

February 20, 1942

TO: HAROLD N. GRAVES

SUBJECT: PROGRESS REPORT FROM DEFENSE SAVINGS STAFF

SALE OF BONDS

Actual cash receipts from the sale of E, F and G Bonds for the first sixteen business days of February were \$522,003,000, a decrease of 15 per cent from the corresponding period of January. Sale of all Bonds for the first sixteen business days of January totaled \$613,826,000, and for the corresponding number of days in December 1941, \$223,610,000.

SERIES E BONDS

Sale of Series E Bonds for the first sixteen business days of February totaled \$297,799,000, a decrease of 25.5 per cent from the corresponding number of days in January. January sales for the similar period totaled \$399,771,000, and \$128,588,000 in December.

2/24/42
H.N.G.
H.N.G. + v

PAYROLL SAVINGS

The Payroll Savings Plan is being adopted by the United States Senators and employees of the Senators -- a group totaling about 1,400. Senator Barkley of Kentucky introduced the Plan and Senator Mead of New York endorsed it. (Marked copy of Congressional Record attached.)

In the House of Representatives the Plan was introduced by Representative John W. McCormack of Massachusetts, Majority Leader.

The Payroll Savings Plan will be administered by the Disbursing Officer in the Senate, and the Sergeant-at-Arms and the Financial Clerk in the House.

The following State Governments with the total number of employees indicated have adopted the Payroll Savings Plan:

Alabama	5,000	Montana	3,000
California	25,000	Nevada	1,165
Colorado	5,000	New York	56,540
Indiana	12,096	New Jersey	14,594
Kansas	3,000	New Mexico	3,400
Minnesota	4,000	Oklahoma	15,000
Mississippi	6,156		(Group Agent Plan)
Missouri	12,563	Vermont	500
		Virginia	13,952

Large cities that have adopted the Payroll Savings Plan with the total number of employees indicated are:

Denver	3,000
Chicago	25,000
Baltimore	15,000
Minneapolis	2,989
Newark	6,700
Jersey City	---
Port of Seattle	6,000

The Florida Industrial Commission with 500 employees has 100 percent participation.

PLEDGE CAMPAIGN

The national officers of the American Legion have offered the man power of the American Legion to help conduct the forthcoming Pledge Campaign. Legion officials have offered to undertake as much or as little of the Campaign as individual State Administrators desire. Legion officials are advising their department commanders that the part to be taken by the Legion in the Pledge Campaign will be delegated to them by State Administrators.

Other organizations have made similar offers. The General Federation of Women's Clubs has sent to each State Federation president and to its State Bond and Stamp chairmen a request to secure assignments from our State Administrators.

In connection with this program the General Federation is planning to hold a contest among its State Federations, based on the percentage of State Federation members who sign pledges. (Copies of Field Memoranda 194 and 196, and the current issue of the National Legionnaire attached.)

RETAILERS

The Thom McAn Shoe Stores (Melville Shoe Corporation) have furnished all of employees of their 6,000 stores with "Take Your Change in Defense Stamps" badges. (Sample attached.) Other retail companies are also adopting this method of promotion.

The Grand Union Company (food chain stores) published the attached advertisement on Thursday, February 19, in 150 daily and weekly newspapers in New York, Pennsylvania, New Jersey, Connecticut, Massachusetts and Vermont. "Blow-ups" of the same ad are being displayed in windows of the company's 700 stores.

Literature on the Altoona Plan, successfully operated in Altoona, Pa., is being sent to all State Administrators. (Copies attached)

Also attached is a photograph of the National Cash Register sign, which that company, in connection with its Defense Savings Campaign, is having placed on 3,000,000 cash registers throughout the nation.

Peter Odegard will be speaker at the Retailers Advisory Committee meeting at the Hotel Astor in New York on Wednesday, February 25. Several hundred of the nation's leading retailers are scheduled to attend.

SPECIAL

The Ohio Match Company advises that during the months of December and January they shipped out almost 40,000,000 books of matches carrying the message of the Defense Savings Program on covers.

DIRECT MAIL

Total sales of all Bonds through this medium totals \$22,958,588, as of February 18, an increase of \$1,105,953 since the report of February 12.

NEWSPAPER CARRIER SALES

As of February 19, returns from 794 newspapers show that carrier boys have sold 121,443,729 ten-cent Stamps or their cash equivalent in Bonds or Stamps or larger denominations. This is an increase of 12,924,550 ten-cent Stamps reported on February 13. (Chart attached.)

VICTORY HOUSES

The Victory House at Tulsa, Oklahoma, closed on Monday, February 9, reporting total sales of Bonds and Stamps of \$290,000.

NEWSREEL CREWS

The Defense Savings Staff newsreel crews made shots this week of Bond and Stamp purchases in Los Angeles, San Francisco, Omaha, Lincoln and Grand Island, Nebraska; St. Louis, Kansas City and Topeka.

Attached is a Defense Savings newsreel release sheet sent to all State Administrators, advising local committees to publicize appearance of local personalities on theater screens.

STAGE AND SCREEN STARS

Sabu, the "elephant boy", made appearances this week before gatherings of newspaper carrier boys at Dallas, Fort Worth and Houston, Texas, and in New Orleans.

Edward G. Robinson made a number of personal appearances in and around New York City urging more purchases of Defense Bonds and Stamps.

Michele Morgan is scheduled to appear as guest star at a Defense Bond rally in Nashville, Tenn., on Sunday, February 22.

The Audrey Kargere Defense Doll tour is currently exhibiting at the John Shillito Store in Cincinnati. Attached is a broadside on the Doll Tour exhibit sent to all Field Administrators.

Jack Dempsey is scheduled to attend a state-wide Defense Savings Rally at Denver, Colorado, on Wednesday, February 25.

BUSINESS PUBLICATIONS

To date, 614 business publications have advised that they will publish our current full-page advertising release in either their February or March issues.

COMPANY MAGAZINES

A specially prepared handbook of Defense Savings Information was released this week to selected list of 1900 company magazine editors. Reply cards, enclosed with manuals, will provide complete information on circulation, format and closing dates for publication of leading company publications -- facts never before available on a national basis. The reply cards also are designed to provide information about the type of promotional material which will be most widely used, thus establishing a guide for future releases. Card replies have been received, to date, from 510 publications. (Copies of new handbook and reply card attached.)

WOMEN'S ACTIVITIES

Welcome Wagon Service, a commercial organization which promotes the business of retailers by calling on new residents in cities and towns, has agreed to distribute Defense Savings Literature directly to housewives.

The National Federation of Business and Professional Women is urging all its state and local chairmen to contact their Defense Savings Committees and offer their services, to offer all possible assistance.

PRESS

Mailing list of approximately 500 religious publications was completed and material readied for initial presentation to this media to be mailed by March 1.

First mailing to this group will include an introductory letter; a news release pointing out that churches and religious organizations are eligible to buy the \$25 Series F Defense Bonds; a set of editorial fillers; excerpts from religious papers on Defense Bonds and Stamps; a mat of the smaller sizes of the Minute Man, and sheet of twelve one column mats.

Set of front page "ear" mats (copy attached) mailed to all daily papers.

PRESS (Continued)

Photos of the stars of the Treasury Star Parade program have been sent to 1,500 radio editors of newspapers and to radio stations.

Total of 65 photographs of United States Senators making Minute Man recordings have been mailed to their home state daily newspapers.

Second set of Penny Wise household hints mailed to women's editors and a mailing of comics sent to weekly newspapers.

Results of New Year's Day mat attached in cellophane portfolio.

MAGAZINES

Cover use of emblem and poem set to run in Esquire April edition. (Advance proofs attached.)

Silver Screen (movie fan magazine) is running slogans on Defense Savings at end of all stories. Editors advise they will continue this practice indefinitely and also, will use the Minute Man on Table of Contents page.

Patriotic "Betty Bond" cover set for March issue of Harper's Bazaar. (New York Journal-American story attached)

COMIC MAGAZINES

Meeting of Press Section representatives and leading comic book publishers to outline detailed plans is scheduled for the coming week in New York.

Copy of "Captain America," comic book carrying first installment on "Roddy Colt, the Secret Stamp," is attached.

RADIO

To date, 326 radio stations have established Payroll Savings Plans for employees and, of these, 246 have 100 per cent participation.

The new transcribed 15 minute Defense Savings program, "The Treasury Star Parade," has been requested, thus far, by 547 radio stations. Transcriptions are to be used by each station three times weekly.

Seventy-three United States Senators have made recordings of Minute Man appeals to be broadcast in stations in their home states. About seven of the remainder are scheduled to make transcriptions next week.

All network Quiz programs, 34 in all, are now awarding prizes in Defense Savings Bonds and Stamps.

Special citations to radio stations for intensified cooperation with the Defense Savings Program have been mailed to 331 stations and others are now being mailed.

Sets of new foreign language announcements are now being printed in eleven languages for distribution to 186 foreign language stations.

Firms Employing 500 Persons or More Participating in Payroll Savings Plans
(As reported by the Defense Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms	Percent of total having payroll savings plans		
	Jan. 10	Feb. 7	Feb. 14		Jan. 10	Feb. 7	Feb. 14
Alabama	9	29	29*	76	12	38	38
Arizona	15	18	19	19	79	95	100
Arkansas	6	16	16	18	33	89	89
California	114	139	142	196	58	71	72
Northern California	123	148	150	165	75	90	91
Colorado	22	22	23	32	69	69	72
Connecticut	97	134	138	185	52	72	75
Delaware	2	0	0*	0	7	7	44
District of Columbia	12	22	23	52	23	42	44
Florida	18	25	25	66	27	38	38
Georgia	35	42	48	141	24	29	34
Idaho	8	9	9	10	80	90	90
Illinois	277	347	369	634	44	55	58
Indiana	41	80	92	180	23	44	51
Iowa	9	22	36	53	17	42	68
Kansas	16	31	31	31	52	100	100
Kentucky	19	33	36	70	27	47	51
Louisiana	0	0	12	65	0	0	14
Maine	42	51	52	52	81	98	100
Maryland	40	90	93	154	26	58	60
Massachusetts	41	230	243	370	11	62	66
Michigan	305	314	317	523	92	94	95
Minnesota	67	98	98	105	83	93	93
Mississippi	12	13	15	28	43	46	54
Missouri	0	125	128	128	0	98	100
Montana	4	5	5	5	80	100	100
Nebraska	28	32	32	41	68	78	78
Nevada	3	3	3	3	100	100	100
New Hampshire	17	27	27	27	65	100	100
New Jersey	185	208	212	238	78	87	89
New Mexico	5	6	6	6	83	100	100
New York	456	691	723	1,350	33	51	54
North Carolina	49	78	83	168	29	46	55
North Dakota	0	1	1	1	0	100	100
Ohio	285	402	415	557	51	72	75
Oklahoma	22	37	37	62	35	60	60
Oregon	51	62	62	62	82	100	100
Pennsylvania	336	440	485	625	54	70	78
Rhode Island	58	67	67*	90	64	74	74
South Carolina	27	41	48	96	28	43	50
South Dakota	3	3	4	4	75	75	100
Tennessee	4	13	17	106	4	12	16
Texas	36	48	50	187	19	26	27
Utah	8	0	9*	14	57	64	64
Vermont	10	12	12	13	77	92	92
Virginia	41	71	74	95	43	75	78
Washington	44	49	50	86	51	57	58
West Virginia	2	25	28	67	3	37	42
Wisconsin	84	128	131	137	61	93	96
Wyoming	0	1	1	1	0	100	100
Alaska	0	3	3*	3	0	100	100
Hawaii	98	98	98	108	91	91	91
Total	3,185	4,600	4,850	7,265	47	62	66

February 20, 1942

Office of the Secretary of the Treasury, Division of Research and Statistics.
* Data are for February 7, inasmuch as no February 14 report was received.

Firms Employing 100 to 499 Persons Participating in Payroll Savings Plans

(As reported by the Defense Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms	Percent of total having payroll savings plans		
	Jan. 10	Feb. 7	Feb. 14		Jan. 10	Feb. 7	Feb. 14
Alabama.....	17	73	73*	285	6	26	26
Arizona.....	15	20	25	58	26	34	43
Arkansas.....	22	32	32	142	15	23	23
Northern California.....	160	190	401	489	33	80	82
Southern California.....	495	620	632	1,171	42	53	54
Colorado.....	64	90	92	198	32	45	46
Connecticut.....	100	217	231	622	16	35	37
Delaware.....	0	0	0	84	0	0	0
District of Columbia.....	8	15	18	152	5	10	12
Florida.....	48	80	87	139	35	58	63
Georgia.....	56	76	83	589	10	13	14
Idaho.....	19	23	24	50	38	46	46
Illinois.....	48	419	575	2,252	2	19	26
Indiana.....	0	204	250	586	0	16	43
Iowa.....	4	26	69	271	1	10	25
Kansas.....	114	272	272	272	42	100	100
Kentucky.....	75	88	98	312	24	28	31
Louisiana.....	0	0	44	384	0	0	11
Maine.....	3	32	34	198	2	16	17
Maryland.....	32	66	76	405	8	16	19
Massachusetts.....	53	453	507	1,523	3	30	33
Michigan.....	157	342	408	1,022	13	33	40
Minnesota.....	181	309	327	399	45	77	82
Mississippi.....	30	45	47	143	21	31	33
Missouri.....	0	235	243	654	0	35	37
Montana.....	22	30	34	39	56	77	87
Nebraska.....	6	51	56	123	5	41	46
Nevada.....	8	14	14	24	33	58	58
New Hampshire.....	7	50	56	145	5	34	39
New Jersey.....	171	250	258	869	20	29	30
New Mexico.....	12	26	28	35	34	74	80
New York.....	505	1,085	1,224	4,239	12	26	29
North Carolina.....	29	112	129	495	6	22	26
North Dakota.....	4	6	7	26	14	21	24
Ohio.....	0	438	505	1,739	0	25	29
Oklahoma.....	29	115	122	345	8	33	35
Oregon.....	21	90	95	317	7	28	30
Pennsylvania.....	713	1,024	1,224	2,032	35	50	60
Rhode Island.....	49	77	77*	224	22	34	34
South Carolina.....	13	36	42	174	7	21	24
South Dakota.....	5	13	13	19	26	68	68
Tennessee.....	0	38	50	448	0	8	11
Texas.....	74	131	142	1,375	5	10	11
Utah.....	13	19	19*	111	12	17	17
Vermont.....	30	43	46	63	47	68	73
Virginia.....	31	98	110	338	9	29	33
Washington.....	71	104	135	406	17	26	33
West Virginia.....	0	30	32	272	0	11	12
Wisconsin.....	0	148	183	680	0	22	27
Wyoming.....	1	11	13	13	8	85	100
Alaska.....	0	2	2*	2	0	100	100
Railroads.....	46	46	46	48	96	96	96
Total.....	<u>3,541</u>	<u>8,224</u>	<u>9,316</u>	<u>27,018</u>	<u>13</u>	<u>30</u>	<u>34</u>

February 20, 1942

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

* Data are for February 7, inasmuch as no February 14 report was received.

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Daily changes in the stock of Series E savings bonds on hand ^{1/}

(In thousands of pieces)

		: Number of : pieces sold : this day :	: Number of pieces : manufactured : this day :	: Stock on hand : at close of : day :	: IBM : deliveries : this day :
Feb.	3	158	800	15,451	-
	4	262	800	15,989	2,500
	5	250	800	16,539	-
	6	341	800	16,998	2,500
	7	159	none-closed	16,839	-
	8	none-closed	none-closed	16,839	-
	9	379	740	17,200	-
	10	193	705	17,712	2,000
	11	159	695	18,248	-
	12	220	640	18,668	-
	13	144	370	18,894	-
	14	87	none-closed	18,807	-
	15	none-closed	none-closed	18,807	-
	16	363	535	18,979	2,500
	17	89	800	19,690	1,000
	18	218	800	20,272	1,000
	19	160	800	20,912	1,000

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

February 20, 1942

^{1/} Includes stock in hands of (1) Federal Reserve Banks and branches, (2) Post offices, (3) Federal Reserve Bank issuing agents, and (4) Treasury vaults in Washington.

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Sixteen Business Days of February and January 1942 and December 1941
 (February 1-19, January 1-19, December 1-15)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	February 1942	January 1942	December 1941	February over January	January over December	February over January	January over December
Series E - Post Offices	\$ 63,391	\$102,663	\$ 44,197	-\$ 39,272	\$ 58,466	- 38.7%	132.3%
Series E - Banks	<u>234,408</u>	<u>297,108</u>	<u>84,391</u>	- <u>62,700</u>	<u>212,717</u>	- <u>21.1</u>	<u>252.1</u>
Series E - Total	297,799	399,771	128,588	- 101,972	271,183	- 25.5	210.9
Series F - Banks	36,565	42,355	13,856	- 5,790	28,499	- 13.7	205.7
Series G - Banks	<u>187,638</u>	<u>171,700</u>	<u>81,166</u>	<u>15,938</u>	<u>90,534</u>	<u>9.3</u>	<u>111.5</u>
Total	<u>\$522,003</u>	<u>\$613,826</u>	<u>\$223,610</u>	-\$ <u>91,823</u>	<u>\$390,216</u>	- <u>15.0%</u>	<u>174.5%</u>

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

February 20, 1942.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - February 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
February 1942									
2	\$ 8,435	\$ 34,150	\$ 6,191	\$ 19,795	\$ 60,136	\$ 42,585	\$ 6,191	\$ 19,795	\$ 68,571
3	3,572	7,887	2,793	19,518	30,199	11,459	2,793	19,518	33,770
4	4,893	16,537	3,937	18,515	38,989	21,430	3,937	18,515	43,882
5	4,257	16,149	2,367	14,640	33,156	20,406	2,367	14,640	37,413
6	4,310	23,510	3,829	18,620	45,958	27,820	3,829	18,620	50,269
7	3,023	10,039	2,019	6,174	18,233	13,062	2,019	6,174	21,256
9	5,486	25,354	3,071	16,265	44,690	30,839	3,071	16,265	50,176
10	3,902	11,794	1,109	12,679	25,581	15,695	1,109	12,679	29,483
11	3,279	9,782	1,487	7,637	18,906	13,061	1,487	7,637	22,185
12	3,293	14,670	1,584	7,781	24,035	17,963	1,584	7,781	27,328
13	2,710	9,026	1,047	4,385	14,458	11,736	1,047	4,385	17,168
14	1,714	5,740	113	1,152	7,005	7,454	113	1,152	8,719
16	5,741	22,405	3,212	13,748	39,365	28,147	3,212	13,748	45,107
17	2,639	4,285	690	3,211	8,187	6,924	690	3,211	10,826
18	2,992	13,911	1,715	14,118	29,745	16,903	1,715	14,118	32,737
19	3,147	9,167	1,401	9,401	19,969	12,313	1,401	9,401	23,115
Total	\$ 63,391	\$234,408	\$ 36,565	\$187,638	\$458,611	\$297,799	\$ 36,565	\$187,638	\$522,003

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

February 20, 1942.

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

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

Regraded Unclassified

February 20, 1942

Mr. Swepe

Secretary Morgenthau

I would appreciate receiving a memorandum from you before one o'clock today on just what you have done or propose to do about seeing Donald Nelson in regard to shipments from this country of goods to Russia. I would like to know, if possible, how many ships we are providing the Russians. Somebody told me - I can't remember who - that they are loading a ship every six hours for Russia now. I wonder if it is true. From your figures, there seems to be more goods awaiting shipment to Russia now than there was several weeks ago.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 20, 1942

TO Secretary Morgenthau
FROM Gerard Swope

Answering your memorandum of this morning, yesterday, you will recall, you wrote a letter to Mr. Nelson in regard to shipments from this country of goods to Russia for which the Procurement Division of the Treasury Department is responsible. Accompanying this letter was a detailed list of the materials that we would be able to complete by April 1, and those on which there were deficiencies, and asking Mr. Nelson for his assistance in procuring these.

In answer to your second question regarding the number of ships that are being provided for Russian shipments, information we have secured this morning is as follows:

The schedule of vessels for Russian Lend-Lease cargo for February, 2 have already sailed from Philadelphia, 7 from Boston, total of 9. There are now 9 ships loading--3 in Philadelphia, 1 in Boston, 3 in New York and 2 at the Gulf ports. The ships that are expected to be ready for loading between today, February 20, and March 7, are a total of 36--27 from Philadelphia, 6 from Boston and 3 from New York. This makes a grand total of 54 loaded and sailed in February and expected to be loaded by March 7. We are also informed by the Lend-Lease Administration that sufficient ships will be available to make up the backlog and be substantially current by April 1.

In answer to your last question, it is true that both for the total Lend-Lease program and the Procurement Division of the Treasury Department there were on February 14 more (approximately 20% more) supplies at ports awaiting shipment than there had been at the first of the month.

ES.

February 20, 1942
4:53 p.m.

HMJr: I can't tell from a note I got from Mr. Swope whether we are on the way on this Russian stuff or not, and I wanted to ask you myself.

Clifton Mack: The status is this, that the purchases, of course, have been made. There are certain items on which - certain items that the delinquencies will not be made up by April the first unless we get reallocations from the War Production Board.

HMJr: Yeah.

M: And.....

HMJr: Well, I - the point is this, I signed the letter. Now what the hell are we going to do. Are we just going to sit and wait on Nelson? I thought you and Swope were going to go over to see him.

M: Well, now, this morning Mr. Swope called me up and the thought was that as soon as Nelson gets this letter and has a chance to get some information about it, that Mr. Swope would then get in touch with him or I'd go over with him if he'd like.

HMJr: Well, but that's too far off, because Swope won't be back until Tuesday.

M: Oh, I see. Well, all right, I'd be glad to.....

HMJr: That letter went out yesterday.

M: Yes. Well, I'd be glad to get in touch with Nelson myself.

HMJr: I don't want you to wait. I wish that you'd see him. If Nelson's in tomorrow, I wish you'd please see him.

M: Yes.

HMJr: And find out what he's going to do.

- 2 -

M: Yes. All right. Fine. I'll do that.

HMJr: I'd like you to go to town on it, and you can let me know, because Swope won't be back until Tuesday and that's too long to wait.

M: Well, very good, I'll be glad to do it.

HMJr: Because Stettinius has put it up to us now, and by God, we've just got to go to town on it; and if Nelson won't give you the assurances tomorrow, then I'll have to go after him myself.

M: Well, very good.

HMJr: But I just can't let it hang in the air this way.

M: Fine. All right, I'll get in touch with him myself.

HMJr: And you might - after you've seen him - you might phone me.

M: All right, I'll do that.

HMJr: And you tell him I'm personally very much interested because this is what the President wants and we've got to do it or else go to the President and tell him we can't do it.

M: Fine.

HMJr: And I'm not going to do that.

M: Fine, I'll do it. Perhaps I could get him right now.

HMJr: Okay.

M: Fine.

HMJr: Thank you.

IMPORTANT

February 20, 1942

To: The Administrative Assistant to the Secretary.
 From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1504-44 of the Congressional Record for February 19, 1942 is called to your attention for appropriate action.

Bureau or Division Affected: Office of the Secretary

Nature of Item:

The Senate resumed consideration of, and after an extended debate on proposed amendments, passed H.R. 6446, to provide for continuing payment of pay and allowances of personnel of the Army, Navy, Marine Corps, and Coast Guard, etc.

Senator Byrd offered (1506), and the Senate by a vote of 75 to 5 (1531), adopted an amendment to the bill which excludes from the retirement plan members of Congress, the President, Vice President, and Cabinet members.

An amendment offered by Senator Downey to provide pensions up to \$30 per month to persons over 60 years of age without matching such pensions by the state was rejected by a vote of 49 to 22 (1543).

During the debate on the above bill, Senator O'Mahoney had printed in the Record a table showing the interest-bearing debt, the annual interest charge, and the rate of interest on such debt for the period from 1916 to June 1941 (1525). He discussed the increase in our national debt, and during the course of his speech stated that "The Secretary of the Treasury has been unusually effective in reducing the interest rate upon the national debt." (1525).

