considered prima facie evidence that the person making the affidavit does not advocate, and is not a member of an organization that advocates, the overthrow of the Government of the United States by force or violence: *Provided further*, That any person who advocates, or who is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence and accepts employment the salary or wages for which are paid from any appropriation in this Act shall be guilty of a felony and, upon conviction, shall be fined not more than \$1,000 or imprisoned for not more than one year, or both: *Provided further*, That the above penalty clause shall be in addition to, and not in substitution for, any other provisions of existing law.

### Section 5.

This Act may be cited as the "Defense Aid Supplemental Appropriation Act, 1941".

APPROVED, March 27, 1941.

## Appendix III

### SECOND LEND-LEASE APPROPRIATION ACT

Making supplemental appropriations for the national defense for the fiscal years ending June 30, 1942, and June 30, 1943, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the national defense for the fiscal years ending June 30, 1942, and June 30, 1943, and for other purposes, namely:

#### Section 101.

To enable the President, through such departments or agencies of the Government as he may designate, further to carry out the provisions of an

Act to promote the defense of the United States, approved March 11, 1941, and for each and every purpose incident to or necessary therefor, the following sums for the following respective purposes, namely:

(a) For the procurement, by manufacture or otherwise, of defense articles, information and services, for the government of any country whose defense the President deems vital to the defense of the United States, and the disposition thereof, including all necessary expenses in connection therewith, as follows:

(1) Ordnance and ordnance stores, supplies, spare parts, and materials, including armor and ammunition and components thereof, \$1,190,000,000.

(2) Aircraft and aeronautical material, including engines, spare parts, and accessories, \$685,000,000.

(3) Tanks, armored cars, automobiles, trucks, and other automotive vehicles, spare parts, and accessories, \$385,000,000.

(4) Vessels, ships, boats, and other watercraft, including the hire or other temporary use thereof, and equipage, supplies, materials, spare parts, and accessories, \$850,000,000.

(5) Miscellaneous military and naval equipment, supplies, and materials, \$155,000,000.

(6) Facilities and equipment for the manufacture, production, or operation of defense articles and for otherwise carrying out the purposes of the Act of March 11, 1941, including the acquisition of land, and the maintenance and operation of such facilities and equipment, \$375,000,000.

(7) Agricultural, industrial, and other commodities and articles, \$1,875,000,000.

(b) For testing, inspecting, proving, repairing, outfitting, reconditioning, or otherwise placing in good working order any defense articles for the government of any country whose defense the President deems vital to the defense of the United States, including services and expenses in connection therewith, \$175,000,000.

(c) For necessary services and expenses for carrying out the purposes of the Act of March 11, 1941, not specified or included in the foregoing, \$285,000,000.

(d) For administrative expenses, \$10,000,000.

(e) In all, \$5,985,000,000, to remain available until June 30, 1943.

(f) Each of the foregoing appropriations shall be additional to, and consolidated with, the appropriation for the same purpose contained in sections 1 (a), 1 (b), 1 (d), and 1 (e), respectively, of the Defense Aid Supplemental Appropriation Act, 1941: *Provided*, That, with the exception of the appropriation for administrative expenses, not to exceed 20 per centum of any such consolidated appropriations may be transferred by the President to any other of such consolidated appropriations, but no such consolidated appropriation shall be increased more than 30 per centum thereby.

#### Section 102.

The President may, from time to time, when he deems it in the interest of national defense, authorize the head of any department or agency of the Government, to enter into contracts for the procurement of defense articles, information, or services for the government of any country whose defense

the President deems vital to the defense of the United States, to the extent that such government agrees to pay the United States for such defense articles, information, or services prior to the receipt thereof and to make such payments from time to time as the President may require to protect the interests of the United States; and, upon payment of the full cost, the President may dispose of such articles, information, or services to such government: *Provided*, That the total amount of the outstanding contracts under this section, less the amounts which have been paid to the United States under such contracts, shall at no time exceed \$600,000,000.

#### Section 103.

Any defense article procured pursuant to this title shall be retained by or transferred to and for the use of such department or agency of the United States as the President may determine, in lieu of being disposed of to a foreign government, whenever in the judgment of the President the defense of the United States will be best served thereby.

#### Section 104.

This title may be cited as the "Defense Aid Supplemental Appropriation Act, 1942."

APPROVED, October 28, 1941.

NOTE.—The above is a reprint of Title I of the Act, the part having to do with Lend-Lease operations.