Senator Downey, while speaking in support of his amendment, stated that the net cost of his proposal would be between 500 and 700 million dollars, and that a 1 percent tax upon the estimated payrolls for the

Lawrence J. Bernard
 Assistant General Counsel.

IMPORTANT

2

To: The Administrative Assistant to the Secretary.
 From: Legislative Section, Office of the General Counsel.

The following item appearing on page _____ of the
 Congressional Record for _____ is called to your attention
 for appropriate action.

Bureau or Division Affected:

Nature of Item:

_____ next fiscal year would be sufficient to pay the expenses^{es} of his proposal (1507). He also stated that the plan would increase the flow of consumptive taxes into the Treasury of the United States (1513).

Senator George asserted that it would be better to consider the proposal when the needs of raising the money to pay for it could also be considered (1522). Senator Barkley also asserted that the amendment had no provision for raising taxes which it would place upon the Treasury (1528). He cited the large defense appropriations, and stated in effect that these expenditures could not be paid with one more tax bill, and that there may be three or four more tax bills (1528).

Senator Bankhead stated in effect that there is an excess of 2 billion 400 million in the payroll compensation fund, and that there was no sound reason for fearing additional taxes under the amendment (1537).

Senator Connally (1539) called attention to the approval given his bill, (S. 1946) (which he had printed in the Record) by the Federal Security Agency, designed to modify social security payments and old-age pensions.

Senator Ellender (1540) put in the Record a letter from S. E. Rice, Assistant Counsel of the Senate Legislative Council, stating drafting a bill which will meet the Treasury objections is difficult because they object to any increase of the Federal share.

An amendment to the bill was adopted (1544) authorizing the construction of a new lock for the Great Lakes ~~and~~ Lawrence J. Bernard at St. Marie. The amendment is _____ Assistant General Counsel. the same as a bill passed by the Senate. Another amendment increase the pay of enlisted men and officers in certain services was adopted (1544).

HAR
 HMC

IMPORTANT

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page A 686-37 of the Congressional Record for February 19, 1942 is called to your attention for appropriate action.

Bureau or Division Affected: Office of the Secretary
Internal Revenue

Nature of Item:

Representative Gluett, in a speech appearing in the Appendix, called attention to the need for vigilance on pending legislation, saying "reports are rife that many citizens are refusing to make out their tax reports and are willing to risk the penalty of any punishment which may be imposed". He also expressed his opposition to taxation of State and municipal bonds outstanding or to be issued, asserting it to be indefensible to break faith with purchasers of such bonds.

Lawrence J. Bernard
Assistant General Counsel.

HMC

February 20, 1942

To: The Administrative Assistant to the Secretary.
 From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1501 of the
 Congressional Record for February 19, 1942 is called to your attention
 for appropriate action.

Bureau or Division Affected: Office of the Secretary
 Bureau of Internal Revenue
 Nature of Item:

The following petitions were laid before the Senate:

A Resolution adopted by the Mayor and Council of Cumberland, Md., protesting against the proposal to impose Federal taxes upon State and Municipal bonds. Referred to the Committee on Finance.

A Memorial of sundry citizens of Baltimore, Maryland, protesting against the proposal for mandatory joint income tax returns. Referred to the Committee on Finance.

Senator Davis had included in the Record a letter from Julian W. Bernard, Solicitor of the Borough of Norristown, Pa., expressing opposition to the taxation of income from State and Municipal bonds (1502-03). Senator Davis stated in effect that such bonds place their burden directly upon realty holdings and have a restrictive influence on individual building of homes, and that taxation which discourages home ownership should be used as infrequently as possible (1502).

Lawrence J. Bernard
 Assistant General Counsel.

HAR

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page A 702-705 of the Congressional Record for February 19, 1942 is called to your attention for appropriate action.

Bureau or Division Affected: Office of the Secretary

Nature of Item: Representative Jones included in the Appendix his address on February 12 at Lima, Ohio, in which, among other things, he calls attention to certain items of nondefense expenditure pointed out by the Republican Party members (A 704).

Lawrence J. Bernard
Assistant General Counsel.

HMC

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page A 696 of the Congressional Record for February 19, 1942 is called to your attention for appropriate action.

Bureau or Division Affected: Office of the Secretary

Nature of Item: Representative Ploesser inserted in the Appendix an editorial from the St. Louis Post Dispatch criticizing H.R. 5993, the Omnibus Rivers and Harbors Bill.

Lawrence J. Bernard
Assistant General Counsel.

HMC

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page A 694 of the Congressional Record for February 19, 1942 is called to your attention for appropriate action.

Bureau or Division Affected: Office of the Secretary

Nature of Item: Representative Grant included in the Appendix an article By Frank R. Kent, which appeared February 18 in the Washington Star, attacking the President's attitude toward nondefense economy, and calling attention to statements of Secretary Morgenthau of the need for such economy and certain recommendations relative thereto. Reference also is made to "the reluctance to buy defense bonds".

HMC

Lawrence J. Bernard
Assistant General Counsel.

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page A 693 of the
Congressional Record for February 19, 1942 is called to your attention
for appropriate action.

Bureau or Division Affected: Office of the Secretary
Bureau of Accounts

Nature of Item:
Representative Knutson included in the Appendix an editorial from the
Duluth News-Tribune stressing support for the Representative's national
monthly lottery bill, H.R. 6587.

Lawrence J. Bernard
Assistant General Counsel.

HMC

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1491 of the Congressional Record for February 19, 1942 is called to your attention for appropriate action.

Bureau or Division Affected: Office of the Secretary

Nature of Item: Representative Hinshaw announced his introduction of a measure to pay $\frac{2}{3}$ monthly salaries to dependents of civilians engaged by civilian contractors on Wake and Guam. The bill, H.R. 6638, was referred to the Committee on Naval Affairs (1499).

HMC

Lawrence J. Bernard
Assistant General Counsel.

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1483 of the
Congressional Record for February 19, 1942 is called to your attention
for appropriate action.

Bureau or Division Affected: Office of the Secretary

Nature of Item: It was announced in the House that the Senate had agreed to
the Conference Report on H.R. 6548, the First Deficiency Appropriation Bill
of 1942. The Speaker was given authority to sign the bill notwithstanding
adjournment of the House (1492).

Lawrence J. Bernard
Assistant General Counsel.

HMC

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1482-90 of the Congressional Record for February 19, 1942 is called to your attention for appropriate action.

Bureau or Division Affected: Office of the Secretary
Bureau of Accounts

Nature of Item:

The House had under consideration H.R. 5638, to amend the Unemployment Stabilization Act of 1931 by authorizing planning for the post-war period. Representative Beiter in explaining the bill stated the President had recommended such action (1483). Representatives Dirksen and Whittington (1485-88) were principal spokesmen in opposition to the measure. The latter pointed out that he did not recall any recommendation of planning boards to provide funds or revenues for planning (1487), and Representative Dirksen pointed out the measure contained no limitation (1485). The bill was rejected on roll call 252 to 104 (1489).

Lawrence J. Bernard
Assistant General Counsel.

HMC

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1480 of the Congressional Record for February 19, 1942 is called to your attention for appropriate action.

Bureau or Division Affected: Office of the Secretary

Nature of Item: Representative Bradley advised the House that he will seek a discharge petition to force S. 2132, for the construction of a new lock at Sault Ste. Marie for action.

Representative Rankin called attention to the fact that the item is included in the omnibus Rivers and Harbors Bill and said that Representative Bradley should support that bill when it is considered.

Representative Wolcott expressed his disapproval of Representative Rankin's assertion and urged separate consideration of the new locks (1481).

Lawrence J. Bernard
Assistant General Counsel.

HMC

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1499 of the Congressional Record for February 29, 1942 is called to your attention for appropriate action.

Bureau or Division Affected: Office of the Secretary

Nature of Item: Representative Rabaut introduced H.R. 6639 and H.R. 6640 with identical titles, providing temporary relief to labor displaced by the war emergency. The first was referred to the Committee on Ways and Means and the Second to the Committee on Appropriations.

Lawrence J. Bernard
Assistant General Counsel.

HMC

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1499 of the Congressional Record for February 19, 1942 is called to your attention for appropriate action.

Bureau or Division Affected: Internal Revenue

Nature of Item: Representative Gearhart for the Committee on Ways and Means submitted report No. 1805 on H.R. 6543, amending certain provisions of the Internal Revenue Code relating to the production of alcohol, with an amendment. Referred to the Committee of the Whole House on the State of the Union.

Lawrence J. Bernard
Assistant General Counsel.

HMC

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1498 of the
Congressional Record for February 19, 1942 is called to your attention
for appropriate action.

Bureau or Division Affected: Office of the Secretary

Nature of Item: The Speaker announced his signature to S.J.Res. 133,
amending section 7 of the Neutrality Act of 1939.

HMC

Lawrence J. Bernard
Assistant General Counsel.

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1501 of the
Congressional Record for February 19, 1942 is called to your attention
for appropriate action.

Bureau or Division Affected: Office of the Secretary
Nature of Item: Bureau of Accounts

There was laid before the Senate a letter from the Acting Secretary
of the Treasury, transmitting a draft of proposed legislation for the relief of
the First National Bank of Huntsville, Texas (with an accompanying paper).
Referred to the Committee on Claims.

Lawrence J. Bernard
Assistant General Counsel.

HAR

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1500 of the
Congressional Record for February 19, 1942 is called to your attention
for appropriate action.

Bureau or Division Affected: Office of the Secretary

Nature of Item:

A message in the Senate announced that the House had passed without
amendment S.J.Res. 133, to amend section 7 of the Neutrality Act of 1939.
A message in the Senate further announced that the Speaker had affixed his
signature to the foregoing resolution, and it was signed by the President
pro tempore.

Lawrence J. Bernard
Assistant General Counsel.

HAR

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1500 of the Congressional Record for February 19, 1942 is called to your attention for appropriate action.

Bureau or Division Affected: Office of the Secretary

Nature of Item:

A message in the Senate announced that the House had disagreed to the amendments of the Senate to H.R. 6548, making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1942, and for prior fiscal years, etc; agreed to the conference asked by the Senate and appointed conferees on the part of the House.

A message in the Senate further announced that the House had agreed to the conference report on the above bill. The Senate also agreed to the Conference Report (1501).

HAR

Lawrence J. Bernard
Assistant General Counsel.

February 20, 1942

To: The Administrative Assistant to the Secretary.
From: Legislative Section, Office of the General Counsel.

The following item appearing on page 1546 of the
Congressional Record for February 19, 1942 is called to your attention
for appropriate action.

Bureau or Division Affected: Office of the Secretary
Bureau of Accounts

Nature of Item:

The Senate considered and passed S. 2282, to provide for the planting
of Guyule and other rubber-bearing plants and to make available a source
of crude rubber for emergency and defense uses.

Lawrence J. Bernard
Assistant General Counsel.

Har

MEMORANDUM FOR THE SECRETARY.

February 20, 1942.

Mail Report

The early part of the week a number of letters in regard to the Secretary's Baltimore speech were received. Both favorable and unfavorable comments are abstracted, but there were about 50 letters which only mentioned the speech as a starting point, and went on from there. As these did not comment on the speech in itself, the letters may simply be regarded as comment mail. Most of them were concerned with the outburst of criticism of the Administration, and about 10 of them were extremely abusive. (Most of these were anonymous.) One young High School student wrote, "One of the greatest speeches I have ever heard -- possibly because my ideas are identical to yours".

The OCD incident continued to lead the critical comment, with Donald Duck second, and Congressional pensions third. Many letters grouped all three.

There were 3 letters which spoke of the article in Barron's on "How Canada Sells Her War Loans".

There were 5 letters from newspaper editors calling attention to the editor and publisher articles on Government payment for space -- these editors speaking of the quantities of free publicity material received, the cost in paper, salaries, etc.

There were 4 contributions to a fund for raising the Normandie, apparently suggested by a Rochester paper.

J. F. Forbush

- 1 -

Comments on Speeches

(Favorable)

Arthur G. Adams, Bloomington, Ill. If possible to obtain, I should like very much to have a copy of your speech given in Baltimore, Saturday, Feb. 14th. The force and facts of the talk you gave were very much to the point; we need more information such as you gave us.

F. F. von Windegger, President, The Plaza Bank of St. Louis. It was with a warm feeling of gratification that we heard your few words of appreciation of the President before the advertising men in Baltimore. Coming as they did from as conscientious and efficient a public servant as yourself, they made up for some of the small and mean back-biting of men of much lesser calibre. We can thank our God that He has given us this leader in these days of our travail.

Edward P. Molloy, Chicago, Ill. Your address of last Sat. evening before the advertising club of Baltimore greatly impressed me. The necessity of financing our war of defense and offense was brought home to me more forcibly than ever before. From your words I gathered that you are still disposed to have the nation finance our expenditures voluntarily. I think this plan is in consonance with our democratic form of Government. * * * My suggestion is that every Government employee from our President down to the rural mail carrier initiate the plan whereby each one sets aside a percentage of his salary for the purchase of Defense Bonds. Let this exemplary plan then be amply publicized and referred to, and I am sure that a precedent will be set that will achieve the desired effect.

John T. Slater, Boston, Mass. (Telegram) Just listened to your talk from Baltimore. Thank God for a Secretary of the Treasury like yourself in the times like these. If I can be of any use in promoting the sales of Defense Bonds, please let me know. You might remember me as the one who distributed the prizes at the Congressional Club on Treasury Field Day several years ago. Best wishes for continued success and helping make America the best place to live in.

George Cavanagh, Baltimore, Md. Certainly enjoyed your straight-forward and interesting speech of appeal this evening. It certainly made the trip over seem worth while.

Joseph W. Cochran, Nantucket, Mass. (Telegram). Excellent speech Saturday night, but not sufficiently urgent. Ten per cent of nation's income cannot be secured by present methods. Why draft human life and exempt wealth? Suggest law requiring purchase of stamps with every commercial sale. This avoids obnoxious sales tax. Compulsory savings is logical next step.

Carl B. Turpin, Richmond, Ind. I hope this gets by the clerks and stenographers, as I want to congratulate you upon your recommendation to tax "Slacker Money". I heartily favor taxing all Federal, State, Municipal, and other tax free bonds. We are asked to give up sugar, while bondholders who have always routed their money around the Government give up nothing, even in dire stresses, now or in the past. They were favored and safe during the depression, while everybody else lost. We are asked to save waste paper for defense, but bondholders give nothing from their bonds. You and others have cautioned, or requested, States and Municipalities to cut taxes and expenditures. This will accomplish that result. Bond houses continually are stirring up groups to ask for funds so that Governmental units will issue tax free bonds. These things will not be attractive to them then, and the councilmen and state legislators will have some peace.

Comments on Speeches

(Unfavorable)

Dr. Herbert F. Gillette, Port Washington, Long Island. Your talk before the Advertising Club last night was enjoyable. I am a Grover Cleveland Democrat, and feel that your remarks had a base of drifting sand, and that you did not give any reason why the public was slow in buying Defense Bonds. Please allow me to suggest a few reasons why some are on the sideline, and would buy Bonds if conditions were changed. The Administration has repudiated so many financial promises that faith has been lost in the financial actions of the New Deal; also, the President seems to spend more time than he has to spare in efforts to force the St. Lawrence project through Congress. * * * They remember how the Social Security money goes into the cash box, instead of being reserved for a fund inviolate as was first planned. * * * The antics of the "First Lady" should be controlled in some manner, as the public is more than tired of her "Jitter Bug" activities. "Familiarity breeds contempt". The President has so submitted to the demands of Labor, that he has practically abdicated his position of being President of all the people. * * *

Charles L. Berger, President, Naugatuck Savings Bank, Naugatuck, Conn. If press reports are correct -- that you advocate taxation of issues now outstanding of States and Municipalities which were sold with the assurance that they would not be subject to taxation -- the officials of this bank wish to express to you our earnest hope that you will not continue to take such a position; for it seems to us that, if this promise is now broken, it will seriously affect the integrity of our Nation, and will put us on a par with others who have and are treating their solemn promises merely as scraps of paper.

Bertram M. Goldsmith, Ira Haupt & Co., N.Y.C. Your proposal to tax outstanding issues of State and Municipal bonds would doubtlessly meet with more widespread approval were it not for the fact that such taxation is considered by so many as a breach of faith on the part of the Government. It is unfair to allow a person, all of whose income is dependent

upon investments, to have these funds placed in tax exempt securities, and thus be relieved of all obligations of contributing to the expenses of the country. * * * On the other hand, it is of utmost importance that in its efforts to tax such funds, the Government avoid as much as possible, any attacks as to its good faith. (Suggestions as to surtaxes, etc.)

Anonymous - N.Y.C. On Saturday when you spoke on the radio you mentioned the fact that our President foresaw what was going to happen. How could he have done otherwise - he had nothing else to expect, the way he was meddling into these foreign affairs. * * * The crumbling of the British Empire was no concern of ours, yet we assumed the responsibility. * * * If this country had stayed neutral and not showed partiality, the war would be over long ago, millions of lives saved and the people's money saved, instead of wasted by these war mongering brutes.

General Comments on ECONOMY

Mrs. W. A. Payne, Larchmont, N.Y. My family is, I believe, loyal and patriotic; we have bought some Bonds. But none of us, and I may add, many of our friends, intend to buy any more Stamps and Bonds as long as any of the Government's funds, under whatever name they are called, are voted by the Congress to be spent for any such schemes as Donald Duck, a woman to teach dancing to children, or a prominent movie actor to advance the sale of such Bonds and Stamps. The American people do not want their hard-earned money to be spent in any such frivolities, and I am extremely grateful to the Press for having aired the matter so thoroughly.

F. R. Grapperhaus, The Delmarva News, Selbyville, Delaware. I do not believe this letter will ever reach your personal attention, but I am obliged to make the effort as a result of the recent articles concerning your interview with reporters, wherein you stated that no publisher objected, other than Mr. McCormick of the Chicago Tribune, in regard to the proposed expenditure of \$80,000 for a Walt Disney cartoon when the newspapers were expected to print the reams of publicity coming from Washington without charge. * * * Most publishers do not object to the Government having Walt Disney make a cartoon. If it will make paying taxes any easier on the public, I daresay most of them would even be willing contributors. What we do object to is the Fed. Government supporting the thousands of publicity offices. Do you realize that I could print our 16 page newspaper alone on the reams of bilge sent out of these offices in a week's time? Do you realize that this reckless and oftentimes unwarranted use of paper is apt to bring about a paper shortage months earlier than it would otherwise come? And do you realize that half of the stuff sent out is so poorly prepared that no self-respecting editor would use it? Waste and more waste of paper, without which newspapers will close their shops and cease to exist. * * * The Canadian and British Governments have found that regular paid advertising in the newspapers of these countries has proven the cheapest and most successful way of issuing instructions to their people; of getting their people to subscribe to loans. The Federal Government of these United States could do so, and not be subsidizing the newspapers of the nation.

Well, I could go on for reams and reams of paper, but being alarmed at the forecasted shortage, I will close with the invitation that if you ever feel the urge for REAL broilers, just drop over on the Del-Mar-Va Peninsula and we'll fix you up, along with a darn good sales talkie on why the Government should use paid advertising in the newspapers of the nation.

Telegram signed "Aunt Frances", sent to the President, (Collect) and forwarded to us by the White House. I don't get around much. I am just an old lady who lives at home with her cats, but I went to a picture the other night and saw the Donald Duck streamlined income tax short. It created a minor riot of enthusiasm. The very next day I read in the paper that there would be no more defense shorts as there was no Government appropriation for that. Of course, anyone living in a democracy expects a certain amount of imbecility, but this is really a little bit too much. The possibilities of these propaganda shorts, especially the type that will get the American laboring man up off of his back side and into the war are beyond the power of exaggeration, so how about spending just a little of our money where we might get a little fun out of it. I am sending this wire collect, hoping the resultant hull-a-baloo may bring it to your attention, but in case there is no Government appropriation for that either, I cheerfully guarantee the charges. What a chump you were to let Disney stick you \$80,000 for that Donald Duck short. Why don't you make all of them turn out defense shorts free and then write them off their income taxes as charity. Of course, it wouldn't be exactly honest, but neither is the income tax, and speaking of taxes, if you should happen to see Mr. Morgenthau, tell him I said easy with the whip, Elmer, it's a hired horse anyhow. I still thank God that you are running things. God bless and keep you.

Donald Duck Issue

Mrs. E. A. Mayer, Arlington, Va. Since Congress has assumed the righteousness of a reformed drunkard, it is up to the rest of us to pay Donald Duck's well-earned salary. Enclosed please find \$10 to that end.

Dr. Florence Ames, Monroe, Mich. I have seen Donald Duck in the movie, "Taxes to Beat the Axis". It is splendid. It makes me positively eager to pay my income tax, which will be at least trebled this year. More films of this sort showing graphically what is being done with our taxes would, I think, do much to build up the morale of the public and make them more enthusiastic about co-operating in all sorts of defense efforts.

Joseph Sudbeck, St. Louis, Mo. I will pay to Walt Disney the \$80,000 you contracted for if you, Mr. Morgenthau, will instruct the Judge in the United States Court of Claims, Washington, D. C., to pay me the \$967,000 that our Government owes me for Bonds stolen from me in a holdup at my home on October 11, 1937. This claim has been pending in the U. S. Court of Claims for several years.

Mrs. C. C. Capps, R.N., South Akron, Ohio. If you go before the Senate Appropriations Sub-Committee and succeed in getting the \$80,000 for a Donald Duck cartoon getting joy out of paying his income tax, I hereby give notice that not another penny of our money will go into buying Defense Bonds and Stamps. I wonder if you think the average American needs such a thing to make him willing to pay income tax. If you do, you are much more childish than your brain has pictured Mr. and Mrs. Average American. We are not children, neither do we need nursery rhymes to make us patriotic, or cartoons to make us willing to give. We have to pay the money, willing or not, without \$80,000 being spent on an effort - where there is no effort involved.

L. D. Mayhall, Cleveland, Ohio. Am sending you a clipping which represents my convictions. I will also add that I think you have a lot of nerve, and little respect for the will of the people and taxpayers of our country, to pay \$80,000 for a Donald Duck picture. You and Mrs. Roosevelt both have very poor judgment. * * * This Administration will certainly go down in history as a spendthrift, silly regime.

Karl L. Young, North Manchester, Ind. * * * You'd throw away \$80,000 of our taxpayers' hard-earned money. If your salary compared to anything like mine, perhaps you could understand the value of it. My God, man, \$80,000 is lots of money to throw away, but you rich parasites who know nothing of frugal living, but who are used to champagne banquets and luxurious vacations, and the spending and wasting of public money, haven't the brains of Donald Duck.