### Appendix IV EXECUTIVE ORDER ESTABLISHING OFFICE OF LEND-LEASE ADMINISTRATION

By virtue of the authority vested in me by the Constitution and statutes of the United States, and particularly by the Act of March 11, 1941, entitled "An Act further to promote the defense of the United States and for other purposes" (hereafter referred to as the Act), and by the Defense Aid Supplemental Appropriation Act, 1941, approved March 27, 1941, and acts amendatory or supplemental thereto, in order to define further the functions and duties of the Office for Emergency Management of the Executive Office of the President in respect to the national emergency as declared by the President on May 27, 1941, and in order to provide for the more effective administration of those Acts in the interests of national defense, it is hereby ordered as follows:

1. There shall be in the Office for Emergency Management of the Executive Office of the President an Office of Lend-Lease Administration, at the head of which shall be an Administrator, appointed by the President, who shall receive compensation at such rate as the President shall approve and, in addition, shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of his duties.

2. Subject to such policies as the President may from time to time prescribe, the Administrator is hereby authorized and directed, pursuant to Section 9 of the Act, to exercise any power or authority conferred upon the President by the Act and by the Defense Aid Supplemental Appropriation Act, 1941 and any acts amendatory or supplemental thereto, with respect

to any nation whose defense the President shall have found to be vital to the defense of the United States: *Provided*, That the master agreement with each nation receiving lend-lease aid, setting forth the general terms and conditions under which such nation is to receive such aid, shall be negotiated by the State Department, with the advice of the Economic Defense Board and the Office of Lend-Lease Administration.

3. The Administrator shall make appropriate arrangements with the Economic Defense Board for the review and clearance of lend-lease transactions which affect the economic defense of the United States as defined in Executive Order No. 8839 of July 30, 1941.

4. Within the limitation of such funds as may be made available for that purpose, the Administrator may appoint one or more Deputy or Assistant Administrators and other personnel, delegate to such Deputy or Assistant Administrators any power or authority conferred by these orders, and make provision for such supplies, facilities, and services as shall be necessary to carry out the provisions of this Order. In so far as practicable, the Office of Lend-Lease Administration shall use such general business services and facilities as may be made available to it through the Office for Emergency Management.

5. Executive Order No. 8751 of May 2, 1941, establishing the Division of Defense Aid Reports and defining its functions and duties, is hereby revoked.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,  
October 28, 1941.

### Appendix V BRITISH WHITE PAPER OF SEPTEMBER 10, 1941

FOREIGN OFFICE, S. W. 1,  
10th September, 1941.

MY DEAR AMBASSADOR: With reference to the conversations about lend-lease material which have recently taken place in London and in which you have participated, I enclose a memorandum on the policy of His Majesty's Government in the United Kingdom with regard to exports from this country and with regard to the distribution here of lend-lease material. I shall be glad if you will transmit it to your Government.

Yours sincerely,

ANTHONY EDEN.

His Excellency The Honourable John G. Winant.

#### Memorandum.

1. All materials which we obtain under the Lend-Lease Act are required for the prosecution of the war effort. This principle governs all questions of the distribution and use of such goods and His Majesty's Government have taken and will continue to take action to secure that these goods are not in any case diverted to the furtherance of private interests.

2. Lend-lease materials sent to this country have not been used for export and every effort will be made in the future to ensure that they are not used

for export, subject to the principle that where complete physical segregation of lend-lease materials is impracticable domestic consumption of the material in question shall be at least equal to the amounts received under lend-lease.

3. His Majesty's Government have not applied and will not apply any materials similar to those supplied under lend-lease in such a way as to enable their exporters to enter new markets or to extend their export trade at the expense of United States exporters. Owing to the need to devote all available capacity and man-power to war production, the United Kingdom export trade is restricted to the irreducible minimum necessary to supply or obtain materials essential to the war effort.

4. For some time past, exports from the United Kingdom have been more and more confined to those essential (I) for the supply of vital requirements of overseas countries, particularly in the sterling empire; (II) for the acquisition of foreign exchange, particularly in the Western Hemisphere. His Majesty's Government have adopted the policy summarized below:

(I) No materials of a type the use of which is being restricted in the United States on the grounds of short supply and of which we obtain supplies from the United States either by payment or on Lend-Lease terms will be used in exports with the exception of the following special cases:

(a) Material which is needed overseas in connection with supplies essential to the war effort for ourselves and our Allies, and which cannot be obtained from the United States.

(b) Small quantities of such materials needed as minor though essential components of exports which otherwise are composed of materials not in short supply in the United States.

(c) Repair parts for British machinery and plant now in use, and machinery and plant needed to complete installations now under construction, so long as they have already been contracted for.

Steps have been taken to prevent the export (except to Empire and Allied territories) of such goods which do not come within the exceptions referred to in (a), (b), and (c) above.

(II) Materials similar to those being provided under lend-lease which are not in short supply in the United States will not be used for export in quantities greater than those which we ourselves produce or buy from any source.

5. The general principle followed in this matter is that the remuneration received by the distributors, whatever the method of distribution, is controlled and will be no more than a fair return for the services rendered in the work of distribution. The arrangements rigorously exclude any opportunity for a speculative profit by private interests from dealing in lend-leased goods. In most cases, lend-leased supplies will be distributed through organizations acting as agents of His Majesty's Government in the strict sense of the term and not as principals. Where for strong practical reasons this cannot be done a full explanation will be supplied to the United States administration and their concurrence sought beforehand in any alternative arrangements proposed. The justification for retaining existing channels of distribution operating under strict Government control, is that the creation of elaborate new organizations in their place would inevitably result in loss of efficiency and the wasteful use of man-

power, and reward the war effort. In the distribution of lend-lease goods there will be no discrimination against United States firms.

6. Food is a special case. Only some 5 or 6 percent in tonnage of the total British food supply is coming from the United States and without great practical complications it would be impossible to have a separate system for the distribution of lend-leased food. Food distribution is carried out in the United Kingdom by wholesalers, to whom the Government sells food as principals. In fact, the Ministry of Food has established a close control over all distributive margins so that neither the wholesalers nor the retailers receive any greater remuneration than is adequate to cover the cost of the services performed. No food obtained on lend-lease terms is or will be sold at uncontrolled prices. Thus the general arrangements as regards the issue of lend-leased food fit into His Majesty's Government's policy of stabilizing the whole price level of foodstuffs, a policy to which the Government contributes £100 millions a year.

7. In some cases direct free distribution is practicable and will be adopted. For example, some milk products (including lend-leased supplies from the United States) are distributed direct and free of charge to children and others in need through schools, clinics and hospitals. The distribution is undertaken by State agencies and the cost of the distribution is borne by the Government.

#### Acknowledgment.

LONDON, September 10, 1941.

DEAR MR. EDEN: Thank you for your letter of September 10th. enclosing a memorandum on United Kingdom export policy and on the distribution of lend-lease material. I have caused the memorandum to be transmitted immediately to Washington for the information of my Government.

Sincerely yours,

JOHN G. WINANT,  
The Right Honorable Anthony Eden, M. C. M. P., etc., etc., etc.,  
Foreign Office, S. W. I.

September 10, 1941.



TREASURY DEPARTMENT

365

INTER OFFICE COMMUNICATION

DATE December 13, 1941

TO: Secretary Morgenthau

FROM: Mr. White

Subject: Exports to Russia, China, Burma, Hong Kong, Japan, France and other blocked countries, as reported to the Treasury Department during the week ending December 6, 1941.

1. Exports to Russia

Exports to Russia as reported to the Treasury during the week ending December 6, 1941 amounted to \$3,609,000 as compared with \$2,436,000 during the previous week. The principal item was landplanes which accounted for about fifty percent of the total. (See Appendix C.)

2. Exports to China, Burma and Hong Kong

Exports to Free China were valued at \$791,000, the lowest figure for any single week since October 25. (See Appendix D.) Exports to Occupied China amounted to \$61,000. (See Appendix E.)

Exports to Burma totalled only \$64,000 as compared with \$1,364,000 during the previous week. A large percentage of these exports may be destined for Free China. (See Appendix F.)

No exports to Hong Kong were reported during the week under review.

3. Exports to Japan

Exports to Japan were negligible, amounting to less than \$500.

4. Exports to France

No exports to France were reported during the week ending December 6, 1941.

5. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A.

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

July 28 to December 6, 1941.

(In thousands of dollars)

	July 28 to Nov. 22	Week ended November 29	Week ended December 6	Total Domestic Exports
U. S. S. R.	\$52,061	\$ 2,436	\$ 3,609	\$58,106
Occupied China	10,403	120	61	10,584
Free China	21,962	3,239	791	25,992
Japan	1,870 2/	-	5/	1,870
Burma 3/	5,354	1,362	64	6,780
France 4/	6	-	-	6
Occupied France	2	-	-	2
Free France	*4	-	-	*4
Spain	2,216	5/	-	2,216
Switzerland	4,608	11	237	4,856
Sweden	9,502	690	188	10,380
French Indochina	305	48	24	377

Treasury Department, Division of Monetary Research

December 10, 1941

- 1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular week. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.
- 2/ Of this total \$1,864 thousand was reported from July 28 to August 23, inclusive, and shipped prior to freezing orders. Domestic exports from August 23 through week ending Nov. 22, amounted to \$6,053.
- 3/ From September 11, 1941 to date - It is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.
- 4/ Includes both occupied and Free France through week ending October 4, 1941. Occupied and Free France separated thereafter.
- 5/ Less than \$500.