Anonymous - Albany, N. Y. So the Last of the Mohicans has joined the boondogglers! The Secretary of the U. S. Treas. "approves" Donald Duck in his role of income tax collector. Just where this dopey Administration gets the authority to do all the silly things it does, is beyond comprehension. Even the calamity of war, brought to us by an Administration that consistently ignored the demands of its citizens to mind our own business and put American interest first, does not deter our "Representatives" in Washington from making further unnecessary raids on the Treasury. * * * Mr. Morgenthau heretofore has been looked upon as about the last remaining outpost of sanity in the Government, and his approval of the asinine propaganda effort in the Donald Duck affair must be taken as notice that there is no more common sense left in the capital. * * *

May A. Doherty, N.Y.C. You seem to be very much concerned about "Civilian Morale" and well you should be, but you seem to have a decidedly wrong slant on it. The large number of Defense Bonds sold recently was not due to Donald Duck, as you seem to think, but to pure American patriotism and nothing else. And this, in spite of the stupid blunders of the Govt., which has become so monstrous that even the highest officials can't fathom its workings. * * *

G. Allen Raymond, Rochester, N. Y. (Sends clipping re Secretary's defense of film.) Among decent people, when a man makes a mistake with other people's money, he pays for it himself - or he goes to prison. You pay up for what you wilfully promised some dealer of a side-show to offer us - in place of defense for our brave army. * * *

A Nebraska born Citizen, Taxpayer & Voter. Since you are anxious to squander \$80,000 for a totally unnecessary "reminder" of income taxes, it would seem inconsistent to

wish to rob the poor still further by taking from those whose income is now below a decent existence level. * * *

Mrs. F. C. White, Houston, Texas. Has official Washington gone mad? With a multitude of others, I have begun to wonder! The reports coming from that frenzied place are too consistent to be far from accurate, and they add up to one appalling impression -- as macabre a picture of looting as ghouls in the wake of a hurricane! * * * The stimulus to save comes from within - not from Hollywood. Somehow, it is doubtful if a picture of Donald Duck going gleefully to war would have lightened the seige of Wake Island. I think it is a national insult to imply that a country of adult taxpayers can be cajoled by a childish amusement. If it were true, I should question whether we had anything left for which to fight! * * *

Lena B. Quigley, Westfield, N.Y. When I read about your arrangement at a cost of \$80,000 for a Walt Disney film, it seemed I might have this privilege to protest even such a waste of public money. Now, no one on earth enjoys a Walt Disney film any better than the writer, but in these days a dollar is a dollar. I am a business woman and know "it pays to advertise", but it also pays in times like these to get something for nothing if one can. Certainly there are individuals in all of our communities who would speak a few minutes in the motion picture theatres, regular theatres, pulpits, and all places of public gatherings, urging people to send in their income tax payments early, to avoid congestion at the last minute. * * * Somehow the officials in Washington are so used to shouting "billions, billions" that a mere matter of \$80,000 is little enough. But if the people in Washington would get down to brass tacks and save the \$80,000, the \$4,600, and the \$8,000 that are being thrown away, no doubt several billions could be saved.

A. McHoney, Mt. Vernon, N.Y. We red-blooded, thoroughbred Americans can stand just so much and keep quiet, then we boil over. And many of us are seething since the story of your Donald Duck picture came out. EIGHTY THOUSAND DOLLARS - \$80,000, OUR money, used to "demonstrate income tax". Ye Gods, why all this demonstration - the rank and file of us have

to pay or go to jail. Do Government officials lie awake nights thinking of ways to spend our money? But I dare say you will give all income taxpayers a free ticket to the Duck picture. And then every radio address ends with - "Your Government needs your money". What for? More ducks? Every man, plane, and supplies of every nature that we can spare from our own immediate home defense should be sent to help General MacArthur and his gallant men. * * * Indications are that the British are having entirely too much to say about the distribution of our men and equipment. * * * It does look to me as though this Administration has every intention of doing away with our American form of Government, and easing into Communism, Nazism, or Fascism - no great difference in principle between them for all mean dictatorship. * * * Win the war, yes - we all want to do that. But it is not going to be done by Donald Duck expenditures.

Mrs. G. R. Krans, Oakland, Calif. We out here cannot see why you or any one else should think our Govt. should spend \$80,000 for a movie to get our own people to pay their income tax. * * * Why that would go a long way toward paying for a bomber or guns that we need so badly. * * *

Mrs. O. W. Craig, Tampa, Fla. In yesterday's paper I read an item about the House having refused to appropriate \$80,000 for the Donald Duck cartoon on income taxes. Also yesterday, we attended a movie and this same cartoon, along with the scenes of the horror at Oahu were shown. I wish to state that this combination sent my husband and I home to work on our income tax report, and to get busy about paying it. I think this, the cartoon and the scenes of the havoc at Oahu, should be shown in every theatre throughout the country, and wherever possible, be given a free, special showing for all adults. If it doesn't wake up every taxpaying adult throughout the states, then they cannot be 100% Americans. I sincerely hope that this letter may be of aid to you in helping get money for such a cause.

Comments on Economy (Congressional Pensions)

Frederick W. Young, Bigfork, Mont. The average citizen is becoming more confused every day, and if you will take the time to read the attached clippings, you may understand why. * * * Since the bills for extra clerk hire and pensions for Congressmen were passed, many people are talking about stopping the purchase of Bonds and Stamps until Congress repeals the measures.

Edward L. Turkington, San Francisco, Calif. * * * Why should Mr. American Citizen be asked to save his old razor blades, lead tubes, waste paper, etc., in order to build up a favorable monetary balance so Mr. John Doe Congressman can have a pension. On my small acquaintanceship, the feeling is high against the purchase of additional, or any, Defense Bonds so long as such a condition referred to continues to exist.

Comments on Present Emergency

Letter signed by 12 school children, and enclosing a Money Order for \$2.53, reads as follows: The Sixth Grade of La Fayette Elementary School (La Fayette, Alabama) in sending their valentines to those they loved, wished to help Uncle Sam in his defense program. Therefore, we are making this contribution to one whom we really love, respect, honor, and support.

Arthur Tingle, Wyandotte, Mich. Enclosed is your picture and Mr. Hearst's. * * * Unity is the thing last in Mr. Hearst's method or mind for I have read his papers since the last war, and I know -- am not a Communist either -- only an American. We got Mr. Roosevelt in spite of Hearst and his papers. We got a New Deal in spite of Mr. Hearst; the Lend-Lease, and the British Allies; the Russian help - which is a God-send to us. * * * Buy a Bomber on the charity method is just a lot of poppycock, and is out of date. We will need better than that. I have bought U. S. Defense Bonds before and since Pearl Harbor. Let's have guts - we will need them, and common horse-sense. Surely we want Unity in the United Nations, but it won't come the Hearst way.

E. R. Price, General Superintendent, Inland Steel Company, Wheelwright, Ky. In October, 1941, through a misunderstanding of some of the men, there was a small strike at our Wheelwright Mine. Under the terms of our agreement with the United Mine Workers of America, we were obliged to collect a fine because of this illegal strike, which amounted to \$1,864. * * * At a meeting held recently by the Wheelwright Local, the Mine Workers by a majority vote passed a motion to request the company to forward the money collected because of the illegal strike in October, 1941, to you for the use of the Government in the war with the Axis powers. I am attaching hereto a check in the amount of \$1,864.00.

Mrs. I. Arthur Sanborn, Brockton, Mass. This old bill was the first money to pass over the counter when my husband went into business, over thirty years ago. I found it in his billfold where he kept it in memory of that occasion. Now I am sending it to you in exchange for four 25¢ Defense Stamps, as he passed away fourteen years ago, and I can use them for the same purpose - a memory, and at the same time help my Government. I thank you.

Harry R. Humphrey, Bay Head, N.J. Let's have more radio programs like W.E.A.F., February 12th, 7:45 - 8:00. Just like it - I know it's what my friends, lots of them, need.

J. E. Carnahan, Clay Center, Kans. I have long watched your record as Secretary of the Treasury, and feel that a high compliment is past due for your sane, sound, financial advice and unselfish ways. Your advice is all too often unheeded, but you are doing your part and I congratulate you upon your record. I agree with you that the farm payments should be limited or stopped. If payments were limited to not to exceed \$500 per family or individual operating the farm, it would cut the cost greatly and injure no one.

G. H. Wheeler, Secretary, Young Men's Christian Association, Dallas, Texas. - Dear Uncle Sam: Well, here we are just as mad as we can be, ever since we heard about Pearl Harbor - the YMCA Newsboys Club of Dallas, Texas, ranging in age 9 to 17 - 600 strong. We want to nourish our souls by keeping the torch in the hand of Liberty throwing its light down the pathway of freedom to all humanity, putting a stop forever to Hitler brutality. Do not think for one minute because we are poor, it does not hurt us as bad as all other boys to have to give our brothers and dads to fight, realizing that we must all do our bit. Last year our sponsor had us vote to sacrifice refreshments for our parties and bought \$200 worth of Defense Stamps. Now, Uncle Sam, our sponsor has provided us with a check for \$250 which we want you to accept and put our names on as many shells as it will buy for our brothers and dads and pay back the Japs with compound interest.

James T. Mangan, Member Special Events Committee, Chicago Defense Savings Staff. The stirring wire you dispatched to the Treasury Lincoln Day Rally in Chicago was a grand and inspired piece of writing, and when read, was greeted with prolonged cheers by an overflow audience of six thousand. It afforded just the right accent to a program that was magnificent and thrilling.

Melchor Leon, Mexico, D. F., (Objeto De Arte Chino Para Regalo) I am a Mexican citizen of Chinese father and Mexican mother. I went to school in Chicago in the years of 1916 and 1917. Being deeply grateful to the people of the United States for the nice treatment I received during the time I attended school there, I would appreciate very much the privilege of making a monthly donation of U. S. \$200 as my humble cooperation towards victory of the people of the United States of America. I shall highly appreciate your kindly informing me by return mail to whom shall I make my drafts payable.

Favorable Comments on Bonds

Peter Kronegger, N.Y.C. My name is Peter Kronegger and I'm 12 years of age. I came to this country three years ago from Austria. I am sending you my saved money to buy a Defense Bond. I hope other children are doing the same to secure victory for America.

Mr. and Mrs. Lambert Mauders, Klamath Falls, Oregon. I received your letter in regards to the Defense Bonds, and we felt honored to receive a few lines from your Gentlemen. My wife and I came to this country to make this our home and we never regretted same a minute, and thank God we landed in this wonderful country, and to show our appreciation to the government, we pledge sincerely that we will buy Bonds whenever we can, and we will not quit before the Hitler family is down and out. * * * My wife, Mrs. Mauders, was born in Germany and I am from the Netherlands. We have our first papers out, and in a few days we are going to apply for our citizen papers, and we can't wait till we get our second papers. * * *

Martin M. Bernstein, Greensboro, N.C. The phenomenal success of the Treasury Dept. in its vast effort to promote the sale of Defense Bonds and Stamps, under your direction, is remarkable. You are to be congratulated! It is no doubt the finest piece of investment sales promotion the world has ever witnessed.

J. H. Phipps, Carpenter & Builder, Chester, Pa. On Dec., 1941, the Friends Meeting of Chester, Pa., bought \$50,000 worth of Series G Bonds. Some of the members, at least a majority, at that time were perfectly willing to purchase same. Now some of the other members are against these Bonds and say we must get rid of them because they are War Bonds. Are the Series G Bonds considered War Bonds? I do not care what they are considered, as I own some and expect to buy more. Thanking you - J. H. Phipps.

Astrid Anderson, N.Y.C. In the interest of our precious "life, liberty and the pursuit of happiness" can we not buy "pursuit" Bonds to pay for pursuit planes, so that we can feel a sense of reaching out to pursue the enemy and strike him wherever he may be?

Mubarek Ali Khan, President, India Welfare League, Inc., N.Y.C. Ever since the beginning of the present national emergency, this organization and its members have done everything in their power in support of the United States of America. We have sought to enlist in the armed forces of the U. S., but because we are aliens and not permitted to become citizens, we have not been permitted this privilege. However, although we cannot participate in the actual conflict, we have requested every member to participate in the war effort, at least by the purchase of Defense Bonds. * * * I enclose herewith three Express Money Orders payable to you, each in the sum of \$18.75, each for one Defense Bond in the name of the following persons: Abdul Tahid and Asad Ali, 254 Broome Street; and Mahammad Ali, 113 Norfolk Street, N.Y.C.

John G. Sommer, Twin Falls, Idaho. There isn't anything that would make me happier than to be able to purchase Stamps and Bonds for the cause that we are all working for. My occupation is farming. I have an 80 acre farm and it is mortgaged for about half its value. It seems like every year on the wind-up I only have a living left after paying taxes, water maintenance and for operation expenses, etc. I'm always forced to borrow money at the bank at 8% interest to operate during the summer, and if I have a good crop and am lucky, I just about break even. * * * The labor situation here is very critical. With such conditions, you have to put up with unskilled labor, and very poor at that. Farming may look easy to a lot of people, and one might think any kind of labor will do, but it takes years of training to make a good farmer. I had a number of men working for me last summer that didn't even know how to harness a horse (much less how to drive them), and nothing at all about the mechanism of farming. Under these circumstances, we can only raise about 80% of a crop. I would appreciate your telling me how, under these conditions, I would be able to buy Stamps and Bonds. Wickard told the farmers last year we could raise only a limited acreage of beets; Henderson puts a shortage on sugar, and Roosevelt pulls the rabbit out of the hat any time he wants to. I think I'm almost crazy enough so I can qualify for Washington any time now.

Unfavorable Comments on Bonds

Senator Kenneth McKellar, Washington, D. C., forwards a letter from a friend of long-standing - Daniel J. Kelly, Chairman, Knox County Defense Savings Staff, (Attorney and Solicitor), Knoxville, Tenn. * * * Frankly, it was difficult to create a great deal of interest in the purchase of government securities among Knox Countains prior to Pearl Harbor, but since that time this interest has improved greatly. Since we were attacked by the Japanese I have given considerably more than half of my time to the building of an organization in Knox County to promote the sale of Stamps and Bonds. This organization is now functioning and our plan of operation contemplates reaching everybody in this county who has an income. * * * Our local organization is composed of Knox County business and professional men who are of course working for their government without compensation. There are no millionaires among them and they must, of necessity, spend some time earning a living, so they do not have the time to devote to the keeping of the records which are so necessary. * * * The Treasury Dept. has put out, through the State Organization for Tennessee, a circular asking that these sales organizations for Defense Stamps and Bonds promote a campaign for the collection and sale of waste paper in order to defray promotional expenses. To make such a waste paper campaign successful, it would require an organization and an effort quite as great as the one we have built for the sale of Bonds and Stamps. It seems to me that it is disgustingly niggardly on the part of the Treasury Dept. to call upon uncompensated organizations for the sale of Stamps and Bonds to resort to a waste paper campaign or any other type of campaign to raise funds for the promotional expenses of such organizations. You well know that I have been an ardent supporter of the President and of the New Deal, and you likewise well know that I shall continue to be such. Nevertheless, I find myself and the public generally, in this county, in utter opposition to certain expenditures now being made by our Government, which have recently had considerable advertisement. Such news does much to destroy the morale even of those who are profoundly patriotic and who are willing to make any sacrifice for their country in

this crisis. In the face of many expenditures by our Government about which I have read recently, which contribute absolutely nothing toward the defeat of our enemies, I believe that no one would question the justification of my request that the Treasury Dept. furnish some paid clerical assistance to Defense Savings Organizations in communities as thickly populated as Knox County.

Martin Foy, N.Y.C. I have been purchasing Defense Bonds to the best of my ability from my meagre salary since 1941. Previously Defense Bonds were delivered to purchaser at time of payment; on other occasions, Defense Bonds were delivered by mail. Now the procedure at Station C, Post Office, Brooklyn, N.Y., is to apply for a Bond, pay for same, get a receipt for the money you deposit for the Defense Bond, and again call at the Post Office at the expiration of four or five days to receive said Defense Bond. Explanation given at the P. O. is that they are too busy to issue Defense Bonds on demand, and also too busy to have Bonds delivered through the mail. I am full willing to pay for postage, rather than having to walk to the P.O. after completing a day's work, and get there when the P.O. is closed for business.

Vincent P. Montalbino, Brooklyn, N.Y. I protest against the needless waste of paper and money as represented by the literature sent to taxpayers soliciting Defense Bond purchases. The newspapers, radio, banks and private advertisers are doing a splendid job of making the public Defense Bond conscious, making your method of mail solicitation futile and unnecessary. I demand you desist from all unnecessary non-defense expenditures, and urge that you too save paper.

D. Albert Kreider, Daytona Beach, Florida. I have bought over \$10,000 worth of Defense Bonds, and was planning to buy more. But before doing so would appreciate information on the following: How much of this money is going into the continued purchase of newly mined silver? How much of this money goes to paying every Congressman \$4,000 per year for life, in addition to his present liberal compensation?

Miss Carrie E. Kim, Pittsburgh, Pa. From time to time I receive letters from the U. S. Treasury Dept. urging me to buy more Bonds. I was ready to buy another this month, but will not do so. In December my sister applied for a Defense Bond, sending you a check for \$500. The cancelled check has come back but no Bond. A little time ago she wrote to Mr. Sloan, but has not received a reply. Before I buy another Bond, I want to know where the money goes. When the confusion in Washington settles down, and the grabbing stops; when I see any attempt to decrease non-war expenditures, then I may consider buying another Bond.

Ben Kostem, Cashier, The National Bank of Waupun, Waupun, Wisconsin. In the same mail this morning which brought the subscription blanks for the 2½% Treasury Bonds of 52-56, we received a second letter advising that the subscription books had been closed last night. Both letters came from the Federal Reserve Bank of Chicago, as did an earlier letter advising that we would receive the blanks. It is not material, as our subscription could not have been large in any event, but there undoubtedly were many banks similarly affected, and it is a shame to discourage their full participation in the war effort of our country.

Comments on Taxation

Robert J. Alexander, N.Y.C. * * * A citizen owning U. S. Treasury Tax Notes is penalized by paying his tax before due. I attempted to pay my entire tax today with my Treasury Notes, plus necessary cash, but found that if I wait a month and then pay quarterly, I will pay less cash than if I pay all today. Can or should this be corrected?

George E. Kline, Glenbrook, Conn. I went to the Post Office in Stamford, Conn., to pay my income tax at 2:30 on Feb. 10th. There were only two men to wait on the people that were there. There were twelve or fifteen people there, and it took about thirty minutes for each one. There were no chairs for the people to sit on while waiting. I work at night and could not wait, as my turn would not come before time for the Post Office to close. If I send the amount of my expenses for deduction directly to you, will you send me what I must pay? I have one \$50 Tax Note I bought last year for this year's payment.

Marie Lohse, President, Stohn Textiles, Inc., West New York, N. Y. In hearing the announcement that our Government is refunding to many concerns their over-paid taxes, this opened a long desire on our part that we too can expect the return of taxes our concern paid under the AAA, attached to cotton yarn we had on hand at that time. (This later declared unconstitutional). Having real faith and trust in our Government that they would not keep any funds that were unlawful and in due time would return the money to us, we now take this opportunity to make an earnest and sincere appeal. In filling out the report, we declared 100% honest statement of the amount of yarn we had at that time. There were no inspectors to stand over us in making this statement. * * * We are laboring to continue our business and are subject to present and future taxes, and this amount refunded to us will enable us to meet the necessary obligation for this purpose.

C. B. Anderson, The Rocky Mountain Elevator Co., Great Falls, Mont. * * * We are located in a farm community and we believe that there is one loophole in the present tax system which should be closed, namely, the exemption of the profits of cooperative organizations and societies. * * * Of course, if the cooperative makes no profit, there would be no need for taxation, but an examination of their profit and loss account at the end of the year would easily indicate whether or not a profit did exist. And there is no reason why the profits of a cooperative should not be taxed just as much as the profits of a corporation in private industry engaged in the same type of activity.

W. S. Burnett, San Francisco, Calif. I am addressing you personally, as what follows is something which I feel involves your personal honor and the honor of the Treasury Department, even though specifically the affair is one which comes within the activities of the Bureau of Internal Revenue. * * * Constantly we hear over the radio the urgings on behalf of the Treasury Department that income taxpayers make their returns as early as possible before March 15, thereby avoiding last-day rushes for the over-worked employees of the Bureau, and at that time pay the full amount of the tax imposed rather than in quarterly installments throughout the year as permitted by the law. The appeal is addressed to the patriotism of the taxpayer; the announcer, however, does not inform the taxpayer that if he do so under its rulings, or those of the Commissioner, the taxpayer will be seriously abridging his remedial rights in the event he should desire to file a claim for refund. * * * If you think it is honorable for the Treasury Department to act as it is doing, without at the same time calling the attention of the taxpayer to the disabilities he thereby incurs, there is no more to be said on that branch of the subject. (Analyzes Commissioner's rulings, etc.)

For your information.

February 20, 1942.

To: Archibald MacLeish

From: Alan Barth

EDITORIAL OPINION
ON THE WAR:
THE BASIC CLEAVAGE

Singapore has left an inheritance of bewilderment, anguish and desperate soul-searching. The press is engaged now, confusedly and angrily, in assessing causes and readjusting its own basic values. It recognizes that a drastic revision of America's approach to the war is imperatively demanded.

Strategy

Having indulged in a wave of comment to prove that "We Can Lose," newspapers now reassure themselves with editorials asserting "We Can Win." But the prescriptions for winning vary. In the main, they can be assorted into two contrasting categories, representing the conflicting positions in which former interventionists and former isolationists are now entrenched.

The dominant editorial theme during the past week has been that only offensive action can win the war. The development of modern air power, it is commonly reasoned, has given offense an immense superiority over defense.

"There are no impregnable fortresses," says The New York Post, reflecting on the lesson of Singapore. "No place in the world is 'safe.' The recipe for disaster can be written in two words, 'sit tight.'" A host of commentators inveighs against the "Maginot mentality" and insists that the United Nations must mass their strength to strike directly at the strongholds of the enemy.

This reasoning is now frequently accompanied by criticism of allied military and naval leadership. There is a widespread feeling that the generals and admirals, particularly in the British and American armed services, are inhibited by outmoded doctrines of warfare. Walter Lippman, for example, observes that "it can do no harm and may do some good for laymen to insist on some of the profound differences between the war as it actually is and the war as almost all Americans, including our naval and military commanders, have hitherto conceived it."

But this is criticism of a wholly different order from that advanced by our latter-day isolationists. This minority continues to be imbued with a "fortress" psychology. Thus The New York Daily News Syndicate declares: "We owe it to

our Allies as well as to ourselves to stuff Hawaii with soldiers, planes and antiaircraft, and to screen it with fighting ships, so that it will be as strong as Singapore was thought to be -- plus." Now, as before, the minority seeks to defend, to fortify, to retire behind impenetrable barriers, as though isolation, or insulation, afforded a real means of escape from the war.

Churchill

The conflict of thinking between the majority and the minority is given further illustration in their respective reactions to the fall of Singapore and to Winston Churchill's defense of his leadership.

On both sides there has been criticism of the British -- criticism of their failure to foresee and to prepare. But most American commentators have sought to avoid recriminations, have laid the blame upon failings of which Americans are acknowledged to be as guilty as their allies; they recognize that dissension between Britain and the United States would be the most unfortunate of all consequences which could flow from the Singapore disaster.

Similarly, it is in a spirit which is essentially comradely and affectionate that the bulk of the press

expresses its mild dissatisfaction with the Prime Minister's world broadcast of Sunday afternoon and of his reply to critics in the House of Commons. Referring to the Sunday broadcast, The New York Herald-Tribune states: "At that moment it was not another exercise on the old theme which the United Nations wanted; it was an evidence that something is being or can be done to turn doggedly blundering resistance into competent and aggressive action." Most American commentators consider Churchill's continuance in office indispensable to the united war effort; but they are quite ready to see some of his Ministers and military counselors supplanted.

The neo-isolationists, on the other hand, have no hesitation in carrying their argument ad hominem. "It is unfortunate," says The Chicago Tribune, "that Mr. Roosevelt has had the example of Mr. Churchill constantly before him as a guide. Mr. Churchill is a man of very great capacity in many directions, but as a military strategist he has an almost unbroken record of disappointments and failures." The accusation of the minority is that Churchill (and Roosevelt, too) has subordinated the judgment of military experts. It is Churchill (and Roosevelt) at whom these gentry level their attack. They make what capital they

can of the British leader's expressed satisfaction over America's entry into the war.

Union

Finally, the cleavage between the majority and the minority elements in the American press manifests itself through their respective attitudes toward the United Nations concept.

The neo-isolationists are once more seeing the Nazi propaganda bugbear of the ultimate Bolshevization of Europe. The Chicago Tribune, to pick the most flagrant exponent of this tendency, displays a front page cartoon in color showing the Russian bear chasing Hitler to the English Channel. "Who will tell him to go back home and settle down?" the caption asks querulously.