## APPENDIX B

Exports from the U.S. to China, Burma, Hong Kong, Japan and U.S.S.R.  
as reported to the Treasury Department, July 28, 1941 - December 6, 1941

(Thousands of Dollars) 1/

	Exports to China			Exports to Burma <u>3/</u>	Exports to Hong Kong	Exports to Japan	Exports to U.S.S.R.
	Total	To Japanese controlled ports	To Chinese controlled ports				
July 28 - Aug. 2	937	542	395		654	1,657	4,523
Aug. 4 - Aug. 9	2,794	2,794	-		983	159	551
Aug. 11 - Aug. 16	1,278	969	309		235	42	986
Aug. 18 - Aug. 23	1,352	1,352	2		234	6	2,735
Aug. 25 - Aug. 30	736	735	1		742	-	1,023
Sept. 2 - Sept. 6	897	693	204		634	-	4,280
Sept. 8 - Sept. 13	3,038 <u>2/</u>	757	2,281 <u>2/</u>		456	-	5,217
Sept. 15 - Sept. 20	3,978 <u>2/</u>	156	3,822 <u>2/</u>		389	-	752
Sept. 22 - Sept. 27	462	352	110	449	810	-	2,333
Sept. 29 - Oct. 4	1,305	80	1,225	684	297	-	323
Oct. 6 - Oct. 11	5,864	552	5,312	1,157	1,233	-	6,845
Oct. 13 - Oct. 18	272	267	5	35	584	-	1,924
Oct. 20 - Oct. 25	668	399	269	403	1,243	-	5,623
Oct. 27 - Nov. 1	5,210	438	4,772	58	624	-	4,484
Nov. 3 - Nov. 8	1,836	184	1,672	342	283	5	4,552
Nov. 10 - Nov. 15	3,009	158	2,851	88	303	-	2,677
Nov. 17 - Nov. 22	1,701	473	1,228	1,021	600	-	3,581
Nov. 24 - Nov. 29	3,359	120	3,239	1,364	1,325	-	2,436
Dec. 1 - Dec. 6	852	61	791	64	-	-	3,609
Total	39,548	11,060	28,488	5,665	11,629	1,869	58,454

1/ These figures are in part taken from copies of shipping manifests.

2/ Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.

3/ It is presumed that a large percentage of exports to Burma are destined for Free China.

## APPENDIX C

Principal Exports from U.S. to U.S.S.R.  
as reported to the Treasury Department  
during the week ending December 6, 1941

(Thousands of Dollars)

TOTAL EXPORTS \$ 3,609

## Principal Items:

Landplanes, powered	1,812
Military tanks	612
Motor trucks and chassis	466
Searchlights and airport beacons	324
Refined copper	117
Electric motors and bases	78
Tires and tubes	44
Cotton duck	40
Auto replacement parts	28
Telephone instruments	24
Gun parts	19

Treasury Department, Division of Monetary Research December 12, 1941

## APPENDIX D

Principal Exports from U.S. to Free China,  
as reported to the Treasury Department  
during the week ending December 6, 1941

(Thousands of Dollars)

TOTAL EXPORTS TO FREE CHINA \$ 791

## Principal Items:

Landplanes and parts	300
Motor trucks and chassis	203
Zinc castings	104
Petroleum asphalt	51
Metallic cartridges	40
Brass and bronze bars and rods	36
Steel bars	25

Treasury Department, Division of Monetary Research December 12, 1941

## APPENDIX E

Principal Exports from U.S. to Occupied  
China as reported to the Treasury Department  
during the week ending December 6, 1941

(Thousands of Dollars)

TOTAL EXPORTS TO OCCUPIED CHINA	\$ 61
Principal Items:	
Leaf tobacco	34
Medicinal preparations	17
Silk hosiery	2
Fountain pens	1

Treasury Department, Division of Monetary Research December 13, 1941

## APPENDIX F

Principal Exports from U.S. to Burma  
as reported to the Treasury Department  
during the week ending December 6, 1941

(Thousands of Dollars)

TOTAL EXPORTS	\$ 64
Principal Items:	
Steel sheets	21
Motor trucks and chassis	14
Well and refining machinery	10
Relief supplies - hospital	7
Wall board	6
Box shooks	3
Auto replacement parts	2

Treasury Department, Division of Monetary Research December 13, 1941

## PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Chungking, China.

DATE: December 13, 1941, 7 p.m.

NO.: 298.

THE FOLLOWING IS FROM THE TREASURY FOR A. MANUEL FOX.

With respect to Taylor and Freze leaving Hong Kong, please tell them that the Secretary of the Treasury has instructed you to the effect that they should follow your directions.

HULL  
(WDM)

373

BY SAFE HAND

BRITISH EMBASSY,  
WASHINGTON, D.C.  
13th December, 1941

W.T. 1024/103/41

SECRET

Dear Mr. Dietrich,

I enclose copy of a letter which I have sent to Mr. Acheson today covering two memoranda about financing the French Missions abroad.

Yours sincerely,

(Signed RJStopford)

Mr. Frank Dietrich,  
U.S. Treasury Department,  
Stabilization Office, Room 279,  
Washington, D.C.  
RJS:OSB

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COPY

374

BY SAFE HAND

BRITISH EMBASSY,  
WASHINGTON D.C.  
13th December, 1941

SECRET

Dear Mr. Acheson,

I enclose two memoranda covering information with regard to the provision of finance for French Missions abroad, to which Mr. Hall referred in his talk with you yesterday.

The source of the memorandum marked "B" is a French Consul in Central America who recently resigned and joined the de Gaulle movement.

Yours sincerely,

Mr. Dean Acheson,  
Assistant Secretary of State,  
State Department,  
Washington, D.C.  
EJS:OSB  
cc: Mr. Frank Dietrich

(Signed EJStopford)

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375

MEMORANDUM

We have learned from a most secret source which must on no account be compromised that authority has been given to the French Embassy in Washington to inform the State Department that they had sent \$1,000,000 in bank notes to Rio in addition to the 500 kilogrammes of gold which they already had there and a further \$1,000,000 in notes probably to Buenos Aires as a reserve against their requirements in South America or elsewhere. These amounts have not been included in budgets for Chanceries and it is not intended to use them for the finance of the South American posts unless absolutely necessary. For this reason these sums were not included in the particulars of the resources of the Chanceries which had been given to the United States authorities. If it was now thought advisable to inform the United States authorities of the existence of these resources the instruction was to emphasize that it would be an unusual step for the United States Government to refuse to release funds unless the French had no other means of financing these expenditures.

BRITISH EMBASSY,  
WASHINGTON, D.C.,  
12th December, 1941

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376

DEPARTMENT OF STATE  
WASHINGTON

December 13, 1941

In reply refer to  
FF 840.51 Frozen Credits/4600

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith paraphrases of certain telegrams with reference to the Department's circular telegram of December 8, 1941 to all diplomatic and consular establishments in the American republics. The paraphrases are as follows:

<u>Number</u>	<u>From</u>	<u>Date</u>
220	Asuncion	12/10/41
1417	Buenos Aires	12/10/41
520	Quito	12/10/41
744	Mexico City	12/10/41
528	Montevideo	12/9/41

The Secretary of State also encloses herewith copies of certain other telegrams with reference to the Department's circular telegram of December 8, 1941. These are as follows:

<u>Number</u>	<u>From</u>	<u>Date</u>
---	Ciudad Juarez	12/10/41
532	Montevideo	12/10/41

Enclosures:

As stated.

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377

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Asuncion  
TO : Secretary of State, Washington  
DATED: December 10, 1941, 5 p.m.  
NUMBER: 220

\$67,000 of Japanese funds in the Bank of Republic  
have been blocked by the Government pending inter-  
American agreement in the matter.

Copy:bj:12-16-41

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: ANEMBASSY, Buenos Aires  
TO: Secretary of State, Washington  
DATED: December 10, 1941, 3 a.m.  
NUMBER: 1417

Today there was delivered to the Foreign Office a note embodying the substance of Department's circular of December 8, 6 p.m. The Foreign Office was assured that the matter would be promptly taken up with the Finance Minister.

Again this afternoon the subject was discussed with Grumbach of the Central Bank and a copy of the note was handed to him. Grumbach informed me that Central did not instruct commercial banks to consult Cao prior to permitting Japanese funds to be transferred, as suggested by him yesterday that may be possible because of the regulations in the Bank's circulars 244 of September 1 and 246 of September 12, make it unnecessary. Under the provisions of these circulars, transfers of Japanese funds without Central Bank authorization are prevented with certain exceptions. Confidentially he added that only in certain limited cases involving "normal" requirements of the Japanese Embassy was such authorization being granted.

The question is being promptly and carefully studied as to whether necessity would require additional measures, he stated, and that in the interim of government could rest assured that no Japanese Government or bank funds would be released. He said that the October shipment of Japanese gold was used to pay for Argentine products sent to Japan, with the exception of one million pesos being held here as appraisement security for gold already blocked. Commenting upon the Embassy's note, he said the economic measures enacted by the United States were measures of "a country at war", thus implying that the adoption of certain measures, such as blocking Japanese residents' peso accounts, were not contemplated by the Central Bank.