In addition, this segment of the press does its utmost to inflame the anglophobia which has always been latent in the American public and to which, as a result of British reverses, there now appears to be a singular susceptibility. "America First" is still the appropriate rallying cry of the minority which continues to believe that the earth can be segmented.

A great and seemingly growing majority, however, sees that the earth is round and incorrigibly integrated. It

sees, too, that we are engaged, not in an international war, but in the defense of a way of life. And it sees that united action among the defenders is indispensable to their success. Mere collaboration with the British will not satisfy it. There is now nascent in America a sense of the essential brotherhood of free men.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 20, 1942

TO Ferdinand Kuhn, Jr.

FROM Joseph Melia

EDITORIAL COMMENT
ON THE HOME FRONT:
ECONOMIES AND TAXESEconomy

Depressed by the military outlook, frustrated because we are unable to come to decisive grips with the enemy, and angry at charges of public "complacency," editorial writers are giving vent to their feelings by lashing out furiously at "Government as usual." Some of their wrath falls on the head of Congress because of the pension bill and the persistent demands of the farm bloc. But the real target is the New Deal.

The press insists that the war effort is being seriously weakened because of the Administration's refusal to follow promptly Senator Byrd's economy suggestions. It charges that while business is stripping for action and the people are being asked to sacrifice, the Administration itself is continuing "social reforms, boondoggles and bureaucracy as usual."

"The people don't like the way things are going," the Detroit Free Press recently editorialized. "Each day's news brings fresh evidence of bungling. If it isn't the loss to the enemy of more men, ground, and materials on some war front, then it's some new and egregious boner from Washington. The people's patience draws from an enormous reserve, but it is not inexhaustible. Patience wore thin and snapped in respect of pensions and the OCD. Yet in contrast to some of the events that may be developing those are flyspecks on a cannon's barrel... Victory must begin, as Senator Byrd says, with winning 'the battle of Washington.' All else will follow therefrom..."

Although somewhat strong, this comment by the Free Press reflects the temper of newspapers throughout the country. "The most exasperating thing in national affairs today," the Dallas News bitterly complains, "is the refusal of the Administration to sacrifice one iota of political advantage regardless of how much might be contributed to the war effort by doing so. President Roosevelt's defense of continuing heavy non-defense expenditures will not diminish the exasperation." The Washington Post berates the Administration not only for failing to follow

Senator Byrd's economy suggestions, but also because "duplication, waste, irresponsibility and over-lapping of functions run through many agencies that are of greatest importance in mobilizing our strength for war."

Centering their attack particularly on the FSA, NYA, CCC, the number of government press agents, and the "pork-barrel" Rivers and Harbors Bill, editorial writers view the reorganization of OCD and the Senate's repeal of the pension bill as only the first blood in "the battle of Washington." "Another Chaney incident is needed," the Scripps-Howard chain believes, "to stir public sentiment about a thing the public could easily understand -- that you can't put out a fire bomb with a boondoggle."

Liberal publications like the New York Post, Marshall Field's Chicago Sun and PM, the New Republic and The Nation, are almost the only ones which have not joined in the chorus of criticism. They, along with the labor and Negro press, regard Senator Byrd's "battle of Washington" as an attempt to destroy the New Deal.

Taxes

Although editorial writers attack the Administration for "wastefulness," they are willing to accept the burden of nine billion dollars in additional taxes, provided that

a large part of it comes from a sales tax or a withholding tax. In current editorial discussion of taxes these trends stand out:

1. Placing the Load: The Atlanta Constitution reflected the opinion of a majority of the nation's newspapers in demanding that the burden of the new tax program be spread over as wide a base as possible, and in stating: "Nearly all the desired nine billion dollars will have to come from the small income group. The larger income earners are already taxed so heavily there is little more to be had from them." Arguing that the income of wage-earners has risen as a result of the war while that of the white-collar class has remained constant, these newspapers also maintain that heavy taxes directed at low income levels are necessary to check inflation. It is generally assumed that this will be accomplished either through a sales tax or withholding tax. No specific mention has been made of lowering exemptions.

2. No Sugar Coating: The press wants the new taxes to be out in the open. Recently there has been a flurry of editorials, mostly in smaller newspapers such as the Charlotte Observer and Savannah News, asking for "tax pills minus the sugar coating." They argue that if the proposed two billion

dollar increase in social security taxes is to be used for the war, it should be offered as a war tax, not "camouflaged" as social security.

3. War Profits: Before the Supreme Court decided against the government in its suit to recover the excessive shipbuilding profits made by Bethlehem Steel in the last war, editorial comment on war profits was confined chiefly to attacks upon contract brokers. But now even such conservative newspapers as the Boston Post, New Orleans Times-Picayune, and Washington Star say that Congress has a clear mandate to see that the "unconscionable" profits of World War I are not made in World War II. These newspapers and the Scripps-Howard chain were quick to point out, however, that the profit history of the last war is probably not being repeated in this.

4. Defense Bonds: Those newspapers which have so far commented on Secretary Morgenthau's Baltimore speech add their voices to his in urging systematized savings in defense bonds. "Only by such a program can we make certain of winning the war and at the same time of preserving our country from the hardships of inflation," the New York Times points out; while the Kansas City Times warns: "A generous buying of

defense bonds and stamps will have its relation to the new taxes, especially to payroll taxes. In a sense, a failure to buy is an invitation to higher taxes, to compulsory savings or the two combined. Get the idea?"

The Washington Post believes the time has already arrived to start a program of enforced savings. Expressing doubt that the Secretary's goal for defense bond sales can be reached, the Post argued: "In principle, the voluntary program is unquestionably preferable. But it has had a fairly long trial and has been found inadequate. With still heavier tax burdens in prospect, the voluntary savings system is likely to yield less rather than more in the months ahead. So why not begin now to recapture the excess income by ordering the public to save before prices rise to a point at which savings will be eaten away by inflation?"

FEB 20 1942

My dear Mr. Secretary:

I am enclosing copy of report on our exports to some selected countries during the week ending February 7, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

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

Enclosure

*n.m.c.
By Messenger V each 10:40
Copies to Dr. White*

**HDW:meh
2/11/42**

Ret. to Secy's Office

FEB 20 1942

My dear Colonel Donovan:

I am enclosing copy of report on our
experts to some selected countries during
the week ending February 7, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

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

Enclosure

H.M.C.

By Messenger *Veach 10:40*

Copies to Dr. White

HDW:meh
2/11/42

Ret. to Secy's office

FEB 20 1942

My dear Mr. Perkins:

I am enclosing five copies of the report on our exports to some selected countries during the week ending February 7, 1942.

Sincerely yours,

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

Mr. Milo Perkins,
Executive Director,
Board of Economic Warfare,
2344 Q Street, N. W.,
Washington, D. C.

Enclosure

By Messenger *Veach 10:40*

H. M. C.

Copies to Dr. W. White

2/11/42
2/11/42

FEB 20 1942

My dear Mr. President:

I am enclosing report on our exports to some selected countries during the week ending February 7, 1942.

Faithfully,

(Signed) H. Morgenthau, Sec

Secretary of the Treasury

The President,
The White House.

Enclosure

HDS:cmh
2/11/42

n.m.c.
By Secret Service 11:00
By Messenger
Copies to Dr. White

Ret. to Secy's office

February 15, 1942.

Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury Department during the 10-day period ending February 15, 1942.

1. Exports to Russia

Exports to Russia, as reported to the Treasury during the ten-day period ending February 15, 1942, amounted to more than \$13 million, of which the chief item was landplanes. (See Appendix C.)

2. Exports to Free China and Burma

Exports to Free China during the period under review amounted to approximately \$9,559,000. The principal items were machine and heavy ordnance guns and accessories, auto replacement parts, motor trucks and chassis, and gun parts and accessories. (See Appendix D.)

Exports to Burma amounted to about \$1 million. A large part of the exports to Burma are destined for Free China. (See Appendix E.)

3. Exports to France

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

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A.

STRICTLY CONFIDENTIAL
NOT FOR PUBLICATION

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

July 28, 1941 to February 10, 1942

(In thousands of dollars)

	July 28 to <u>Jan. 24</u>	Week ended <u>January 31</u>	Period ended <u>February 10</u>	Total <u>Domestic Exports</u>
U. S. S. R.	\$98,549	\$ 9,608	\$ 13,315	\$ 121,472
Free China	30,155	6,938	4,889	41,982
Burma 2/	8,522	923	1,054	10,499
France 3/	6	-	-	6
Occupied France	2	-	-	2
Unoccupied France	-4	-	-	-4
Spain	2,412	81	144	2,637
Switzerland	5,879	906	33	6,818
Sweden	12,082	75	1,123	13,280
Portugal	5,473	1	223	5,697
French North Africa 4/	1,731	16	4,536	6,283

Treasury Department, Division of Monetary Research

February 13, 1942.

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

NOTE: Starting with this report, these figures will be released on a ten day or tri-monthly basis in order to coincide with the time period of expected releases by the Department of Commerce.

JWW:mf 2/13/42

APPENDIX B

Exports from the U. S. to Free China, Burma and
U.S.S.R. as reported to the Treasury Department
July 26, 1941 - February 10, 1942
(Thousands of Dollars) 1/

	Exports to Free China	Exports to Burma 1/	Exports to U.S.S.R.
July 26 - Aug. 2	395		4,423
Aug. 3 - Aug. 9	-		523
Aug. 10 - Aug. 16	309		366
Aug. 17 - Aug. 23	2		2,735
Aug. 24 - Aug. 30	1		1,023
Sept. 1 - Sept. 6	204		4,260
Sept. 7 - Sept. 13	2,281		5,217
Sept. 14 - Sept. 20	3,822		752
Sept. 21 - Sept. 27	110		2,353
Sept. 28 - Oct. 4	1,225	449	423
Oct. 5 - Oct. 11	5,312	684	6,845
Oct. 12 - Oct. 18	5	2,157	1,224
Oct. 19 - Oct. 25	269	35	4,223
Oct. 26 - Nov. 1	4,772	463	4,464
Nov. 2 - Nov. 8	1,672	58	4,922
Nov. 9 - Nov. 15	2,851	342	2,877
Nov. 16 - Nov. 22	1,228	86	3,821
Nov. 23 - Nov. 29	3,239	1,081	2,536
Dec. 1 - Dec. 6	791	1,368	3,609
Dec. 7 - Dec. 13	2,377	64	12,040
Dec. 14 - Dec. 20	111	18	4,280
Dec. 21 - Dec. 27	1	6	1,229
Dec. 28 - Jan. 3	35	196	3,893
Jan. 4 - Jan. 10	51	2	8,247
Jan. 11 - Jan. 17	1,695	1,073	5,274
Jan. 18 - Jan. 24	-	447	3,605
Jan. 25 - Jan. 31	-	-	9,608
Feb. 1 - Feb. 10 1/2	6,938	923	9,608
	4,889	1,024	13,315
Total	644,565	89,386	\$121,825

These figures are in part taken from copies of shipping manifests.

Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.

It is presumed that a large percentage of exports to Burma are destined for Free China.

Beginning with February 1 figures will be given for 10-day period instead of week.

Treasury Department, Division of Monetary Research February 16, 1942

APPENDIX C

Principal Exports from U.S. to U.S.S.R.
as reported to the Treasury Department
during the ten-day period ending
February 10, 1942.

(Thousands of Dollars)

TOTAL EXPORTS

\$ 23,315

Principal Items:

Landplanes, covered	6,000
Military tanks and parts	1,300
Molybdenum concentrates	570
Explosive shells and projectiles	190
Brass and bronze plates and sheets	300
Relief supplies - drugs and biologics	240
Lathes	240
Aircraft parts and accessories, n.o.s.	237
Aluminum plates, sheets, bars, strips and rods	220
Sole leather	190
Refined copper	180
Trinitro toluene (T.N.T.)	167
Motor trucks and chassis	150
Aluminum tubes, moldings, castings and other shapes	150
Iron slabs	129
Landplanes (partial shipment)	110
Pumps and parts, n.o.s.	110
Copper plates and sheets	100
Coated wire, n.o.s.	97

Principal Exports from U. S. to Free China
 as reported to the Treasury Department
 during the ten-day period ending
 February 10, 1942
 (Thousands of dollars)

TOTAL EXPORTS

\$ 2,559

Principal Items:

Machine and heavy ordnance guns and accessories	426
Auto replacement parts	408
Motor trucks and chassis	396
Gun parts and accessories	342
Scout cars	285
Cartridges	242
Landplanes	264
Cartridge cases	235
Portable air compressors	183
Motorcycles	169
Printed matter (bank notes)	157
Steel strip	146
Brass rods	107
Submachine guns and accessories	103
Railroad rails	84

Treasury Department, Division of Monetary Research Feb. 15, 1942

APPENDIX E

Principal Exports from U. S. to Burma as
reported to the Treasury Department
during the ten-day period ending
February 10, 1942

(Thousands of Dollars)

TOTAL EXPORTS

\$ 1,054

Principal Items:

Ammunition shot shells	308
Motor trucks over 2½ tons	228
Machine and heavy ordnance guns	103
Automobile replacement parts	79
Relief commodities	50
Motor trucks 1 to 1½ tons	42
Motor trucks under 1 ton	36
Copper insulated wire	31

Treasury Department, Division of Monetary Research, February 16, 1942

February 20, 1942.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Attached hereto are:

(1) A letter to Chief Wilson from the Supervising Agent of the White House Detail of the Secret Service recommending deferment of military service for eligible members of the White House Detail, and

(2) Memorandum from Chief Wilson to me also recommending such deferment.

I recommend:

(1) That under the terms of the recent Executive Order on the subject application be made for deferment for six months with respect to any agent of the White House Detail who may be called up for active service.

(2) That all possible efforts be made to provide replacements so that as many as possible of such agents may be released for military duty on the expiration of six months deferment.

(3) That consideration be given to seeking further deferment after the six months period as to those agents for whom adequately trained replacements are not available at the expiration of the initial deferment period of six months.

(4) That all such further deferment be terminated as rapidly as adequately trained replacements may be available.

Approved
M. A. Muth
Feb 20th 1942

MS



OFFICE OF THE CHIEF
U. S. SECRET SERVICE

TREASURY DEPARTMENT

WASHINGTON, D. C.

February 19, 1942

Memorandum for Assistant Secretary Gaston

From: Chief, U. S. Secret Service

Attached is a letter dated February 17th from Supervising Agent Reilly of the White House Detail. He calls attention to the fact that the average age of the agents on the detail is 31 years and that as many of the agents are unmarried the Selective Service Act will result in their being placed in the military service unless the Department takes steps to request their deferment. I strongly concur in the statements made by Supervising Agent Reilly relating to the necessity of retaining the services of these trained agents.

Two agents on the White House detail called on me this week requesting permission to apply for a commission in the military service and I understand that others are considering the same procedure. The members of this detail were appointed to the Service previous to our entry in the war and were selected primarily because of their youth and physical characteristics. Ten of the men are now classified in grades making them subject to early call and it would jeopardize our work to have them drafted. As I consider it almost impossible and entirely impractical at this time to replace them with sound and alert young men who are not subject to the draft, and as it would be inadvisable to try to train older men for this important work, I urge that the Treasury Department make an exception from its policy by requesting deferment for the members of the Secret Service Division directly engaged in the protection of the President.

AGK

FOR DEFENSE





TREASURY DEPARTMENT

WASHINGTON, D. C.

February 17, 1942.

OFFICE OF THE CHIEF
U. S. SECRET SERVICE

The White House

Mr. Frank J. Wilson,
Chief, U. S. Secret Service,
Washington, D. C.

Sir:

You are advised that Agent Walter A. Haman, who is exclusively assigned to the protection of the President, has received notification to the effect that he has been placed in Classification 1-A by his Selective Service Board, and will probably be called to active duty in the near future.

For your information every agent on the White House Detail, with one exception, has registered, and it is expected the majority of the unmarried agents will be reclassified to 1-A.

The work of the Detail is of such a nature that it requires highly trained, vigorous, alert, and intelligent young men. The average age of the agents now on the Detail is 31 years, and replacements would necessarily be in the same age group, and therefore would also be subject to the draft.

An agent who has been assigned to the Detail for two years is just reaching his maximum efficiency in this work, and it is impossible to train an agent in the work in less than two years.

Your attention is directed to the fact that the Department of Justice is formally requesting deferment for newly appointed special agents to the Federal Bureau of Investigation, trained special agents of the Federal Bureau of Investigation, Immigrant Inspectors, and others within the Department. Any employees in the foregoing categories can not be considered more vital to the National Defense than the Secret Service Agents who are assigned to the protection of the President.

If our highly trained agents are drafted the President's safety will be jeopardized. I, therefore, strongly urge that the Treasury Department claim formal deferment for the duration of the war of all agents assigned to the protection of the President.

In short, the protection of the President remains a young man's job. In the grave days ahead it seems to me that every other service must be subordinated to the necessity of protecting the life of the President.

Very truly yours,

M. F. Reilly
M. F. Reilly,
Supervising Agent.

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Treasury Department
Division of Monetary Research

Date...2/19/42.....19

To: Miss Chauncey

From: H. D. White

If the Secretary prefers a
more personal note, please indicate
and return.

The scheme proposed hardly
merits serious consideration.

FEB 20 1942

Dear Eleanor:

Thank you for your letter of February 10, 1942, and for Lt. Col. Walter F. Burn's memorandum entitled "Gold Bullets" which you enclosed.

Your courtesy and Lt. Col. Burn's interest in making this suggestion available are appreciated. It will be given full and careful consideration.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,
Assistant Director,
Office of Civilian Defense,
Washington, D. C.

*File H. M. C.
Copies to Shapiro*

FILE COPY

LDW
15
902
JCS
DH:GAS:msh
2/19/42

THE SECRETARY OF THE TREASURY
WASHINGTON



Enclosed
Dear Mrs. Roosevelt:

Thank you for your letter of February 10, 1942, and for Lt. Col. Walter P. Burn's memorandum entitled "Gold Bullets" which you enclosed.

Your courtesy and Lt. Col. Burn's interest in making this suggestion available is appreciated. It will be given full and careful consideration.

~~Sincerely yours,~~

W. P. Burn

Secretary of the Treasury

Mrs. Franklin D. Roosevelt,
Assistant Director,
Office of Civilian Defense,
Washington, D. C.

FOR DEFENSE



OFFICE OF CIVILIAN DEFENSE

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February 10, 1942

My dear Secretary Morgenthau:

I am enclosing a plan, entitled "Gold Bullets", sent to me by Lt. Col. Walter P. Burn, Chief of the Training Section of the Office of Civilian Defense, which may be of interest to you.

Very sincerely yours,



Mrs. Franklin D. Roosevelt
Assistant Director

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Department of the Treasury
Fifteenth Street and Pennsylvania Ave.
Washington, D. C.

enclosure

GOLD BULLETS

One of the metals used by prehistoric man was gold. He found it in free pebbles in the stream bed. He could pick it from seams in the rock. Being soft, it could be fashioned easily into ornaments. It stayed bright and clear.

Gold has been used in coins since ancient times. Adventurers seeking it have penetrated to the farthest corners of the earth. There is no Hottentot nor Australian Bushman nor Siberian Mujik, no Dyak nor San Blas Indian who has come into contact with our civilization who has not been made aware of the value of gold.

We and many other nations have withdrawn gold from circulation. But in every modern nation, gold would be accepted for payment by any man--and at a premium.

We have more than three-fourths of all the gold in the world--buried. Over 22.7 billions of dollars of gold. While we carefully measure every store of other metals and allocate supplies for war use, our gold remains an impotent mass.

Have we no use for gold?

It can become a powerful weapon.

Our ships and men are going forth to the ends of the earth.

They will come into contact with many peoples.

They will spend money wherever they go.

American dollars--converted, perhaps, into other currencies.

--but credit money only, unless...

Unless, we give them Gold Bullets.

The Plan

Pay every American on foreign service ten dollars of his monthly income in gold--two five-dollar gold pieces.

This will have high purchasing power.

This will renew faith in America's resources.

This will make friends everywhere for the American Soldier and Sailor and Airman--the Americans who pay with gold.
And the cost?

Suppose we have an average of three million men abroad for the next five years. Ten dollars per month, \$120 per year, \$600 for 5 years, times 3,000,000 equals \$1,800,000,000 or less than 3% of our gold hoard--our lifeless gold hoard.



Walter P. Burn
Lt. Col. CWS
Chief of Training

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BRITISH EMBASSY,
WASHINGTON, D.C.

20th February, 1942.

Dear Mr. Morgenthau,

I have just received your letter of the 16th February, and shall be delighted to send the photograph of Mr. Churchill to England for his autograph.

It may be a little while before we get it back again, as the bags are apt to be delayed in these days, but I am sending it off by the first available opportunity.

Yours sincerely,

Balfour

Honourable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington.

February 16, 1942

Dear Mr. Ambassador:

I wonder if it would be possible for you to send this photograph to the Prime Minister to be autographed for me.

The photograph is so fine, and my personal admiration for Mr. Churchill is so great, that it would be a real pleasure for me to have this picture on my wall.

I shall be very grateful indeed if you would send this to England for me.

Sincerely,

(Signed) E. Hergenthan, Jr.

His Excellency,
The Right Honorable
the Viscount Halifax,
British Ambassador,
Washington, D. C.

FK/cgk

H.M.C.
by messenger *Jan 11:35*
to Kuhn

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE February 20, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Shipment of Planes to British Forces

1. In the week ending February 17, a total of 62 combat planes (no trainers) were shipped to British forces.

2. The bulk of the planes leaving the country went to England (46). For the first time that we have any record of, no planes were sent to Canada.

Table A - Shipments by Area

	Week Ending Feb. 17, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
<u>To the United Kingdom</u>			
Light and medium bombers	1	2	1,126
Heavy bombers	0	0	104
Naval patrol bombers	2	5	107
Pursuit	36	147	458
Army Cooperation	7	20	51
Trainers	0	0	24
Total to the United Kingdom	46	174	1,870
<u>To the Middle East</u>			
Light and medium bombers	8	90	420
Heavy bombers	0	0	5
Pursuit	5	137	985
Army Cooperation	0	0	0
Trainers	0	8	150
Total to the Middle East	13	235	1,560
<u>To the Canadian Forces</u>			
Light and medium bombers	0	1	55
Naval patrol bombers	0	11	19
Pursuit	0	28	70
Trainers	0	124	1,298
Total to Canadian Forces	0	164	1,442
<u>To the Forces in Russia</u>			
Light and medium bombers	3	20	64
Pursuit	0	0	49
Total to Russian Forces	3	20	113
<u>To the British Pacific Forces</u>			
Light and medium bombers	0	0	95
Naval patrol bombers	0	0	27
Pursuit	0	0	168
Trainers	0	0	105
Total to Pacific Forces	0	0	395
<u>Total</u>			
Light and medium bombers	12	113	1,760
Heavy bombers	0	0	109
Naval patrol bombers	2	16	153
Pursuit	41	312	1,730
Army Cooperation	7	20	51
Trainers	0	132	1,577
Totals	62	593	5,380

Table B - Shipments by Types

	Week Ending Feb. 17, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
Bell Airacobra	26	35	189
Boeing B-17	0	0	20
Boston III	0	13	52
Brewster Buffalo	0	0	168
Cesena T-50	0	86	634
Consolidated Catalina	2	16	153
L.B. 30 (B-24)	0	0	6
Liberator I (B-24A)	0	0	19
Liberator II (B-24B)	0	0	64
Curtiss Kittyhawk	5	167	549
Tomahawk	0	0	593
Douglas Boston I + II	0	0	1
Boston II	0	0	81
Boston III	3	7	446
Fairchild 24 R-9	6	11	33
Glenn Martin Baltimore	9	91	159
Maryland	0	0	150
Grumman Martlet II	0	5	46
Lockheed Hudson I	0	0	1
Hudson III	0	1	352
Hudson IV	0	0	70
Hudson V	0	1	398
North American Harvard II	0	46	943
Mustang	10	105	185
Pitcairn Autogiro	0	0	5
Vought Sikorsky Chesapeake	0	0	50
Vultee Stinson-049	<u>1</u>	<u>9</u>	<u>13</u>
Grand Total - All Types	62	593	5,380

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Table C - Plane Shipments to the British by Weeks

<u>Week Ended</u>	<u>Light and medium bombers</u>	<u>Heavy bombers</u>	<u>Naval patrol bombers</u>	<u>Pursuit</u>	<u>Army Cooperation</u>	<u>Trainers</u>	<u>Total</u>
Weekly Average of shipments in 1941	32	2	3	27	1	28	92
January 6, 1942	24	0	5	30	4	9	72
January 13, 1942	3	0	2	58	0	42	105
January 20, 1942	8	0	0	14	0	60	82
January 27, 1942	24	0	1	100	5	13	143
February 3, 1942	9	0	3	10	4	4	30
February 10, 1942	33	0	3	59	0	4	99
February 17, 1942	<u>12</u>	<u>0</u>	<u>2</u>	<u>41</u>	<u>7</u>	<u>0</u>	<u>62</u>
Total shipments since January 1, 1941 to date	1,760	109	153	1,730	51	1,577	5,380

Miss Chauncey


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TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

February 20, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended February 11, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which these expenditures were financed.



dm: 2/20/42

For Miss Chauncey

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FEDERAL RESERVE BANK
OF NEW YORK

February 19, 1942

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended February 11, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

Copy:vw:2-20-42

STATEMENTS OF BRITISH AND FRENCH ACCOUNTS

(In millions of Dollars)

Week Ended FEBRUARY 11, 1942

Strictly Confidential

PERIOD	DEBITS								CREDITS							
	DEBITS			CREDITS					DEBITS			CREDITS				
	Total Debits	Gov't Expenditures (a)	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Other Credits (c)	Net Incr. (+) or Decr. (-) in Balance	Total Debits	Gov't Expenditures (d)	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance	
First year of war (8/29/39-8/28/40)*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	52.0	420.1	+ 35.0	866.3(e)	416.6(e)	449.7	1,095.3(e)	900.2	195.1(e)	+229.0	
War period through December, 1940	2,792.3	1,425.6	1,356.7	2,793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1	
Second year of war (1/29/41-8/27/41)**	2,203.0	1,792.2	410.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1	
1941																
Aug. 28 - Oct. 1	140.9	105.9	35.0	176.2	20.1	2.0	154.1	+ 35.3	0.3	-	0.3	0.5	-	0.5	+ 0.2	
Oct. 2 - Oct. 29	109.0	77.3	31.7	150.9	0.8	-	150.1	+ 41.9	0.3	-	0.3	0.3	-	0.3	-	
Oct. 30 - Dec. 3	156.3	111.6	44.5	134.6	-	1.0	133.6	- 21.5	16.1	-	16.1	0.4	-	0.4	- 15.7	
Dec. 4 - Dec. 31	88.4	69.4	18.8	51.2	-	-	51.5	- 36.9	0.8	-	0.8	0.4	-	0.4	- 0.4	
1942																
Jan. 1 - Jan. 28	102.1	73.2	28.9	69.3	-	0.5	68.8	- 33.0	0.2	-	0.2	0.1	-	0.1	+ 0.1	
WEEK ENDED:																
Jan. 27	21.4	16.8	7.6	10.2	-	-	10.2	- 14.2	-	-	-	0.1	-	0.1	+ 0.1	
28	21.3	15.8	5.5	22.8	-	-	22.8	+ 1.5	0.1	-	0.1	0.1	-	0.1	-	
Feb. 4	27.9	19.0	8.9	17.8	-	-	17.8	- 10.1	-	-	-	-	-	-	-	
11	19.2	14.3	4.9	19.2	-	1.0	18.2(f)	- 9.0	-	-	-	0.1	-	0.1	+ 0.1	

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) 27.6 million
 England (since June 19, 1940) 40.4 million

Transfers From British Purchasing Commission to Bank of Canada for French Account

Week ended February 11, 1942 \$ -

Cumulation from July 6, 1940 \$ 162.7

million
 million

*For monthly breakdown see tabulations prior to April 23, 1941.
 **For monthly breakdown see tabulations prior to October 6, 1941.
 (See attached sheet for other footnotes)

- (a) Includes payments for Supply Timber.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (f) Includes \$2,000,000 from the accounts of the British Purchasing Commission.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended February 11, 1942 Strictly Confidential

PERIOD	CANADA (and Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	Total Debits	Transfers to Official		Total Credits	Proceeds of Gold Sales	Transfers from Official		Other Credits	Net Incr. (+) or Decr. (-) in Balance	Total Debits	Transfers to Official		Total Credits	Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
		British A/C	Other Debits			British A/C	For French A/C				British A/C	Other Debits				
First year of war (8/29/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (8/29/40-8/27/41)**	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Aug. 28 - Oct. 1, 1941	23.1	-	23.1	52.2	21.2	-	-	31.0	+ 29.1	10.7	0.5	10.2	2.8	2.1	0.7	- 7.9
Oct. 2 - Oct. 29, 1941	37.4	-	37.4	19.7	11.9	-	-	7.8	- 17.7	8.2	5.5	2.7	8.0	5.9	2.1	+ 0.2
Oct. 30 - Dec. 3, 1941	52.8	0.1	52.7	32.5	19.3	-	-	13.2	- 20.3	10.3	6.9	3.4	11.6	9.0	2.6	+ 1.3
Dec. 4 - Dec. 31, 1941	47.7	-	47.7	22.2	17.3	-	-	4.9	- 25.5	3.9	1.8	2.1	2.8	6.2	2.6	- 1.1
Jan. 1 - Dec. 31, 1942	39.5	-	39.5	33.0	27.0	-	-	8.0	- 0.5	1.5	-	4.5	-	-	-	-
WEEK ENDED:																
Jan. 21	12.0	-	12.0	7.5	6.1	-	-	7.7	- 4.5	1.0	-	1.2	1.6	-	1.6	+ 0.4
Jan. 28	11.3	-	11.3	16.7	15.4	-	-	1.3	+ 5.4	0.5	-	0.5	8.4	-	8.4	+ 7.9
Feb. 4	7.6	-	7.6	8.7	0.5	-	-	8.2	+ 1.1	5.5	5.3	1.2	0.7	-	0.7	- 5.8
Feb. 11	5.2	-	5.2	10.8	5.9	-	-	4.9	+ 5.6	1.5	-	1.5	0.1	-	0.1	- 1.4

Weekly Average of Total Debits Since Outbreak of War

Through February 11, 1942 7.8 million

* For monthly breakdown see tabulations prior to April 23, 1941.
** For monthly breakdown see tabulations prior to October 8, 1941.

Board of Economic Warfare
ECONOMIC DEFENSE BOARD
WASHINGTON, D. C.

332

OFFICE OF THE EXECUTIVE DIRECTOR

FEB 20 1942

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

The Vice President asked me to make inquiry concerning the possibility of interrupting shipments of gold from North Africa to France as suggested in your letter of February 6. In the absence of armed forces of our own in the area in question, I am afraid there is no direct way for us to put a stop to the shipments. However, I am taking the liberty of calling your letter to the attention of the British Ministry of Economic Warfare in the hope that they may be able to act on your suggestion.

Respectfully,



Executive Director



THE SECRETARY OF THE TREASURY
WASHINGTON

February 20, 1942

Memorandum for the President:

I am attaching a photostatic copy of a letter from the Bankers Trust Company in which they ask for a copy of my authority from you to requisition stock certificates of the General Aniline and Film Corporation held by them for Foreign interests. This is typical of other requests which we are receiving for our authority to vest properties in the Secretary of the Treasury.

If you approve, I propose to publish in the Federal Register your memorandum of February 12 conferring upon the Secretary of the Treasury all of the power and authority conferred upon the President by Sections 3(a) and 5(b) of the Trading with the Enemy Act.

Henry M. Vignetta Jr.

Approved:

Franklin D. Roosevelt

February 20 1942.



BANKERS TRUST COMPANY

NEW YORK
16 WALL STREET
NEW BRUNSWICK, N. J.
100 WALL STREET
PHILADELPHIA, PENNSYLVANIA

CABLE ADDRESS: NEW YORK: BANKTRUST
TELEPHONE ADDRESS: LONDON: BANKTRUST

LONDON
25, OLD BROAD STREET, E. C. 2

CONTROLLER & COMPTROLLER

A. W. BURTON

16 WALL STREET
NEW YORK

February 16, 1942

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

Dear Sir:

We have today been served with a notice and order with respect to certain certificates of stock of the General Aniline and Film Corporation which are stated to be the property of nationals of a foreign country designated in Executive Order No. 8389 as amended. We are making a diligent search of our records in order to determine whether any of the certificates referred to are in our possession, control or custody.

The Order indicates that it has been issued pursuant to Section 5(b) of the Act of October 6, 1917 as amended by Section 301 of the First War Powers Act of 1941. In this connection, the Order states that the Secretary of the Treasury has been designated by the President to make this order, but there was no other evidence of such Presidential action among the papers given us. May we therefore ask that you furnish us, for our records, with evidence of such delegation.

Very truly yours,


Assistant Comptroller

FWB:A:3

FEB 20 1942

MEMORANDUM FOR THE PRESIDENT

I refer to my memorandum submitted to you with my letter of January 5, 1942, relative to the ownership of the Westchester Apartments.

It has now been definitely established that the beneficial interest in the Westchester Apartments is held by a British family named Ofenheim, who have invested their funds in this country through a Dutch bank, the Nederlandsche Standaard Bank. We brought this matter to the attention of the British Embassy, and are now advised that the British Treasury is making arrangements, after clearing the matter with the Dutch Government in London, to have these assets taken over by the British Exchange Control.

It now appears clear that Queen Wilhelmina has no interest in the Westchester Apartments.

(Signed) H. Wargentin, Jr.

Secret Service 1:50 p.m.
By Messenger
H. W. D.
copied to J. Edgar

MLT:JWP:mgb 2/12/42

FEB 20 1942

Dear Mr. Price:

Reference is made to your letters of January 21 and February 2, 1942, regarding financial aid to Chinese students in the United States.

I am glad to hear that you have been informed by Mr. Hu Shih, the Chinese Ambassador, that he had been assured by the Immigration and Naturalization Service that Chinese students will be permitted to seek employment.

With regard to the immediate problem of getting funds on which Chinese students may live until they can obtain employment, I suggest that you might get in touch with Mr. F. V. Soong, the Chinese Foreign Minister, to determine whether or not he can suggest a solution to the problem. Mr. Soong is at present in Washington and his address is 1601 V Street, N.W.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Ernest R. Price,
Chicago,
International House,
Chicago, Illinois

*Please file in M.C.
File to Thompson*

Return to Secretary's office

INTERNATIONAL HOUSE
CHICAGO

TELEPHONE FAIRFAX 8300

1414 EAST FIFTY-NINTH STREET

February 2, 1942

Dear Mr. Morgenthau:

This refers to my letter to you of December 27, 1941, your reply of January 1, 1942, and my further letters of January 2 and January 21, relative to the plight of Chinese students in this area.

Receiving no replies to two letters which I wrote the Chinese Ambassador, I finally telegraphed him on January 29. He replied by telegraph, saying that he had been assured by the Immigration and Naturalization Service that a reasonable relaxation of the law and regulations will be made to permit Chinese students to seek employment and that they may, therefore, go ahead with necessary measures for self-help, reporting to and obtaining permission from the Service before taking on any such employment.

This is good news, but it does not take care of the immediate problem of getting funds on which Chinese students may live until they can obtain employment. We are doing the best we can here but our student aid funds are nearly exhausted. No doubt there are technical obstacles in the way, but it seems a bit absurd that American tax payers' money should be used for lend-lease aid for China and yet Chinese students in America should be threatened with starvation.

Have you any other suggestions in mind on how to meet this situation?

Yours very sincerely,

Ernest B. Price

Ernest B. Price
Director

ebp/b

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

INTERNATIONAL HOUSE
CHICAGO

TELEPHONE FAIRFAX 8000

1414 EAST FIFTY-NINTH STREET

January 21, 1942

Dear Mr. Morgenthau:

In your letter of January 1, 1942, replying to mine of December 27, 1941, you very kindly suggested that, if my discussions with the Chinese authorities relative to the plight of Chinese students in this country did not yield a satisfactory solution to the problem, I should let you know.

I attach hereto copy of a second letter which I have written to Dr. Hu Shih, Chinese Ambassador in Washington, my first one of January 3 having not yet been answered.

As you see, we have received no funds from any source other than some gifts of private charity, and the situation remains critical.

Yours very sincerely,

Ernest B. Price

Ernest B. Price
Director

ebp/b

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

INTERNATIONAL HOUSE
CHICAGO

TELEPHONE FAIRFAX 8500

1111 EAST FIFTY-NINTH STREET

January 21, 1942

His Excellency Hu Shih
Chinese Embassy
Washington, D. C.

My dear Dr. Hu:

I am wondering if you have managed to find time to give some thought to the letter which I wrote you on January 3, relative to the plight of Chinese students in this area.

Since writing you on January 3, there have been no new developments, except that I have been able to get a little more money for our Student Aid Fund, and I have received an encouraging letter from a friend from the Immigration and Naturalization Service as to the possibility of a ruling which would permit students from countries allied to the United States in this war, and who cannot return to their own countries or receive funds from home, to take full-time work. The situation of about a dozen of the Chinese students here at the House is rather critical, and we have had to draw pretty heavily on existing funds in order that they might eat, have a roof over their heads, and continue as students.

Yours very sincerely,

Ernest B. Price
Director

ebp/b

cc Mr. Henry Morgenthau, Jr.
Secretary of the Treasury



INTERNATIONAL HOUSE
CHICAGO

1414 EAST FIFTY-NINTH STREET

January 2, 1942

Dear Mr. Morgenthau:

Thank you for your letter of January 1, 1942
in reply to mine of December 27, 1941. I am writing
to Dr. Hu Shih today and will let you know the result.

Yours very sincerely,

Ernest B. Price

Ernest B. Price
Director

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

Treasury Department 341
Division of Monetary Research

Date..... February 24 19 42

To: Miss Chauncey

For your files. Not important
enough to call to the Secretary's
attention.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

342

INTER OFFICE COMMUNICATION

DATE February 20, 1942

TO Mr. White

FROM Mr. Friedman

Subject: Digest of cable from Ambassador Gauss dated February 18.

1. Ministry of Finance called informal meeting of experts to discuss floating of an internal bond issue secured by the American and British credits. Niemeyer, Young and Adler were also present. The discussion centered around four main points:
 - (a) Conversion rate between fapi and dollars. A rate of 6¢ was favored on the grounds that it would prove attractive and permit issuance at par.
 - (b) Rate of interest. 6% interest was supported.
 - (c) Amount of the first issue. 2½ billion fapi was favored, the idea being to follow a limited first issue immediately with a second issue, if the first issue was readily subscribed.
 - (d) The terms of the bonds. Short-term bonds -- 5 to 10 years.
2. Suggestions with regard to lifting exchange restrictions, importing United States currency and issuing new currency with dollar support met with no encouragement from Dr. Kung and from others present.
3. There was no discussion at the meeting of possible other uses which might be made of the credits.

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

Chungking via N. R.

Dated February 18, 1942

Rec'd 9:11 a.m.

Secretary of State,
Washington.

132, February 18, 3 p.m. (SECTION ONE)

Embassy's no. 123, February 14, 9 p.m.

Several days ago the Ministry of Finance convened an informal meeting of Chinese finance and banking experts to discuss flotation of an internal bond issue secured from the American and British credits. Nismeyer, Young and Adler were also present. The discussion centered around four main points:

One. The conversion rate between fapi and the dollar to be adopted in issuing bonds. Rates between five and six cents to the fapi were suggested, the latter being favored on the grounds that the higher rate would prove attractive and permit issuance at par. There was inconclusive discussion with regard to whether the bonds should bear on their face the dollar, as well as the fapi redemption value.

Two. The rate of interest. Five and six per cent were mentioned, with the latter receiving principal support

-2- #132, February 18, 3 p.m. (SECTION ONE) from
Chungking via N.R.

support.

Three. The amount of the first issue. A figure as high as 5,000,000,000 fapi was suggested, but two and one-half million was favored, the idea being to follow a limited first issue immediately with a second issue, if the first issue was readily subscribed.

GAUSS

RR

NWN

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

Chungking via N. R.

Dated February 18, 1942

Rec'd. 10:41 a.m.

Secretary of State,
Washington.

132, February 18, 3 p.m., (SECTION TWO).

Four. The term of the bonds. The general feeling was that they should be short term--five to ten years. While no decisions were taken at the meeting, it is understood that the foregoing indicates along broad lines the general thought of the Ministry of Finance with regard to a bond issue. Suggestions with regard to lifting exchange restrictions, importing United States currency, and issuing new currency with dollar support met with no encouragement from Kung or from others present. There was no discussion at the meeting of possible other uses which might be made of the credits.

The degree of response which a dollar supported bond issue will meet continue to be largely a matter of conjecture. There was talk at the meeting of using various forms of compulsion if the response was inadequate. Unless very carefully handled it is believed

-2- #132, February 18, 3 p.m., (SECTION TWO), from
Chungking.

is believed that the adoption of such measures would prove to be unwise although the bonds might be used to induce hoarders to disgorge their commodity holdings. In implementing its avowed policy of agrarian reform, the government might advantageously use bonds to finance more equitable land (distribution?) without increasing currency in circulation. The bonds might also be utilized to encourage the responsible banks to be more generous and more effective in their financing of production for immediate use and in making loans to farmers for small scale land reclamation and improvement work.

(END OF MESSAGE)

GAUSS

WSB

Treasury Department ³⁴⁷
Division of Monetary Research

Date February 24 1942

To: Miss Channcey

From: Mr. Southard

We have told Mr. Bell's office that we assume he will do the necessary on this. I think it can go in the Secretary's files.

EJ

PLAIN

London

Dated February 20, 1942

Rec'd 6:25 p.m.

Secretary of State,

Washington.

817, Twentieth.

FOR TREASURY FROM C.S.D.M.

Due to the presence of many Americans in the United Kingdom on various war services who are permitted by the British Exchange Regulations to remit 25 percent of emoluments in the case of a single man and 50 percent in the case of a married man to the United States several inquiries for the purchase of United States defense bonds have been received. Army paymasters can no doubt offer any needed facilities to members of the American forces but there appears to be no channel through which civilians in the United Kingdom can buy United States defense bonds. Since the proportion of their pay which the British authorities will allow transferred into dollars is limited, the most convenient channel would no doubt be through American banks in London who upon consultation have been found to have no facilities for selling these bonds.

The Embassy would be glad to receive instructions for guidance in reply to inquiries on this subject.

WIN:MT

JRM

TREASURY DEPARTMENT

349

INTER OFFICE COMMUNICATION

DATE February 20, 1942

TO Mr. White

FROM Mr. Hoflich

Subject: British Press Reactions on Post-War Problems

The following summary is taken from British Ministry of Information Home Press Surveys, covering the period December 20, 1941 - January 20, 1942:

1. It is generally felt that some plans should be made now for the post-war settlement and reorganization, that the British should not be caught unaware by peace as they were by war.

A dissenting voice - The Statist - complains of the effort being put into the planning of post-war reconstruction, saying that when peace comes most people will want to return to their traditional lives.

2. There seems to be constant reiteration of the thesis that post-war peace and security must be built primarily upon a permanent association of the British Empire, the United States and the U.S.S.R. China is not often specifically mentioned.

The Catholic Herald is still waging what appears to be a lone campaign designed to foster fear and suspicion of Soviet Russia.

3. It is generally agreed that the Nazi leaders should be punished, and there are a few who think that it is impossible to distinguish between Nazis and Germans, and that the German people must pay for the crimes of their leaders. But the usual reaction is that a lasting peace cannot be built upon vengeance.

4. There is widespread opinion that the traditional attitude of white supremacy generally, and British treatment of India specifically, are contrary to stated British war and peace aims. The British press reflects fairly strong sentiment favoring independence for India, at least to the extent of dominion status.

FEB 20 1942

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My dear Senator:

Reference is made to the telephone request by Mr. L. A. Otto of your staff on February 12, 1942, for information concerning outstanding United States Government loans to Latin America.

The Treasury Department has not made any loans to Latin American governments or countries. However, the Department, using the Stabilization Fund, has completed the negotiation of the following stabilization agreements with Latin American governments and central banks:

To the Government of Brazil: The Stabilization Fund is obligated to purchase milreis in an amount up to the equivalent of \$60,000,000 provided that all such milreis are fully collateralized by gold deposited in the Federal Reserve Bank of New York. Under the same agreement the Stabilization Fund is obligated to sell gold to an amount up to \$60,000,000 but all such sales of gold are at the Treasury's usual price and must be paid for in full in dollars at the time of the sale.

To the Argentine Government and the Central Bank of Argentina: The Stabilization Fund is obligated to purchase pesos up to the equivalent of \$50,000,000. This agreement has not been ratified by Argentina and therefore is not operative.

To the Government of Mexico and the Bank of Mexico: The Stabilization Fund is obligated to purchase pesos up to the equivalent of \$40,000,000. This agreement has not been ratified by Mexico and is therefore not yet operative.

For information concerning actual loans to Latin America, it is suggested that you communicate with the Federal Loan Administrator.

Sincerely yours,

(Signed) E. S. BROWN, Jr.

Secretary of the Treasury.

Sen. Harold H. Burton,
United States Senate.

Please return to Secretary's office

Reg. Messenger Item 11-38
W.M.C.
File to Simpson

PA:dm:esh: 2/18/42

TREASURY DEPARTMENT

351

INTER OFFICE COMMUNICATION

DATE Feb. 20, 1942.

TO Secretary Morgenthau
FROM Mr. White
Subject: Brazil's current position

In view of the visit here of Brazil's Finance Minister, Souza Costa, you may be interested in the information below regarding Brazil's current position:

1. Under Souza Costa's administration, Brazil resumed partial service on its foreign debt April 1, 1940, under a four-year plan envisaging payments of about \$65 million of which \$25 million will go to American holders of Brazilian Government bonds.
2. Negotiations with Brazil at Rio included discussions on rubber, cotton, and Yugoslav deposits at the Bank of Brazil. It is believed that Brazil is concerned about better priority treatment on its steel mill equipment, financing for its aluminum industry, Lend-Lease materials, reorganization of shipping and dock properties, and a new trade agreement.
3. Gold and foreign exchange holdings of the Bank of Brazil and the Brazilian Government increased from \$55 to \$146 million during 1941.
4. Brazil's exchange position will be about as good in 1942 as in 1941. Higher coffee prices and increased exports of quartz crystals, industrial diamonds, manganese and cotton textiles, resulted in marked improvement over 1940 conditions.
5. Between March 1939 and September 1941 Brazil's commercial arrears were cleaned up and \$42 million of profits and dividends were transferred to the United States.
6. Brazil borrowed \$8 million against gold collateral in November 1941 under the Gold Agreement of 1937. Five million of this was repaid in January 1942 leaving \$3 million still outstanding.
7. Recent Export-Import Bank loans to Brazil have totalled over \$60 million, practically none of which has yet been utilized.

8. Brazil's budget has been balanced only once (in 1927) since 1908. Annual deficits since 1929 have averaged about \$30 million. Federal deficits are met by borrowing from the Bank of Brazil which is repaid by issuance of paper currency and by increase of the domestic funded debt.

9. Between March 1939 and December 1941 paper currency in circulation increased about 25 percent. Prior to 1939 depreciation of the milreis was quite closely related to increase in the monetary circulation. Since that date, however, exchange rates have been stable.