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380

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Quito  
TO : Secretary of State, Washington  
DATED: December 9, 1941, 6 p.m.  
NUMBER: 520

The same measures as contained in Department's circular of December 8 has been adopted by Ecuador, according to the Finance Minister with the following exceptions: (1) concerning safety deposit boxes, banks will be advised tomorrow; (2) instructions have not been placed upon the use of their funds within Ecuador by Japanese residents; (3) as stated in Legation's telegram 508, December 8.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Mexico City  
TO : Secretary of State  
DATED: December 10, 1941, 7 p.m.  
NUMBER: 744

Between four and five million pesos comprising in large part collection funds in Mexican banks pending transfer to Japanese banks blocked by recent Mexican Treasury freezing order. This order is rigid and permits no withdrawals for any purpose due to this freezing order and to the conflict between United States and Japan. On December 8 two million pesos and on December 9 six million pesos were withdrawn from banks by French and Spanish nationals and today withdrawals continue heavy. Such withdrawals indicate fear by Spanish and French that their funds may be blocked, but this action does not present a problem for the Bank of Mexico. There is an increase in the sale of gold coins and large peso bills by the banks for hoarding purposes.

The controls contained in the Department's circular under reference will be submitted by the Foreign officer to the Minister of Finance for adoption to the extent in which they can be applied to Mexico.

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## PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Montevideo  
TO: Secretary of State, Washington  
DATED: December 9, 1941, 6 p.m.  
NUMBER: 528

Contents of both messages from the Department were immediately discussed at length with Guani and cooperation was promised by him. He has now approached the Minister of Finance and consideration is being given for an appropriate decree in the matter.

Guani instructed the Bank of the Republic to block any Japanese funds without awaiting decree. This has been done and the Bank is cooperating fully. Cooperation of private banks has also been enlisted.

Very limited Japanese funds are held here according to best available information. From 80 to 100 dollars of such funds is held by the Bank of the Republic according to its statement. Accounts in private banks, it is believed, are negligible or non-existent. It is believed by the National City Bank that Japanese firms for some time have been transferring to Buenos Aires funds collected here. Only the Bank of the Republic can clear Japanese merchandise now lying in customs valued at two million yen.

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PLAIN

Ciudad Juarez

Dated December 10, 1941

Rec'd 8:41 p.m.

Secretary of State,  
Washington.

Tenth.

All Japanese funds have been frozen including Mexican  
naturalized Japanese by banks in this district acting  
under instructions of Mexican Government. Details airmail.

GW

BLOCKER

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AMT

PLAIN

Montevideo

Dated December 10, 1941

Rec'd 4:22 p.m.

Secretary of State,

Washington.

532, tenth.

Department's Triple Priority circular Eighth,

6 p.m.

Uruguayan Government issued decree yesterday prohibiting the transfer abroad of funds, merchandise, or securities, of any kind and under any circumstances for Japanese nationals or entities. At the same time the decree prohibits any local financial or other transactions on the part of Japanese nationals or entities with the sole exception that drafts on Japan or on Japanese firms already issued may be sold and the proceeds impounded in the bank of the Republic. Full text of decree follows by air mail.

JRL

DAWSON

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## TREASURY DEPARTMENT

385

## INTER-OFFICE COMMUNICATION

DATE December 13, 1941

TO Secretary Morgenthau

FROM Mr. Dietrich

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£24,000
Purchased from commercial concerns	£10,000

Open market sterling remained at 4.03-3/4. The only reported transaction consisted of £5,000 purchased from a commercial concern.

The Argentine free peso, which reached a new high of .2405 yesterday, reacted to close at .2395 today.

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

Canadian dollar	11-3/4% discount
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5310
Venezuelan bolivar	.2665
Cuban peso	1/32% discount

There were no gold transactions consummated by us today.

No new gold engagements were reported.

BRITISH EMBASSY  
WASHINGTON, D.C.

13th December, 1941.

PERSONAL AND SECRET

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

(For the Ambassador)

*R. J. Campbell*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 32

Information received up to 7 a.m. 11th December, 1941.

(I) NAVAL

H.M.S. PRINCE OF WALES and H.M.S. REPULSE were sunk by air attack at about 0650 on 10th, 140 miles North North East of SINGAPORE. One high level and 3 torpedo bombing attacks were made on H.M.S. PRINCE OF WALES and hits scored with one bomb probably a one thousand pounder and 4 or 5 torpedoes. One high level attack and one torpedo bombing attack were made on H.M.S. REPULSE and hits scored with one or more bombs and 2 or 3 torpedoes. Each torpedo bombing attack was carried out by 9 aircraft and all attacks were pushed well home and skillfully carried out. About 7 aircraft were shot down.

On 5th, one of H.M. submarines in Southern approaches to Straits of MESSINA obtained one hit on a 4 thousand tons half laden merchant vessel in convoy escorted by torpedo boats. Owing to counter attack, the result could not be observed.

A homeward bound convoy from CANADA was attacked on 10th about 300 miles West of IRELAND. 2 unknown ships were torpedoed but are still afloat.

(II) MILITARY

LIBYA. 9th. Our mobile forces had a successful day and continued to harass the enemy in a Westerly direction from EL ADEM. Junction between our forces in TOBRUK and those outside has now been firmly established and road from East has been opened. Our artillery shelled concentrations of I.T. Southwest of EL ADEM. Enemy gun positions covered by armoured cars were attacked and about 40 enemy tanks were engaged by our armoured forces. In coastal area our patrol are clearing up remnants of enemy and near the TRIGH CAPUZZO they located and destroyed 38 enemy tanks in work shops. MERSA LUCCA was occupied by our troops in evening.

10th. Mopping up in EL ADEM area continues. Small pockets of enemy infantry and armoured cars possibly of Ariete Division were located in area North of BIRHAKEM.

MALAYA. At KELANTAN patrol troops have been reorganized and are reported nearly intact. It is estimated that (about) one enemy division has landed in this area.

Our central columns on KROH road has met slight enemy opposition.

KEDAH Area. Contact with enemy was established in early hours just North of CHANGIUN.

KUANTAN. No further enemy attacks reported. Heavy scale of air attack has made majority of Northern aerodromes unserviceable; demolitions have been carried out at ALORSTAR aerodrome.

RUSSIA. The Russian claim to have retaken TORVIN is believed to be correct.

GILBERT ISLANDS. Japanese have apparently landed at TARITARI and TARAWA.

U.S.S. It is believed Japanese troops have occupied GUAM and WAKE ISLANDS and have landed on North and West coast of LUZON, PHILIPPINE Islands.

SIAM. A Japanese Force of about 2 divisions is continuing to move into SIAM from Southern INDO-CHINA. 2 to 3 Japanese Divisions have been landed on East coast of KRA Isthmus.

### (III) AIR OPERATIONS

10th. 8 Hampdens laid mines off Dutch coast and 8 other attacked military objectives near mouth of EMS. A Halcon probably hit a 2500 ton merchant vessel off NORWAY.

LIBYA. 8th/9th and 9th. Dispersed aircraft at IERNA and EL TUMBI aerodromes and M.T. in the vicinity were bombed.

9th. Fighter sweeps were carried out throughout the day over EL GOBI-EL ADEM-TOBRUK area during which several formations of German fighters were met. 7 enemy aircraft were destroyed, one probably destroyed, and 6 damaged. 9 of our aircraft are missing and certain more have not returned but may have landed at TOBRUK.

9th/10th. Wellingtons in a 6 hour attack dropped over 36 tons of bombs on store depots West of TRIPOLI. At least 6 large buildings were destroyed and numerous fires were started which merged into one large conflagration. M.T. vehicles were also machine gunned.

### (IV) ENEMY ACTIVITY

JAPAN. It is estimated that there are now about 400 aircraft in French INDO-CHINA and SIAM. A general air movement Southwards continues. About 80 long range fighters have moved to PATANI aerodrome near Northern Malayan Frontier.

TREASURY DEPARTMENT

389

INTER OFFICE COMMUNICATION

DATE December 13, 1941

TO Secretary Morgenthau  
FROM Mr. Kamarck

Subject: Summary of Military Reports

Pacific Front

According to our Military Intelligence, there are two Japanese divisions attacking the British in Malaya in the Singapore thrust. The strength of the Philippine landings is still undetermined. The British estimate two divisions are attacking Hong Kong.

It is believed that two Japanese aircraft carriers attacked Hawaii and that these were the Saryu (carrying 12 fighters, 12 torpedo bombers, and 18 dive bombers) and the Zuiokaku (carrying 12 fighters, 36 torpedo and/or dive bombers). American bomber reinforcements from California, taking off from Hawaii, were unable to find the carriers.

The Japanese landings against Malaya were covered by one battleship, two cruisers, one aircraft carrier, and a number of destroyers.

If Japan is able to protect her shipping, she will be able to secure valuable supplies of strategic commodities from Thailand. Together with the Indo-Chinese supplies, Japan will have a surplus of rubber, valuable supplies of tin, substantial quantities of rice more than enough to meet her needs, useful supplies of hides, and small but useful quantities of wolfram (tungsten) and zinc. Prior to occupation, Japan secured all the rice and hides she asked for, most of the rubber, but less than one-third of the tin.

(U.K. Embassy, Operations Report, December 11, 1941;  
M.I.D., Situation Report, December 12, 1941)

### Western European Front

In the week, November 27 to December 4, there was no submarine activity on the North Atlantic convoy routes. The U-boats are now concentrated in the area east and west of Gibraltar. At least four are operating in the South Atlantic. (This may be another indication of German preparation for a move into Spain and Northwest Africa).

(U.K. Embassy, Operations Report, December 11, 1941)

The German Air Force appears still to be pursuing its policy of saving their long-range bombing force on the Western Front. (Thirty of the long-range Ju-88 bombers, it was lately reported, were moved from Holland to Sicily).