PD

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

Habana

Dated February 20, 1942

Rec'd 6:30 p.m.

Secretary of State,
Washington.

71, February 20, 2 p.m.

FOR WHITE, TREASURY DEPARTMENT.

My telegram No. 65, February 18, 1 p.m.

The trip of the Minister of Hacienda to Washington has been postponed because the Cuban Congress has to date taken no action on the proposed message of February 7. However, the Ministry yesterday sent an airmail letter to our Treasury Department requesting information on costs and delivery dates of the silver certificates it is proposed to issue.

A special session has been called to act on the President's message and if favorable action results Garcia Montes hopes to proceed next week.

BRIGGS

KLP

C
O
P
Y

354

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, MEXICO CITY
TO : Secretary of State, Washington
DATED: February 20, 1942
NO. : 230

Reference is made to the inclusion in the Proclaimed List of Axel Wenner-Gren.

For the purpose of general commerce, a company organized by Wenner-Gren is being registered with the public registrar under the name of Wega, S. A., with one million pesos paid in capital. Mario Rabell is the president of the company. He is also president of the local Electrolux Company. Upon inclusion in the Proclaimed List of Wenner-Gren's name the other four officers of this Company, who were members of the Basham and Ringe law firm, handed in their immediate resignation.

That Wega, S. A. be included in the Proclaimed List is recommended.

MCGURK

Copy:bj:3-3-42

NATIONAL CITY BANK OF
NEW YORK

356

February 20, 1942

Mr. L. W. Knoke,
Vice President,
Federal Reserve Bank of New York,
New York, N. Y.

Dear Mr. Knoke,

As you no doubt will recall, we transmitted to you in our letter of January 26 an inquiry received from the Amministrazione Pontificia per le Opere di Religione, Citta del Vaticano concerning the possibility and conditions for them to obtain gold in case of need and, in reply, we cabled them on January 29 the information which you were kind enough to provide us to the effect that you understood that subject to the Provisional Regulations issued under the Gold Reserve Act of 1934 the Treasury at that time was agreeable to the sale of gold to the Amministrazione Pontificia per le Opere di Religione at \$35 plus 1/4 of 1% per troy ounce of fine gold plus the regular Mint charges provided the gold if left in the United States was placed under earmark at the Federal Reserve Bank of New York. We have now received a further cable from the Vatican reading as follows: "We will send through Chase National Bank, New York City \$(s) for obtain gold. Please telegraph amount charge for custody gold at the Federal Reserve Bank of New York. Kindly communicate exact meaning term(s) earmark".

If you will kindly advise us whether the gold may be obtained and just what must be done in connection therewith and also let us have the information requested in the above quoted cable regarding the custody charge and the exact meaning of the term "earmark," it will be very much appreciated by us. For your information we have just received from the Chase National Bank \$1,500,000 for credit to the account of the Amministrazione Pontificia per le Opere di Religione. If at all possible we should like to promptly reply to the Vatican, and we should thank you for your cooperation in letting us have an early reply.

Very truly yours,

(Sgd.) Mr. Regan,
Vice President.

Received by phone from Federal Reserve Bank of New York - 2/26/42 -
11:00 -

kna

TREASURY DEPARTMENT

357

INTER-OFFICE COMMUNICATION

DATE February 20, 1942

TO Secretary Morgenthau
 FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£63,000
Purchased from commercial concerns	£19,000

Open market sterling held at 4.03-3/4, with no reported transactions.

The Venezuelan bolivar moved off another 25 points to close at .2780. Three days ago, the bolivar was quoted at the current high of .2825.

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

Canadian dollar	11-1/4% discount
Argentine peso (free)	.2357
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5295
Cuban peso	9/32% premium

In order to increase the Stabilization Fund's gold balance, we purchased \$2,600,000 in gold from the General Fund through the New York Assay Office.

The Federal Reserve Bank of New York reported that the Bank of the Colombian Republic shipped \$2,110,000 in gold from Colombia to the Federal for its account, disposition unknown.

In London, spot and forward silver were again quoted at 23-1/2d and 23-9/16d, respectively. The U. S. equivalents were 42.67¢ and 42.78¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

357-A

BRITISH EMBASSY
WASHINGTON, D.C.

20th February, 1942.

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,

Hahjex

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

BRITISH MOST SECRET

(U.S. SECRET)

REF ID: A60

Information received up to 7 A.M., 19th February, 1942.

1. NAVAL

(In the afternoon of the 18th two of R.M. trawlers were bombed and sunk off the HEBER. A Brazilian 5,000 ton merchant vessel from RIO DE JANEIRO to NEW YORK was torpedoed off HAMPTON ROADS on the 15th.

2. MILITARY

LIBYA. During the morning of the 17th our infantry and armoured car patrols were pushed forward towards the positions lately occupied by the enemy opposite the GAZALA position and towards MEKILI. Apart from a number of motor transport vehicles in the MEKILI area no enemy were encountered but mines were found in the area about 15 miles south-west of GAZALA. Patrols of South African Armoured Cars and Royal Dragoons were in the area 10 miles south-east of MEKILI and 4 miles west of TENGEDER respectively.

BURMA. Heavy and close fighting has taken place on the BILIN front. A few enemy patrols crossed the river but the situation is in hand.

3. AIR OPERATIONS

WESTERN FRONT. 17th/18th. 23 tons of H.E. were dropped on various objectives in North-West GERMANY. Heavy cloud prevented observation. 18th. During seven small offensive operations our fighters successfully attacked minor military objectives in Northern FRANCE. Enemy activity over this country was slight. One bomber was destroyed by our fighters and two more were damaged. 18th/19th. 32 aircraft were sent out. Sea mining 25; Leaflets 7. One bomber is missing. Enemy activity was confined anti-shipping operations in the South-Western Approaches.

LIBYA. 16th. Kittyhawks damaged a ME 109 over EL ADEH. One of them is missing. 16th/17th. Wellingtons bombed BENGHAZI causing fires, while others laid mines in the Harbour approaches. 17th. There was no enemy air activity over our forward area and offensive sweeps were carried out by our fighters without incident.

MALTA. No air raids 17th/18th or 18th. TAKALI and HAL SAR are flooded as the result of gales and the heaviest continuous rain of the winter.

BURMA. 17th. Our bombers attacked CHIEWI MAI aerodrome, SIAM. The main hangar and buildings were hit and bursts were seen among twelve dispersed bombers. Lysanders set fire to a warehouse at MARTABAN and hit the railway track and jetties.

February 20, 1942

From: COINFORM, LONDON (GILBERT)
(Intelligence)

- 20130
1. The following is from the MOI Weekly Empire Guidance
 2. It is likely that no serious attempt can be made to defend Sumatra. An attack on Java can be expected soon, and the Japanese will have decisive superiority in men and material.
 3. In Burma the Japanese can also bring up superior forces by land and by sea, and the only route the British can use is the sea. The only land communications joining India and Burma are a few mule-tracks across swampy land and mountains. There is no chance that the British can get a substantial volume of supplies by this route either to China or Burma. On the other hand, it would be a mistake to assume that the Japanese could not infiltrate by them into India.
 4. The worst service to the allied cause would be to deprecate the gravity of the situation. The only thing the Allies can do is to fight stubborn rear guard actions until they can recover the initiative by the concentration of sufficient forces on sea, air, and land.
 5. The German people are emerging from their depression in morale this winter and have high hopes for the promised Spring offensive. If this offensive should fail, there might result either a catastrophic decline in morale or a desperate back to the wall spirit. It is foolish to place any reliance on the collapse of German morale until the spring offensive fails.

RESTRICTED

WD 319.1 No. 637 N.I.D., U.D. 11:00 A.M., February 20, 1942.
 Situation 8-11-41

SITUATION REPORTI. Pacific Theater.

Philippines: On the Bataan Peninsula positional fighting continues. Burma: Sharp fighting marked the Bilia river front. British counterattacks, assisted by British and American air units, were reported to have inflicted serious losses on the Japanese in one sector. Press dispatches reveal Japanese claims to serious air raids on Mandalay. Australia: The Port of Darwin has been attacked for the third time in a series of severe enemy air raids. Batavia: A United Nations Communique reports that Allied defenders shot down 10 planes on February 18 and 19 at Soerbaja. Bali: American flying fortresses, Liberator bombers, and dive bombers attacked a Japanese convoy today (February 20) off Bali. The Japanese ships hit included 3 cruisers, 3 transports, and 2 destroyers. 4 Japanese planes were shot down. All our aircraft returned safely. New Guinea: Allied reconnaissance aircraft discover Japanese fighters and reconnaissance planes over the New Guinea - New Britain area.

II. Western Theater.

No change in the situation is reported.

III. Eastern Theater.

Both sides report fighting at various points along the front with no changes indicated officially. The Germans claim to be inflicting heavy losses on the Russians. The Soviet Radio claims successes around Leningrad.

IV. Middle Eastern Theater.

It is reported that unfavorable weather conditions in the Mediterranean area have curtailed air activity. There are no changes reported in the ground situation.

V. Caribbean.

Two ships at anchor off Port of Spain, Trinidad were attacked presumably by enemy submarines. Aruba was again lightly shelled by enemy submarines without material effect.

RESTRICTED

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, February 21, 1942.
2/20/42

Press Service
No. 30-40

The Secretary of ^{the} Treasury announced last evening that the tenders for \$150,000,000, or thereabouts, of 91-day Treasury bills, to be dated February 25 and to mature May 27, 1942, which were offered on February 18, were opened at the Federal Reserve Banks on February 20.

The details of this issue are as follows:

Total applied for - \$385,802,000
Total accepted - 150,445,000

Range of accepted bids:

High	- 99.950	Equivalent rate approximately	0.198 percent
Low	- 99.929	" " "	0.281 "
Average Price	- 99.933	" " "	0.266 "

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

-oOo-

President Green and members of the American Federation of Labor: This pledge of yours to buy a billion dollars of Defense Bonds in 1942 is a magnificent example to the whole country. It is the biggest single pledge that has come to us from any ~~single~~ organization. It amounts to about \$200 for every one of your five million members. If you fulfill and exceed your pledge -- as I am confident that you will -- you will be giving one more proof that American labor is ready to do its part in winning this war for freedom.

This war is a crisis for the American labor movement in more ways than one. We in this country have prided ourselves upon our freedom of thought and expression, our system of equal justice under

law, our free public education and the limitless opportunity that our way of life provides. (Out of our American way of life,) the ~~free~~ trade union movement has grown and made its influence for good a mighty force in the community.

We have not yet made a paradise of this free country of ours. I know that there are many injustices still to be righted. I know that millions among us still live in poverty through no fault of their own. I know that millions of our Negro people are still denied the free and equal opportunities to which our Constitution entitles them. I feel as humiliated as you do when I read that thousands of able and willing workers cannot find employment in war industries

D-B

because of nationality, race or religion, or when I read that Congress has refused to provide for the hundreds of thousands who have been thrown out of work by the conversion of our industries from peace to war.

All these faults and many more are undeniable; and yet, in spite of them, we in this country have always been moving forward to a better and broader and more secure future for ourselves and our children.

That forward march has now been interrupted by a combination of cruel and barbaric conquerors on other continents. They have begun by choking to death the free institutions of their own countries. They have abolished trade unions, they have perverted

education and science, they have destroyed the rights and dignity of the individual, and they have re-established conditions of tyranny that we thought had passed forever from our kind of world. Not content with that, they have murdered in cold blood one free country after another. I shall not read the tragic list of countries, once as free as our own, which have had their independence blotted out one by one, by these new forces of paganism and terror. Nor do I need to tell you in detail of the crimes committed and the miseries inflicted upon hundreds of millions in the name of the so-called "new order." You know them well, and you know how

many of ~~your own comrades~~ have been imprisoned, tortured or murdered.

Only the other day I heard of a town of 3,000 people in what was the free republic of Latvia. It was happy and prosperous in the old days. Its people dreamed the same dreams as you do, hoped for the same kind of future that you hope for, believed in the same ideals that we in America believe in. The Germans have occupied that town since last summer. Recently the German commander issued an order that because the town would not "cooperate" -- that was the word -- the entire town was to be burned to the ground, all of its 3,000 citizens were to be arrested and placed in a concentration camp, and 30 of its

~~people were to be selected by their friends and neighbors to be shot as hostages for the community.~~

~~That is not an isolated case. It is not a remote occurrence thousands of miles away.~~ ^{Today} This tide of conquest and barbarism is sweeping the whole world. This evil thing in field-gray uniform and hob-nailed boots, is creeping up on us, even on us in our sheltered continent. It has broken loose on both sides of us, across the Atlantic and Pacific. It has swept away decency, kindness, freedom and life itself in countries that thought themselves immune.

We know now that we are not safe even here in America. We know that unless we and our allies win

this war there will be no survival of free trade unions, no liberation of the millions of workers now enslaved abroad, no continuance of the rights that we have won in generations of struggle here at home, no better future for the working men and women of the world. Upon the outcome depends everything that American labor stands for, everything that the American laborer dreams of for himself and his children. Are we going to let a few tyrants and their armies of death rob us of that future?

As I have said repeatedly, this^R is not a token war and it cannot be fought or won by token effort. It is a war of desperate seriousness. It is so

serious that it allows no margin of safety for any of us. If I know American labor, I know that you will want to work harder and faster than ever before on the assembly lines, in the shipyards, in all the factories where the weapons and the materials of victory are being forged.

You cannot set a price on the American ^{ideal} ~~dream~~.

You cannot measure its worth in terms of money or of sacrifice. It is one of those beliefs that are beyond price, because they are worth more than life itself. It is a faith that Americans have fought for and died for and they will do so again without question, for life without that faith would not be worth living. If American civilians are to be true

to that faith -- and I know they are -- they will work and sweat and save and exert every ounce of effort until victory is won.

That effort will take many forms, among them the production of ever greater quantities of weapons, the conservation of materials, the acceptance of higher taxes, and the purchase of Defense Bonds. It may not be dramatic to set aside a part of your pay each week for bonds, but it is tremendously important to the success of the war effort, and it is something that can be done by everyone who receives a regular income.

I shall accept your pledge of a billion dollars as a demonstration that American labor will not let

and that you will not allow
to perish from the earth.

SECRETARY MORGENTHAU'S BROADCAST
TO THE AMERICAN FEDERATION OF LABOR
8 P.M. FEBRUARY 22, 1942.

1:30 p
2/21
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President Green and members of the American Federation of Labor: This pledge of yours to buy a billion dollars of Defense Bonds in 1942 is a magnificent example to the whole country. It is the biggest ~~single~~ pledge that has come to us from any single organization. It amounts to about \$200 for every one of your five million members. In fulfilling your pledge you will be giving still further proof that American labor is ready to do its utmost to win this war for freedom.

This war is a crisis for the American labor movement in more ways than one. We in this country have prided ourselves upon our freedom of speech and

worship, our system of equal justice under law, our free public education and the limitless opportunity that our way of life provides. From these American freedoms the trade union movement has grown and made its influence for good a mighty force in the community.

We have not yet made a paradise of this free country of ours. I know that there are many injustices still to be righted. I know that millions among us still live in poverty through no fault of their own. I know that millions of our Negro people are still denied the free and equal opportunities to which our Constitution entitled them. I feel as humiliated as you do when I read that thousands of able and willing workers cannot find employment in war industries because of nationality, race or religion, or when I read that

Congress has refused to provide for the hundreds of thousands who have been thrown out of work by the conversion of our industries from peace to war.

All these faults and many more are undeniable; no one can honestly say that we have reached our destination. Nevertheless, we in this country have always been moving forward on the eternal quest for a better and broader and a more secure future for ourselves and our children.

That forward march has now been gravely imperilled by a combination of cruel and barbaric conquerors on other continents. They have begun by choking to death the free institutions of their own countries. They have abolished trade unions, they have perverted

education and science, they have destroyed the rights and dignity of the individual, and they have re-established conditions of tyranny that we thought had passed forever from our kind of world.

Not content with that, they have blotted out the independence of one free country after another.

I shall not read the tragic list of countries, once as free as our own, which have had their peoples enslaved by these new forces of paganism and terror.

Nor do I need to tell you in detail of the crimes committed and the miseries inflicted upon hundreds of millions in the name of the so-called "new order."

You know them well, and you know how many workers in

other countries have been imprisoned, tortured or killed -- for no other reason than that they were members of labor unions. Organized labor, at least, never made the mistake of imagining that we could compromise with the authors of those crimes. Organized labor in this country has always recognized fascism for what it is, and has known from the beginning that the fascist system was a deadly menace to our free institutions.

Today, as you ~~of organized labor~~ foresaw, the tide of fascist conquest and barbarism is sweeping the whole world. This evil thing in field-gray uniform and hob-nailed boots, is creeping up, even on us in our sheltered continent. It has broken loose on both sides of us, across the Atlantic and Pacific.

We know now that we are not safe even here in America. We know that unless we and our allies win this war there will be no survival of free trade unions, no liberation of the millions of workers now enslaved abroad, no continuance of the rights that we have won in generations of struggle here at home, no chance to win a better future for the working men and women of the world.

As I have said repeatedly, this is not a token war. It cannot be fought or won by token effort. It is a war of desperate seriousness. It is so serious that it allows no margin of safety for any of us.

Organized labor has never underestimated the size or scale of the war effort that will be needed; your unions, for example, long ago urged the quick conversion of our peacetime industries to war production, even though the effect would be temporary unemployment for large numbers of workers.

From now on the war effort on the home front will take many forms, among them the production of ever greater quantities of weapons, the conservation of materials, the acceptance of higher taxes, and the purchase of ^{*more and more*} Defense Bonds. It may not be dramatic to set aside a part of your pay each week for bonds, but it is tremendously important to the success of the war effort as a whole, and it is something that

can be done by everyone who ^{earns} receives a regular income. I ~~shall~~ accept your pledge of a billion dollars as a demonstration that you will support the war effort with all your might, no matter how hard or how long the war may be.

You cannot set a price on the things for which America stands. You cannot measure their worth in terms of money or of sacrifice. They constitute a faith that is beyond price because it is worth more than life itself. It is a faith that Americans have fought for and died for, and they will do so again, for life without that faith would not be worth living. If Americans are to be true to themselves and to their future, they will ^{fight} ~~work~~ and sweat and save and exert every ounce of effort until victory is won.

February 21, 1942
10:25 a.m.

Operator: Go ahead.

Nelson
Rockefeller: Hello.

HMJr: Hello, Nelson.

R: Good morning, sir.

HMJr: How are you?

R: Say, I've got some good news. You've probably already heard it, that Donovan's back in again.

HMJr: They told me about that yesterday. I think that that's swell.

R: So that that simplifies our problem again to that extent, and I think we're off to the races.

HMJr: Wonderful.

R: Good.

HMJr: I hear there's a man in town - my wife met him last night, I didn't, she was at the White House - by the name of Leigh, the NBC man from Berlin, and I'm going to try to get hold of him.

R: Oh, really. That's interesting.

HMJr: He's just out of Berlin, and she says he's got a wonderful story.

R: Oh, marvelous. Well, he might make a pretty good consultant on some of the details of the picture.

HMJr: That's what I thought.

R: Good.

HMJr: Well, I'm awfully glad, and after all, three legs to the stool are better than two.

R: (Laughs) Yeah. Right you are. Now, one other

thing.

HMJr: You see, that's the farmer talking.

R: (Laughs) Well, it's pretty sound, earthy advice, I think, too.

HMJr: All right.

R: Mr. Morgenthau, the other thing I wanted to ask you was in connection with the matter we were discussing the other day.....

HMJr: Yeah.

R:it would be tremendously helpful to us if we could work with Harry on that.

HMJr: You can. He knows about it.

R: He does know about it.

HMJr: Yeah. And the other thing that I just learned about and I'm throwing in the pot - I didn't know that we controlled Sofina.

R: Sofina?

HMJr: Yeah.

R: We do?

HMJr: Do you know Sofina?

R: No.

HMJr: She's a nice girl.

R: (Laughs)

HMJr: Don't you know Sofina? That's that Belgian Investment Trust.

R: Oh, really?

HMJr: Yeah. And - which has - they tell me has control

of a lot of this stuff in the Argentine, and we have that all in the frozen funds.

R: Oh, that's just one of the things you found in the net when you looked in to see what was under frozen funds.

HMJr: Yes.

R: That's very interesting.

HMJr: And I forget this man's name. He's an American, you know, and he went over there years ago.

R: Hineman.

HMJr:

R: Yeah.

HMJr: And in that thing are a lot of these - I believe - the street railways in the Argentine.

R: Say, wonderful.

HMJr: And that is all in Sofina, which is under our control.

R: Uh huh. Well, I'm very interested in that. That's very interesting. Well, now, would it be all right then if Bea - Bea. Ruml gets in touch with Harry on this?

HMJr: Sure.

R: Prior to our meeting the latter part of next week.

HMJr: Right.

R: Okay.

HMJr: Thank you.

R: Thanks loads.

HMJr: Good-bye.

R: Good-bye.

February 21, 1942
10:28 a.m.

HMJr: Hello.

Felix
Frankfurter: Felix.

HMJr: Felix, the Great! How are you?

F: Have you got two minutes on the phone?

HMJr: No, but I have four.

F: All right. I may need as many as that.

HMJr: Go ahead.

F: There are a lot of things I want to talk to you about, but I shall only talk about a very specific thing now.

I have a letter this morning from one of the men about whom not only I, but what is more important, the President of the United States, cares about as much as he does about - well, there are not many people about whom he cares more than C. C. Burlingham.

HMJr: Charlie Burlingham.

F: Charlie Burlingham.

HMJr: Yeah.

F: Well, you know what - he is a grand fellow.

HMJr: Yes.

F: He writes me about a personal problem and it is this. He has a grandson whom I know well.

HMJr: Yes.

F: Bob. I don't know whether you know him.

HMJr: No.

F: He's married and he has a child and he's one

of these fellows - I'm talking to you because I know your sympathetic understanding and knowledge of this particular situation and your experience because of your boy.

HMJr:

Yes.

F:

This grandson of his, whose father is not living, is a boy whom I knew well from childhood almost, and was a difficult boy and not until very recently - in recent years - did he find himself.

HMJr:

Yes.

F:

And he's found himself, and his gift is architecture.

HMJr:

Yes.

F:

And he's about to graduate from Columbia School of - what is it - Design, Architecture.

HMJr:

Yes.

F:

And he's shown great capacity and talent there, et cetera.

HMJr:

Yes.

F:

Charlie Burlingham writes that he's unfit for military service - the other grandson, Michael, is fit and is going in or about to do it - and he's much interested in the - their mother is abroad and the father is dead, so Charlie's really the local parent - he's really guardian for the boys. And this lad would like to get into some form - of course, he wants to do something connected with the war and his own aptitude and experience and whole soul interest is something to do with housing somewhere.

HMJr:

Yeah.

F:

And so he asked me - he doesn't want anything, but he wants to know - tell him to whom to write and what to do about it - he says he finds the only

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person in the Housing Authority he knows is Nathan Straus, and he's out now. He said, "Just send me some names to whom I can write about the boy." And I thought of you - of your own relation and knowledge with this problem, and I'd get some advice from you.

HMJr: Well.....

F: This gentleman is entitled to all the help we can give him.

HMJr: Well, I would - do you know Wayne Coy?

F: Well, I know who he is and so on.

HMJr: Well, those housing agencies come under him.

F: Under Wayne Coy?

HMJr: Yeah. Under OEM.

F: Oh, really.

HMJr: Yes. And he would be - he could tell you, because there's about five of them, you see?

F: Uh huh.

HMJr: And he could tell you better than anybody else.

F: To whom the boy could apply or what.

HMJr: Yes.

F: He wants to have some share in doing housing planning or so on for.....

HMJr: Well, I would.....

F: Where's your boy? Your boy's out in Cleveland.....

HMJr: Cleveland.

F: Cleveland.

HMJr: Yes. But Wayne Coy would know this and if you

ask him, I'm sure he'd see the boy.

- F: Well - well, that's a grand tip. I wouldn't have known that at all.
- HMJr: No.
- F: You mean the passionate anonymity covers this, is that it?
- HMJr: I don't know how passionate it is.
- F: (Laughs) Or how anonymous.
- HMJr: What?
- F: Her how anonymous.
- HMJr: Yes.
- F: (Laughs)
- HMJr: But that would be the place to go.
- F: All right.
- HMJr: It's a big day for me. I say this is a big day for me.
- F: Tell me why.
- HMJr: Well, if I can tell The Frankfurter where to go in the Government, I've almost arrived.
- F: Say, listen, I've only got two legs; and I need both of them.
- HMJr: (Laughs)
- F: One you almost pulled off last time.
- HMJr: Yes.
- F: I think you ought to be charitable enough, even though you're a hard-hearted Shyleck about Government money.....
- HMJr: Yeah.

F:to leave me my legs. You can't turn that into money.

HMJr: Well, listen, the thing that you said - you got the last word when you said I capitalized on my stupidity.

F: (Laughs)

HMJr: So I tried to come back.

F: (Laughs) Well. May I say that the Frankfurters have been enjoying the Morgenthau every time they see them?

HMJr: And may I say vice versa?

F: Henry, I read with a pretty sad heart - well, I read with pride and glory Mrs. R's letter, and pretty sad, the whole business, except as always she comes out grandly.

HMJr: Yes.

F: To any disinterested person.

HMJr: That's right.

F: Did you see our Arthur Sulzberger this morning on her?

HMJr: No.

F: He has an editorial trying to be decent.

HMJr: Oh, really.

F: Yes.

HMJr: Oh.

F: And in a way he was, but.....

HMJr: Our Arthur?

F: What?

HMJr: Our Arthur.

F: Say, what I could tell you about him.....

HMJr: (Laughs)

F:could beat you.

HMJr: What can you tell me about him?

F: I don't boast often, but I think I can trump any of your cards about that outfit.

HMJr: What can you tell me about Arthur?

F: Well, I mean about his - well, next time I see you I'll tell you some terrible things.

HMJr: About what?

F: Oh, his whole attitude toward FBI and the War effort, and.....

HMJr: Oh, really?

F:the support of - Oh, I don't mean that he isn't - and Arthur Kreck. It's incredible. I don't want to do it over the phone, but I do want to tell you the kind of.....

HMJr: Well, I'd love to hear it.

F: It's incredible.

HMJr: My tongue's hanging out.

F: Yes. And you'd be much surprised, wouldn't you?

HMJr: No, but I'd like to know the details.

F: No, but I mean, nothing - you knew.

HMJr: No.

F: There was a - (laughs) - get a minute?

HMJr: I've got three minutes.

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F: There was a fellow - when I was a young fellow first at the bar, there was a fellow in New York who presided in the City Court in Yorkville.....

HMJr: Yes.

F:named Herman Joseph.

HMJr: Yes.

F: He was a very, very able fellow, rather smart and a little cynical, and of much greater ability than the lower court.

HMJr: Yeah.

F: And in that court, as is the way in these local courts in New York, there's a specialized bar - fellows who practiced, well, most of the cases.

HMJr: Yeah.

F: There were two fellows, a man named Jacob Stine and a man named Silverman, who were constantly on opposite sides.

HMJr: Yeah.

F: And one of them was a boozier, and the other fellow was very good, but not so much of a boozier.

HMJr: Yes.

F: And Jacob Stine would get Silverman's goat, always.

HMJr: Yeah.

F: One day, Silverman was so provoked that he called him - in the days when it wasn't a term of refinement - an S.O.B.

HMJr: Yeah.

F: See?

HMJr: Yeah.

F: You know, thirty years ago one didn't say such things.

HMJr: Yeah.

F: At dinner parties.

HMJr: Yeah.

F: So Herman Joseph heard this. He said, "Mr. Silverman, what did you say?" And the peer fellow was scared stiff, scared stiff, and he said, "I didn't" - well, the upshot was - it's a long story, but Joseph finally said, "Mr. Silverman, you take the witness stand. Mr. Clerk, swear him." So he took the oath, and took the witness stand, and finally there was no way out of it, but the judge insisted that Silverman tell what he had said in open court.

HMJr: Yeah.

F: And he said, "Your Honor, I was greatly pre-
voked; I didn't mean it."

"I want you to say it."

Finally he said, "Well, your Honor, I'm sorry
but I did say that Mr. Jacob Stine was an S.O.B."

Thereupon the judge said, "That will do. I
always knew it, but I wanted it under oath."

HMJr: (Laughs) I see.

F: Next time I see you, I'll tell you some
stories.

HMJr: Well, I - and I guess - and it goes back to
the previous paragraph.

F: (Laughs)

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HMJr: (Laughs)

F: Well, there shouldn't be an interruption on this. One paragraph should follow another.

HMJr: I see.

F: All right, Henry. You've given me just what I wanted.

HMJr: And you've given me what I needed.

F: (Laughs) Good-bye, Henry.

HMJr: Good-bye.

February 21, 1942
10:47 a.m.

Operator: Go ahead.

HMJr: Hello.

Ganson
Purcell: Good morning, Mr. Secretary.

HMJr: Hello, Mr. Purcell.

P: You called me, sir.

HMJr: Well, I called you because I was anxiously awaiting to hear from you.

P: Yeah, I thought probably that was it. I think we can probably work it out.

HMJr: Good.

P: I have to talk to the rest of the Commission. I haven't been able to do that because some of them are in Philadelphia.

HMJr: Oh.

P: But I'll cover them by phone, and.....

HMJr: Helle.

P:could I call you later?

HMJr: How much later?

P: Well, I don't know how long it will take me to get ahold of them; but sometime before one o'clock.

HMJr: Could you try to get me before twelve-thirty?

P: I will, indeed. Surely.

HMJr: Will you?

P: Yeah.

HMJr: Because I want to try to get word to the President. You see, I'd love to get a

clearance on this.

P: Yeah. All right. I'll call you then.

HMJr: I'm delighted.

P: All right.

HMJr: And I always believe in - that is, every street - the traffic goes in both directions.

P: You don't live in one of these cities where they do this fancy one-way stuff.

HMJr: No. And we'll be glad to be helpful when we can to the SEC.

P: Well, we want to - I told you before, we always want to be helpful to you and we'll do what we can.

HMJr: Well, I appreciate the spirit, and I'll look forward to your call.

P: I'll call you then.

HMJr: Thank you.

P: All right, sir.

HMJr: Good-bye.

February 21, 1942
1:11 p.m.

HMJr: Hello.

Gansen
Purcell: Yes, Mr. Secretary.

HMJr: Yes.

P: I'm sorry I didn't get you by 12:30, but I was having difficulty in reaching my Commissioners.

HMJr: I see.

P: One of them I haven't reached yet, but the rest of us have decided to speak for him.

HMJr: Right. Hello.

P: Yes.

HMJr: Go ahead. What's the answer?

P: Well, the answer is this, sir. I'll say to you facetiously first that after discussing the matter with my colleagues, I can say that you're not a very popular man over here.

HMJr: I see.

P: (Laughs)

HMJr: Well.....

P: Now everybody feels that it's something that we've got to do.

HMJr: Yes.

P: I discussed it at great length with Sumner last night. He wants to do the job and get the thing in shape, and get back to us just as quickly as he can.

HMJr: Yes.

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P: As he told you, the only basis on which he would like to have it done would be that it be at the request of the President.

HMJr: Uh huh.

P: As a consequence, I'm writing a letter to the President.....

HMJr: Yeah.

P:sent over by messenger, in which I refer to your discussions with me and give just a brief statement as to Sumner's value to us.

HMJr: Yes.

P: I recognize your problem, and say that the Commission feels that we've got to pitch in and aid in the war effort.

HMJr: Right.

P: And I ask him to - I tell him of Sumner's desire - and ask him if he would be willing to send a letter back to us.

HMJr: Yes.

P: And I attach a draft of that letter.

HMJr: Fine.

P: And I'd like to read that to you.

HMJr: Please.

P: if you will.

HMJr: Please.

P: Addressed to me, "Dear Mr. Chairman: Secretary of the Treasury Morgenthau in his handling of matters relating to alien property in the United States, is faced with an acute problem relative to the operations of the General

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Aniline and Film Corporation. He has been diligently seeking to find a man with the necessary qualifications, with experience and ability to discharge the difficult task of organizing the desired administration of this company."

HMJr:

Yes.

P:

"Secretary Morgenthau has found in the person of Commissioner Sumner T. Pike of your Commission, the man possessing these qualifications in the highest degree. While I appreciate that Sumner Pike is of outstanding assistance in the administration of the statutes charged to your Commission, his services for a limited period to do this job would be of tremendous help in the war effort."

HMJr:

Yes.

P:

"May I request, therefore, that you arrange to loan Commissioner Pike to the Secretary of the Treasury for the brief period that would be required to work out these problems."

HMJr:

Yes. Plus perfect.

P:

That sound all right to you?

HMJr:

Perfect.

P:

All right, sir.

HMJr:

I'm ever so much obliged.

P:

Well, we're very glad to be able to do it.

HMJr:

And you think you'll get that over today?

P:

I'll have that over just as soon as I possibly can.

HMJr:

Right.

P:

Now, may I ask you one or two questions?

HMJr: Surely.

P: In discussing it with the Commissioners, one of them raised the problems we're going to have in moving.

HMJr: Yes.

P: When we're moving from here to Philadelphia, we can't do it all in one day.....

HMJr: Yeah.

P:and we're going to have the question of how we're going to operate; and we had planned on having three Commissioners at one end and two at the other.

HMJr: Yeah.

P: So that we would have a majority all the time at one place.

HMJr: Right.

P: A quorum.

HMJr: Yes.

P: This sort of knocks that out if he were to go immediately.

HMJr: Yeah.

P: Would you need him until after we had moved?

HMJr: Oh, I need him Monday.

P: You need him Monday.

HMJr: Yeah.

P: Well, that's a need that couldn't be postponed.

HMJr: No, I'm a week behind now.

P: I get you.

- 5 -

HMJr: I'm a week behind schedule now.

P: Well, then, we'll just have to ask Sumner to be available on the telephone for tough questions.....

HMJr: That's right.

P:which he says he'll be glad to do.

HMJr: Good.

P: Now, the other question is one of publicity.

HMJr: Yes.

P: It would be very helpful to us, as I think you got from my conversation yesterday, and certainly I think Sumner wants it, if it were publicly known that the President was asking us to let him do this job.

HMJr: Oh, I think that that correspondence should be given out.

P: Well, we could give out the President's letter.

HMJr: Yes.

P: I hesitate to give out mine, because I've put some remarks in there which I wouldn't want to be generally public as to the - some of the considerations which would be involved in his leaving the Commission.

HMJr: Yes.

P: But do you think that one letter would be satisfactory?

HMJr: Oh, surely.

P: All right. We'll try and arrange to do that then.

HMJr: I think that would be fine.

P: All right.

HMJr: I'm all for it.

P: All right, Mr. Secretary.

HMJr: Anything else?

P: Not that I think of at the moment.

HMJr: Fine. Well, don't.....

P: If you think of anything else, just call me.

HMJr: I'll do that.

P: Thank you.

HMJr: Ever so much obliged.

P: You're quite welcome, sir.

HMJr: Thank you.

P: Good-bye.

HMJr: Good-bye.

February 22, 1942

A little after eleven o'clock today, Ganson Purcell of SEC called me up. He received word sometime after six o'clock on Saturday from Grace Tully that the President didn't want to write a letter saying it was all right for Sumner Pike to come with the Treasury. He said if he did it for Sumner Pike he would have to do it for a lot of other people because he had many similar requests. However, he thought it was a grand idea for Sumner Pike to come with us temporarily to get us started on Aniline.

Purcell then said that Sumner Pike said he would have to think the thing over. Then I said that as far as I was concerned it was all right and I would be glad to write a letter to Sumner Pike.

I then called up Ed Foley and told him to get ahold of Sumner Pike and see whether he was all right on the matter, and if he wasn't I would see him at five o'clock today.

February 21, 1942
12:36 p.m.

Dean
Acheson: Hello.

HMJr: Good morning, Dean.

A: Good morning, Henry.

HMJr: I've got two things that you could help me on. Have you got a pencil?

A: Just one minute and I will have one.

HMJr: Hello.

A: Yeah.

HMJr: The opera singer, Lotte Lehman.....

A: Yes.

HMJr:her secretary's name is Constance Hope, in New York.

A: Constant or stance?

HMJr: Stance.

A: Yes.

HMJr: And it's Plaza 3-3390.

A: Yeah.

HMJr: Hello.

A: Yes.

HMJr: My interest is this. She's sung for us on the Treasury Hour, you see? Now, she called us and she wants to go to Canada to give a concert, and she wants to come back again; and we've tried - my people have tried, and the thing - her permission - is hung up somewhere between the Bureau of Immigration and the State Department, and I understand today is the deadline.

I just got this word a few minutes ago. But we can't do it. I don't know - somebody's moving and in the State Department I think your Visa Department or something is moving, and it takes somebody like yourself to dynamite it loose. Hello.

A: Yes. I will get ahold of Avra Warren and see what can be done.

HMJr: And could I forget about it?

A: Surely. I'll do the best I can. Do you want me to.....

HMJr: Would you mind letting Constance Hope know one way or the other?

A: Yes, sir.

HMJr: Because, as I say, she has done this for us so that I'd like to do something; and these opera singers have been terribly nice about all of them giving their time for us.

A: Yes.

HMJr: And Lotte Lehman went on and spoke in German appealing to the people in this country to buy Defense Bonds, and she's got people abroad and it took a lot of nerve to do that.

A: Yes.

HMJr: You know who she is.

A: Oh, I know her, yes.

HMJr: Now, that's that. I'd appreciate it if you'd just - and as I understand it, today is the last day. They always let you know the last minute.

A: Yes. I'll do my best.

HMJr: If she can't get it, she won't go to Canada.

A: Yeah. Has it been cleared with the Canadians?

HMJr: Oh, I'd take that for granted. Her concert has been advertised and scheduled in Canada.

A: Yes.

HMJr: So I suppose so.

A: All right.

HMJr: Now, that's that. And the other thing is, I've had no word back from you or Sumner Welles as to whether he's going to accept my word on this business of alien property or not.

A: Well, I was going to call you up today. I talked with him yesterday, and he says that if you feel strongly about it, why he - it's all right with him.

HMJr: Good.

A: He thought it would be desirable to have it down so that our subordinates would understand what we'd agreed to. He doesn't want to be put in a position of where you think he's questioning you or your cooperativeness, which has always been a hundred per cent. He would like it the other way, but he says if you don't want him to press it, he won't press it.

HMJr: No. Tell him no, I don't want to do it; and if he doesn't press it, I can't cooperate any more than I have, but if it's possible, I will, because now I'm on my honor.

A: All right, Henry.

HMJr: And plus my past record.

A: Well, I will tell Ed, with whom I've had some talks, that we are not going to send over any letters; that you and I talked about it, and that he can talk with you.

HMJr: Right.

A: We understand that it will not be extended to

any other countries without talking with us first, and that you won't take the property of any neutrals without talking with us.

HMJr: Absolutely.

A: Okay.

HMJr: Thank you so much.

A: Yes.

HMJr: And take care - I never met Lotte Lehman - but take care of her for me.

A: I'll do the best I can, and do it right away.

HMJr: Thank you.

A: All right.

Why should your
son have a nice, soft,
safe, cushy job while
other father's sons are
blown to bits? Because
he is a Jew? Why does
the Movie Industry get
blanket exemption? Be-
cause they are 98% Jews?
The Jews yelled loudest
for war and now are too
"yellow" to fight. Present -
ment is rising hourly.
The hand writing is
on the wall for all to see.
The people are fed up with
the media. M. J. Taylor
1971, 71

Friend -
If you was so bent
to get us into
this war, but it
not so hot when
your son should
go to war. I
guess he will be
in the Army
of the stay at home
no war for him
only the poor people
of our country are
always the ^{slacker} ~~slacker~~
NOT THE BOY

32 Court St.
Brooklyn NY 11201
Sir:
Kindly advise me why your
son - 25 years of age cannot in
the Army or Navy.
Why do you think that at 25 he is
irreplaceable on a Housing Project when
to the minds of the American people there are
many more, more mature men more
capable & far better equipped to do the job.
E. R. Dunn

February 21, 1942

Dear Mr. Dunn:

I am very glad to reply to your post card of February 13 in which you ask about my son Henry.

Ever since my son was seventeen, his greatest interest has been in the field of public housing, and his work at Princeton and subsequently has been directed toward a career in this field. His first work after graduating from college was with the National Association of Housing officials, whose purpose it is to train young men to go into the field of public housing. Next he was called to Cleveland by Mr. Ernest Bohn of the Municipal Housing Authority as a research assistant, and served in that capacity until January of this year. In December 1941 he received several offers as the result of his special training, and the position which he finally accepted was the one for which he was best qualified.

On accepting it, he explained that his draft number had not yet been drawn, and that when it came up he would claim no exemption and would not allow exemption to be claimed for him because he was working in defense housing. My son is doing exactly what General Hershey is advising, namely that men of draft age who are doing a useful job should remain in that job until they are called into active service.

You may wish to know that my son Henry has been volunteering his time at night to help on the Cleveland Defense Council in connection with the housing situation. You may also be interested to know that my younger son Robert, who is twenty-two years old, is now on active duty aboard a destroyer.

Sincerely yours,

(Signed) E. Borzenthals, Jr.

Mr. E. R. Dunn,
32 Court Street,
Brooklyn, N. Y.

FK/hkb

February 21, 1942

DEAR Mr. Dunn:

I am very glad to reply to your post card of February 13 in which you ask about my son Henry.

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Sincerely yours,

(Signed) E. Borsthaus, Jr.

Mr. E. R. Dunn,
32 Court Street,
Brooklyn, N. Y.

FK/hkb



POLICE DEPARTMENT
BALTIMORE, MARYLAND
OFFICE OF THE COMMISSIONER

406

ROBERT F. STANTON
COMMISSIONER
GEORGE J. BRIDMAN
SECRETARY

February 21, 1942.

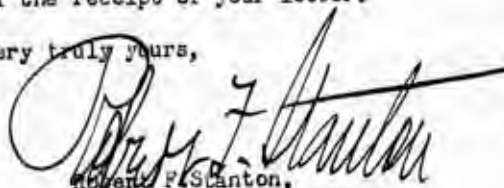
Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Morgenthau,

I have your letter of February 18 expressing appreciation for service rendered by members of this Department who were assigned to you on the occasion of the Advertising Club Banquet last Saturday evening.

It is indeed gratifying to know these officers performed their duty so satisfactorily and they will be advised of the receipt of your letter.

Very truly yours,


Robert F. Stanton,
Police Commissioner.

L.

February 18, 1942

My dear Commissioner:

The two plain clothes men you assigned to me on Saturday evening were a great help in making my visit to Baltimore an enjoyable one. This is just to thank you for your courtesy in assigning them to me.

They were efficient and helpful at every turn, and I wish very much that you would extend my thanks and best wishes to each of them.

Sincerely,

(Signed) H. Morgenthau, Jr.

Hon. Robert F. Stanton,
Commissioner of Police,
Baltimore, Maryland.

FK/cgk

M.M.C.
Copies to Fisher

February 21, 1942

Dear Dr. Bowman:

Your letter of February 17 came as a real encouragement. I am delighted to know that you liked my talk in Baltimore, and I appreciate very much the spirit that prompted you to write me about it.

Sincerely,

(Signed) H. Wergentzas, Jr.

Dr. Isaiah Bowman,
President,
The Johns Hopkins University,
Baltimore, Maryland.

FK/hkb

*File N.M.C.
Copies from*

THE JOHNS HOPKINS UNIVERSITY
BALTIMORE, MARYLAND

OFFICE OF THE PRESIDENT

February 17, 1942

Dear Mr. Morgenthau:

Your address of February 14 in Baltimore was an admirable piece of work. Believing that it will do no harm to tell you so and that it may encourage you to repeat a star performance, I am writing this brief note of appreciation.

With best wishes,

Sincerely yours,

Isaiah Bowman
Isaiah Bowman

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

Daily changes in the stock of Series E savings bonds on hand ^{1/}
(In thousands of pieces)

	: Number of : pieces sold : this day	: Number of pieces : manufactured : this day	: Stock on hand : at close of : day	: IBM : deliveries : this day
Feb. 3	158	800	15,451	-
4	262	800	15,989	2,500
5	250	800	16,539	-
6	341	800	16,998	2,500
7	159	none-closed	16,839	-
8	none-closed	none-closed	16,839	-
9	379	740	17,200	-
10	193	705	17,712	2,000
11	159	695	18,248	-
12	220	640	18,668	-
13	144	370	18,894	-
14	87	none-closed	18,807	-
15	none-closed	none-closed	18,807	-
16	363	535	18,979	2,500
17	89	800	19,690	1,000
18	218	800	20,272	1,000
19	160	800	20,912	1,000
20	193	800	21,519	1,000

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

February 21, 1942

^{1/} Includes stock in hands of (1) Federal Reserve Banks and branches, (2) Post offices, (3) Federal Reserve Bank issuing agents, and (4) Treasury vaults in Washington.

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Seventeen Business Days of February and January 1942 and December 1941
 (February 1-20, January 1-20, December 1-19)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	February	January	December	February	January	February	January
	1942	1942	1941	over January	over December	over January	over December
Series E - Post Offices	\$ 66,622	\$107,818	\$ 50,192	-\$ 41,196	\$ 57,626	- 38.2%	114.8%
Series E - Banks	<u>246,176</u>	<u>307,656</u>	<u>94,596</u>	- <u>61,480</u>	<u>213,060</u>	- <u>20.0</u>	<u>225.2</u>
Series E - Total	312,798	415,474	144,789	- 102,676	270,686	- 24.7	187.0
Series F - Banks	38,021	44,640	15,028	- 6,619	29,612	- 14.8	197.0
Series G - Banks	<u>193,776</u>	<u>182,251</u>	<u>86,379</u>	<u>11,525</u>	<u>95,872</u>	<u>6.3</u>	<u>111.0</u>
Total	<u>\$544,595</u>	<u>\$642,365</u>	<u>\$246,196</u>	-\$ <u>97,770</u>	<u>\$396,169</u>	- <u>15.2%</u>	<u>160.9%</u>

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

February 21, 1942.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - February 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
	Series E	Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
February 1942									
2	\$ 8,435	\$ 34,150	\$ 6,191	\$ 19,795	\$ 60,136	\$ 42,585	\$ 6,191	\$ 19,795	\$ 68,571
3	3,572	7,887	2,793	19,518	30,199	11,459	2,793	19,518	31,770
4	4,893	16,537	3,937	18,515	38,989	21,430	3,937	18,515	43,882
5	4,257	16,149	2,367	14,646	33,156	29,406	2,367	14,646	37,413
6	4,310	23,510	3,829	18,620	45,958	27,820	3,829	18,620	50,269
7	3,023	10,039	2,019	6,174	18,233	13,062	2,019	6,174	21,256
9	5,486	25,354	3,071	16,265	44,690	30,839	3,071	16,265	50,176
10	3,902	11,794	1,109	12,679	25,581	15,695	1,109	12,679	29,483
11	3,279	9,782	1,487	7,637	18,906	13,061	1,487	7,637	22,185
12	3,293	14,670	1,584	7,781	24,035	17,963	1,584	7,781	27,328
13	2,710	9,026	1,047	4,385	14,458	11,736	1,047	4,385	17,168
14	1,714	5,740	113	1,152	7,005	7,424	113	1,152	8,729
16	5,741	22,405	3,212	13,748	39,362	28,147	3,212	13,748	45,107
17	2,639	4,285	690	3,211	8,187	6,924	690	3,211	10,825
18	2,992	13,911	1,715	14,118	29,745	16,903	1,715	14,118	32,737
19	3,147	9,167	1,401	9,401	19,969	12,313	1,401	9,401	23,115
20	3,231	11,769	1,455	6,138	19,362	14,999	1,455	6,138	22,592
Total	\$ 66,622	\$246,176	\$ 38,021	\$193,776	\$477,973	\$312,798	\$ 38,021	\$193,776	\$544,595

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

February 21, 1942.