(U.K. Embassy, Operations Report, December 11, 1941)

### Russo-German Front

The Spanish division in Russia has been reduced from 20,000 men to less than 14,000 by battle casualties and sickness. The division is now believed to be employed in protecting lines of communication in the southern sector. (The division arrived in Russia fairly recently and has already sustained casualties of 30 percent).

(U.K. Embassy, London Report, December 11, 1941)

According to the British, the Russian Air Force is very active in all sectors. It is giving remarkably good support to its own troops, while making continuous attacks on the Germans. During the past few weeks, the Russians have had numerical and operational superiority on the whole front south of Kursk (i.e., the Southern Front) and local air superiority at a number of points between Kalinin and Tula (i.e., the Moscow front).

The continued low scale of German air operations on all sectors of the Russian front is probably due to prolonged bad weather (which apparently does not hamper the Russians as much) and the withdrawal of all types of units to Germany for refitting. The German ground troops have, thus, been deprived of their habitual scale of air support and at the same time, the Russian air force has been enabled to operate with increasing effect.

The Russian success at Rostov also helps the air situation. Taganrog had been made an important advanced air base. Loss of this will hurt the effectiveness of German operations in this area. The loss of the supplies and equipment accumulated in the forward area must inevitably have a delaying effect on further air operations directed against the Caucasus.

The Russian counter-attack at Rostov will retard by at least three weeks and possibly much longer the German time-table for a subsequent move into the Caucasus.

(U.K. Embassy, Operations Reports, December 10,11)

#### Libyan Front

In Libya the R.A.F. has maintained air superiority while the German Air Force has not been very active. This is probably due to Axis supply difficulties, British attacks on airdromes, and the lack of fighters. The Germans appear to have difficulties in maintaining the serviceability of their Ju-88 bombers under desert conditions.

(U.K. Embassy, Operations Report, December 11,1941)

#### Balkans

It is estimated that the total number of German divisions in the Balkans remains at 14 (280,000 men). (This would indicate that, as yet, the Germans are not preparing for a move against Turkey).

(U.K. Embassy, Operations Report, December 11,1941)

The rise in the level of the lower Danube due to heavy rains indicates that the river is unlikely to freeze early this winter, (thus the German oil transport will be helped).

(U.K. Embassy, Operations Report, December 11,1941)

G-2/2657-220; No. 568 M.I.D., W.D. 11:00 A.M., December 13, 1941

SITUATION REPORT

I. Pacific Theater.

No change reported in Hawaii. Navy reports contact with Wake, Johnston, Palmyra, and Midway as of 6:00 a.m., the 12th. Navy confirms loss of Guam. Hong Kong: Press reports state Japanese have made substantial gains on the Chinese mainland toward the harbor. Thailand: Netherlands submarines are reported by the press to have sunk four Japanese troop ships off Patani in South Thailand. Malaya: The situation apparently is unchanged. Costa Rica: Punta Arenas fishing boat, with Japanese crew, carrying fuel oil cargo and flying American flag, was forced to return to port by U.S. Naval patrol planes. Crew arrested.

II. Eastern Theater.

Ground: The situation at Leningrad remains unchanged.

The Soviet Information Bureau announces that the Russian forces in general counterattacks on the Moscow front have cleared the Dmitrov salient to the Moscow-Kalinin road. In a counterattack against the Tula-Ryazhsk salient the Germans have been defeated and the Russians have captured Yenev, Stalinogorsk and Yepifan. The Germans deny defeat and claim to be retiring to a previously selected line and stabilizing for the winter.

III. Western Theater.

Air: It is reported that British bombers attacked the docks at Brest and Dunkirk in occupied France last night. Bombers of the Coastal Command attacked the oil refinery at Donges, near St. Nazaire, starting a large fire. Yesterday, British fighters maintained offensive patrols over occupied territory. R.A.F. bombers carried out their third consecutive day of offensive over northwestern Germany and occupied territory. An oil refinery at Emmerich, on the Dutch-German border, was attacked. Other objectives were bombed at Mieuport in the Netherlands and Calais.

IV. Middle Eastern Theater.

Ground: Pursuit of Axis forces northwest of Gazala continues, Axis rear-guard at that point having been by-passed. Axis material and personnel losses have been heavy. Situation in frontier area unchanged.

Air: British raids yesterday at Comiso and Crotona in the Calabria area of southern Italy and on Sicily were admitted by the Italian High Command. The British were also admitted to have made raids on Tripoli in Libya and Patras in Greece. According to Italian High Command, German planes in Libya made dive bombing attacks on British motorized columns. Ten British planes were said to have been shot down by the Axis in Libya yesterday.

RESTRICTED