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

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

THE COMBINED CHIEFS OF STAFF
WASHINGTON

February 21, 1942.

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

Dear Mr. Morgenthau:

Your note of congratulations on my promotion is sincerely appreciated, and, although I have moved my office from the War Department to the new headquarters across the street, I hope you will still call on me for anything which I can do to provide close contact between your office and the various War Department branches.

Faithfully yours,



W. B. SMITH,
Brigadier General, U. S. Army.

TREASURY DEPARTMENT

WASHINGTON



DEFENSE SAVINGS STAFF

Columbia, S. C.
February 21, 1942Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Morgenthau:

I have heard of the satisfactory outcome of the alien property and foreign fund control situation, which makes me quite happy. I am very glad that it was settled to your entire satisfaction.

With my best regards, I am

Sincerely yours,

A handwritten signature in cursive script, appearing to read "B. M. Edwards".

B. M. Edwards
Consulting Expert

BME:atb

MEMORANDUM

February 21, 1943.

TO: The Secretary
FROM: Mr. Sullivan

JLS

Pursuant to your request of yesterday morning, I called Judge Patterson to ask for permission to see a contract in which the War Department paid for the conversion of an already existing facility and also made allowance for the re-conversion from war production to peacetime production after the expiration of the emergency.

Through his office I learned that the army has never incurred any liability for restoring a plant to its former peacetime condition, but that this particular question had been raised in a letter written by Under Secretary Patterson to Donald Nelson of the War Production Board.

The Under Secretary's office agreed to send me a copy of Judge Patterson's letter to Nelson and to advise me when this matter had been ruled upon. They are also sending me an emergency plant facility contract which reimburses the manufacturer for the price of converting from peacetime manufacturing to munitions manufacturing.

February 21, 1942

Dear Ed: "

I am sending you, enclosed herewith, a copy of my letter with statement to Mr. Nelson. I am also sending you a memorandum from Clifton E. Mack to me. *letter of 2/19-*

Please note what Mr. Mack says about the difficulties involved and particularly that the requests from the Russians, in many cases, have only recently been received.

I will continue to do everything possible to get these requests executed within the time limit and will also continue to keep you posted.

Yours sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. E. R. Stettinius, Jr.,
Office of Lend-Lease Administration,
515 22nd Street, N. W.,
Washington, D. C.

H. M. C.
By ~~Morganthau~~ *Veatch 10:45*



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

417

PROCUREMENT DIVISION

WASHINGTON

February 20, 1942

MEMORANDUM TO THE SECRETARY:

Following your telephone call, I went to see Mr. Nelson this evening and went over the list of Russian Protocol requirements which showed the present status. He advised that Mr. Swope's letter and the schedule attached were sent to Bill Batt and that Batt has spent most of today going over the difficult items with his men to try to find ways and means of making allocations for deliveries on the Protocol requirements by April 1st.

He emphasized, however, that requisitions were not received from the Russians in many cases until just recently, and until within the past few days, and to meet their needs, requirements must be taken away from the British or our own military needs. Mr. Nelson added that Batt is vitally concerned because he participated in the negotiations which resulted in the Protocol and will do everything possible to overcome existing deficiencies by April 1st, but Mr. Nelson felt there may be some requirements on which requisitions were recently received that might not be cleared up by April 1st because of insufficient productive capacity on such items.

I have arranged tonight to have one of our men work with Batt's people to be currently posted and to avoid any delay. I will have a status report for you Monday morning.

Clifton E. Mack
Clifton E. Mack
Director of Procurement

FOR DEFENSE





TREASURY DEPARTMENT

418

PROCUREMENT DIVISION

WASHINGTON

February 21, 1942

OFFICE OF THE DIRECTOR

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended February 21, 1942.

During the past week the War Production Board suspended allocations on 359,411 tons of steel which had been requisitioned for delivery to the United Kingdom, and the production will be diverted to other war uses. This action was taken because of the accumulation of steel on hand in excess of actual shipping requirements.

Clifton E. Mack
Clifton E. Mack
Director of Procurement

W.S.

FOR DEFENSE



BUY
UNITED STATES
SAVINGS
BONDS
AND STAMPS

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF FEBRUARY 21, 1942
 (In millions of dollars)

	Total	U.K.	RUSSIA	CHINA	ADMINISTRATIVE EXPENSES	UNDISTRIBUTED & MISCELLANEOUS
Allocations	\$931.2 (930.5)	\$716.7 (701.0)	\$143.0 + (118.0)	\$67.4 (57.5)	.9 (.9)	\$13.2 (53.1)
Purchase Authorization (Requisitions)	\$728.1 (872.5)	\$528.3 (511.1)	\$153.4 + (117.7)	\$41.5 (41.8)	-	\$ 1.9 (1.9)
Requisitions cleared for purchase	\$637.1 (821.6)	\$437.4 (495.2)	\$104.0 + (30.4)	\$35.8 (34.1)	-	\$ 1.9 (1.9)
Obligations (Purchase)	\$576.8 (552.0)	\$452.2 (441.9)	\$ 20.8 + (79.0)	\$31.8 (29.2)	.5 (.4)	\$ 1.4 (1.5)
*Deliveries to Foreign Governments at U.S. Ports	\$195.4 (184.2)	\$177.6 (168.7)	\$ 5.9 + (4.3)	\$11.8 (10.4)	-	\$.06 (.1)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of February 14, 1942.

A Chinese requisition for shellac was reduced by \$148,606.52 and the funds reverted to undistributed allocations, causing the reduction in Chinese allocations.

The allocations for the United Kingdom and Russia were increased by 15.7 and 25.0, respectively, these funds being taken from undistributed allocations.

The Chinese "Purchase Authorizations" and "Requisitions cleared for purchase" decreased by .3 under last week. The reduction was caused by the partial cancellation of a requisition for copper ingots in the amount of \$352,800.

Treasury Department
Division of Monetary Research 420

Date March 2, 1942

To: Miss Chauncey

This is re-draft mentioned in the minutes of meeting in Mr. Bell's office February 20th.

It was given to Dr. Soong on February 22nd and he probably cabled it to China shortly thereafter.

The reply we got today was commenting on the cable which Dr. Soong sent. (#176, from Chungking, March 1.)

L. Shanahan

MR. WHITE
Branch 2058 - Room 214½

WHEREAS, The Governments of the United States of America and of the Republic of China are engaged, together with other nations and peoples of like mind, in a cooperative undertaking against common enemies, to the end of laying the bases of a just and enduring world peace securing order under law to themselves and all nations, and

WHEREAS, The United States and China are signatories to the Declaration of United Nations of January 1, 1942, which declares that "each government pledges itself to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war"; and

WHEREAS, the Congress of the United States, in unanimously passing Public Law No. 442, approved February 7, 1942, has declared that financial and economic aid to China will increase China's ability to oppose the forces of aggression and that the defense of China is of the greatest possible importance, and has authorized the Secretary of the Treasury of the United States, with the approval of the President, to give financial aid to China, and

WHEREAS, such financial aid will enable China to strengthen greatly its war efforts against the common enemies by helping China to

- (1) strengthen its currency, monetary, banking and economic system;
- (2) finance and promote increased production, acquisition and distribution of necessary goods;
- (3) retard the rise of prices, promote stability of economic relationships, and otherwise check inflation;
- (4) prevent hoarding of foods and other materials;
- (5) improve means of transportation and communication;
- (6) effect further social and economic measures which will safeguard the unity of the Chinese people; and
- (7) meet military needs and take other appropriate measures in its war effort.

In order to achieve those purposes, the undersigned, being duly authorized by their respective Governments for that purpose, have agreed as follows:

ARTICLE I.

The Secretary of the Treasury of the United States agrees to establish forthwith on the books of the United States Treasury a credit in the name of the Government of the Republic of China in the amount of 500,000,000 U. S. dollars. The Secretary of the Treasury shall make transfers from this credit, in such amounts and at such times as the Government of the Republic of China shall request, to an account or accounts in the Federal Reserve Bank of New York in the name of the Government of the Republic of China or any agencies designated by it. Such transfers may be requested by and such accounts at the Federal Reserve Bank of New York may be drawn upon by the Government of the Republic of China either directly or through such persons or agencies as it shall authorize.

ARTICLE II.

China desires to keep the Secretary of the Treasury of the United States informed as to the use of the funds herein provided and to consult with him from time to time as to such uses. The Secretary of the Treasury of the United States desires to make available to the Government of the Republic of China technical and other appropriate advice as to ways and means of effectively employing these funds to achieve the purposes herein described. Technical problems that may from time to time arise in effectuating the financial aid herein provided will be subjects of discussion between the Secretary of the Treasury of the United States and the Government of the Republic of China.

- 3 -

ARTICLE III.

The final determination of the terms upon which this financial aid is given, including the benefits to be rendered the United States in return, is deferred until the progress of events makes clearer the final terms and benefits which will be in the mutual interest of the United States and China and will promote the establishment of lasting world peace and security. In determining the final terms and benefits no interest charges shall be made for the financial aid herein provided and full cognizance shall be given to the desirability of maintaining a healthy and stable economic and financial situation in China in the post-war period as well as during the war and to the desirability of promoting mutually advantageous economic and financial relations between the United States and China and the betterment of world-wide economic and financial relations.

ARTICLE IV.

This Agreement shall take effect as from this day's date.

Signed and sealed at Washington, District of Columbia, in duplicate this _____ day of _____, 1942.

On behalf of the United States of America

Secretary of the Treasury

On behalf of the Republic of China

Treasury Department 424
Division of Monetary Research

Date.....February 24, 19 42

To: Miss Chauncey

The Secretary may want to
glance at this although it is not
very important at present.

H.D.W.

MR. WHITE
Branch 2058 - Room 214

TREASURY DEPARTMENT

425

INTER OFFICE COMMUNICATION

DATE February 21, 1942

TO Mr. White

FROM Mr. Friedman

Subject: Digest of dispatch from Ambassador Gauss dated January 8 in regard to China's request for an Anglo-American credit.

1. Much of what is contained in the Ambassador's dispatch is now out of date and only of academic interest. The following attempts only to extract and digest those parts of the Ambassador's dispatch which might still be of interest and use.
2. The following uses of a credit are suggested by the Ambassador:
 - (a) A domestic bond issue supported by foreign credits to be distributed among the investing public.
 - (b) The encouragement of agricultural and small industrial production.
 - (c) Promotion of imports from Russia.
 - (d) To encourage implementation of the declared agrarian reform program of the Kuomintang.
3. The Ambassador favors earmarking portions of the credit for certain purposes. He suggests that this will have a beneficial psychological effect upon those of the Chinese people who support the above measures (in particular, measures for increased production and agrarian reform).
4. The Ambassador urges, as in the past, that the United States oppose the use of any portion of the financial aid for the financing of monopolies.
5. The Ambassador encloses a memorandum of conversation between himself and the Generalissimo. This memorandum contains essentially the same material as was received in Ambassador Gauss' cable of December 30, 1941.
6. Ambassador Gauss encloses paraphrase of telegram sent by the British Ambassador to his Government on China's request for financial assistance. On December 24, Chiang Kai-shek informed the British Ambassador that he desired a loan of \$100 million from the United Kingdom. The Ambassador

- 2 -

mentioned Sir Otto Niemeyer's scheme to him. In reply, the Generalissimo said that he did not exclude the possibility of adopting Sir Otto's scheme but that it was in itself not sufficient to produce the psychological effect to which he attached so much importance.

7. Ambassador Gauss also encloses with his dispatch copy of memorandum of Mr. Vincent's conversation with Hall-Patch. Hall-Patch said that he had told the Chinese Vice-Ministers of Finance that he sympathized with their desire for reconstruction in China but that at the close of the war there would be a tremendous demand for money for reconstruction, not only in China but in England and throughout Europe, and that he felt that it was unreasonable for the Chinese to expect to obtain credits from England and America to carry on reconstruction at this time -- particularly reconstruction that would have no bearing on the successful prosecution of the war.
8. The final enclosure contained with the Ambassador's dispatch is a copy of a memorandum prepared by the Minister of Communications for the Generalissimo and Dr. Kung in regard to the financial situation in China. This memorandum suggests the issuing of Treasury bonds and saving bonds to be sold by a group of the "Appointed Banks" and to have the assurance of the Stabilization Board that foreign exchange required for the payment of these bonds would be supplied by the Board.

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DEPARTMENT OF STATE
WASHINGTON

February 19, 1942

In reply refer to
FD 893,51/7406

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of despatch no. 266, dated January 8, 1942, from the American Embassy, Chungking, China, in regard to a Chinese request for an Anglo-American credit.

Enclosure:

From Embassy, Chungking,
no. 266, January 8, 1942.

Copy:ec:2-19-42

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428

No. 266

Chungking, January 5, 1942

Subject: Chinese Request for an
Anglo-American Credit.

Air Mail

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

Sir:

I have the honor to refer to my despatch no. 261 of December 31, 1941 on the subject of finance-economic conditions in China and to my telegrams nos. 548 and 549 of December 30 and 31, 1941, in regard to the Chinese Government's request for an American credit of half a billion dollars and a British credit for one hundred million pounds, and to enclose for the Department's information (1) a memorandum of my conversation with General Chiang on December 30 when he asked me to place his request for a loan before the American Government, (2) paraphrase of a telegram sent by the British Ambassador to his government on the reference subject, (3) copy of a memorandum of Mr. Vincent's conversation with Mr. Hall-Patch, financial attache of the British Embassy, and (4) copy of a confidential memorandum prepared by Mr. Chang Chia-ngau, Minister of Communications, for General Chiang and Dr. Kung in regard to the financial situation in China.

I suggested in my telegram no. 549 of December 31, 5 p.m., that the Congress might be asked to authorize a credit to China up to a specified amount for utilization

under agreements or arrangements to be made by the executive branch of the Government after the presentation and consideration of definite proposals to be put forward by the Chinese Government.

I am convinced that credits of the magnitude requested by General Chiang (a total of about one billion U. S. dollars) are out of all proportion to the needs of the situation viewed from the political-psychological or the finance-economic standpoint - or both. While, in the absence of any definite proposals supported by factual data, only a rough estimate can be made, I feel that credits (American and British) of at most no more than a half billion dollars would generously satisfy all the requirements of the situation, psychological and financial, and that credits in excess of such an amount would be misleading and invite attempts at misuse. They would be misleading in that they might lead to popular expectation of practical results commensurate with the size of the credits, which would not be the case, because in present circumstances there is no practicable way in which such large credits could be effectively and legitimately utilized. They would invite attempts at misuse on the part of self-seeking banking and government elements who would find it difficult to resist the temptation to draw on such excessive credits for their own gain.

Aside from the broad idea of supporting government credit and retarding currency inflation, I am not informed with regard to any program for using the credits requested. Conversations with Dr. Fox and with Sir Otto Wieweyer lead me to believe that the Chinese Government has not formulated plans for coping with the serious internal situation and is therefore hardly in a position to indicate with any exactness the use it expects to make of desired foreign credits. Dr. Chang Chia-ngau sets forth in very general terms the need and usefulness of an internal bond issue supported by foreign credits (enclosure no. 4) and the Vice Ministers of Finance speak of "reconstruction" even more vaguely, and unconvincingly in so far as immediate needs are concerned (enclosure no. 3). These, I fear, are examples illustrative of the government approach to the problem. The attitude and ideas of the Minister of Finance and the Minister of Economics are no more encouraging.

In the absence of technical studies on the subject, it is difficult for the Embassy to arrive at even a relatively precise idea of the reasonably constructive uses to which the credit might be put. However, it may serve some purpose to indicate in purely suggestive terms the Embassy's thoughts in the matter based on general observation.

A domestic bond issue, supported by foreign credits, would seem to be theoretically sound and advisable. No approximately definite figures as to the amount of such bonds

that might be marketed are obtainable. The figure of two billion Chinese dollars is the one most often mentioned and under favorable conditions the amount might increase to four billions. Distribution primarily among the investing public would seem to be essential to accomplish the ends desired; that is, the withdrawal of currency from circulation and the release of goods now being hoarded. Obviously no public benefit would result from the government banks' exchanging currency in their vaults and newly issued currency for bonds backed by foreign currency at a fixed rate.

Encouragement of agricultural and small industrial production is wanting and badly needed. If it is feasible to do so, a portion of the credit might be used to support loans or grants to agricultural interests for the reclamation and improvement of farm land and to home and community industrial enterprises. The Chinese Government, notwithstanding the obvious advantages of such action, has been slow and reluctant to give assistance but it might be induced to do so if credits were set aside available only to support loans or grants of the kind. Only a very rough guess can be made as to the amount that might be earmarked for this purpose. Although there is slight likelihood that it would all be used, one hundred million dollars might be designated for the purpose of supporting grants or loans up to a billion Chinese dollars for small scale production and a like amount for agricultural improvement.

In the Embassy's telegram no. 11 of January 3, 9 a.m. Dr. Fox suggests, *inter alia*, (to the Secretary of the Treasury) use of a portion of the credit to promote imports from Russia into China. (He makes a similar suggestion with regard to imports from India). I am not in a position to evaluate the practical features of such a plan but I know that any opportunity to encourage the inflow of goods into China at this time should not be overlooked. One hundred million dollars of the credit might be set aside for this purpose in the hope that some portion could be used to accomplish the desired results;

The Central Executive Committee of the Kuomintang, at its meeting in December last, passed a resolution calling for "The execution of a land policy and the institution of government machinery to deal exclusively with land registration and the equalization of land ownership-----". Various Kuomintang organs and committees have in the past passed similar resolutions, the effect of which has been inconsequential. To encourage implementation of the resolution quoted above, a practical step would seem to be the earmarking of a portion of the credit (one hundred million dollars is suggested as a generous estimate) for the support of the necessary financing of the agrarian reform contemplated.

The Generalissimo stresses the psychologically beneficial effect of a large political loan or credit at this time but he offers no program for its use, stating that a program will be forthcoming after the credit is given. I concur in his statements as to the need and the effect of a credit (while differing with regard to the amount) but I am convinced of the advisability, from the Chinese point of view as well as our own, of earmarking portions of the credit for certain purposes. Designation of portions of the credit for support of measures suggested above may be ill-received in banking and some governmental quarters but I believe that, viewing the situation as a whole from the standpoint of general public welfare and from the standpoint of strengthening the country's economic structure for continued resistance to Japan, it will produce more constructive results than the granting of a large, lump credit or loan without designation as to use. It is well not to overlook the beneficial psychological effect upon the Chinese people of support for measures mentioned above (in particular measures for increased production and agrarian reform); and the practical effects of even partial application and implementation of such measures would fully justify our support. Probably no more than half the amounts suggested would be effectively used for the purposes mentioned and no doubt there would be administrative difficulties and inefficiencies, but even so, urgent requirements would at least be partially met - production of commodities would be increased (thereby removing some of the curse from currency inflation) and a start towards long overdue agrarian reform would be made. And those elements in China which have been urging such measures and the infinitely greater number that would benefit therefrom would be encouraged and strengthened in their resolve to support active prosecution of the war against Japan, having received a practical demonstration that they are fighting for something. The alternative is purchase of the support of the retrogressive, self-seeking, and, I fear, fickle elements in and intimately associated with the government through the granting of a "free" credit, for I am convinced that a substantial credit should be granted.

With reference to my telegrams nos. 34 and 35 of January 12th, I cannot too strongly emphasize my feeling that we should clearly and forcefully make known to the Chinese Government, in connection with financial aid that we may extend to China, our opposition to the use of any portion of such aid, directly or indirectly, for the financing of expensive and harmful monopolies. This is a matter which calls for no clarification on my part in as much as I am sure that the Department is fully aware of the dangers of the situation.

Respectfully yours,

C. E. Gauss

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Enclosures:

- (1) Memorandum of conversation with General Chiang; (2) paraphrase of telegram sent by British Ambassador; (3) copy of memorandum of conversation with Mr. Hall-Patch; (4) copy of confidential memorandum prepared by Mr. Chang Chia-ngau.

Original and two copies by air to the Department
Three copies to the Department by pouch

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JCV/gs

True copy
of signed original

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Copy:ec:2-19-42

Enclosure No. 1 to despatch no. 266
dated January 8, 1942, from the
Embassy at Chungking.

American Embassy, Chungking.

December 30, 1941.

MEMORANDUM OF CONVERSATION.

Subject: China's request for Anglo-American credit.

Present: General Chian Kai-shek;
The American Ambassador;
Mr. Vincent;
Dr. Hollington Tong, interpreting.

General Chiang requested the Ambassador to call on him at his residence late this morning. He opened the conversation by stating that he had desired to see the Ambassador for some time in order to discuss matters with him. He said that much had happened since the outbreak of the Pacific war and that he wished to give the Ambassador a brief review of events insofar as he was concerned with them. He said that he had received favorable replies from President Roosevelt and Premier Churchill in response to his message of December 8th (Embassy's telegram 481, December 8, 6 p.m. and despatch 240, December 16, 1941), and that Mr. Stalin had also replied. He said that Russia was apparently not yet prepared to join the anti-aggression front (presumably in the Far East), but that he was certain that Russia could not avoid war with Japan.

General Chiang referred to the recent military councils in Chungking which General Wavell and General Brett had attended and said that this was further evidence of determination of ABCD powers to cooperate fully in fighting Japanese aggression. General Chiang said that China had a vast man power which it could offer to help in the fight against Japan and that he had already

- 2 -

authorized the despatch of Chinese troops to aid in the defense of Burma. He remarked that China was in a position to aid the other military powers in a military way by man power, but that China must look to America and England for aid to enable her to meet the economic and financial difficulties with which it is beset. He admitted that the financial situation in China is serious and that the extension of the war in the Far East will be likely to result in its further deterioration, and that this is a situation which has aroused a very real concern in many quarters.

General Chiang said that the Japanese were utilizing their initial successes to great advantage in the field of propaganda; that intelligent people did not lack confidence in the ultimate success of the ABCD powers; but that the masses, the doubters, and those connected with the traitors in Nanking were affected by Japanese propaganda. He referred specifically to a recent radio broadcast message addressed to him by the Premier of Siam, in which the Premier had called upon General Chiang to join with other Far Eastern nations for Far Eastern solidarity against the Western nations - or "Asia for the Asiatics". (General Chiang mentioned this appeal of the Siamese Premier several times during his conversation.) He said that if England and America would show their confidence in China and in the ultimate victory of the democracies by granting China a substantial political loan, the doubters, the dissenters and the ignorant would be silenced and morale in China would be greatly improved.

General Chiang stated that he had asked the British Ambassador to transmit a request to his Government that it grant China a credit of 100 million pounds sterling, and that he wanted the American Ambassador to transmit a request to the American Government that it grant China a credit of about 500 million dollars.

- 3 -

General Chiang stated that at present China's note issue in circulation amounted to something over thirteen billion dollars national currency; that the anticipated deficit for the year 1942 would amount to nine billion dollars. He said that the credit he requested would be used partly to withdraw currency in circulation through the issuance of bonds supported by the credit, and to serve other purposes in regard to which plans were being formulated. He said that he wanted the credit advanced first and that the plans for utilization would be forthcoming afterwards. He expressed the desire that the credit be granted as soon as possible in order to improve morale. He referred to the fact that Chinese New Year was coming soon (early in February) and said that he hoped the credit would be granted before then. He asked the Ambassador to transmit his request and comments to the American Government.

The Ambassador said that he would of course report immediately and faithfully to the American Government the request and observations made by General Chiang, adding that he felt confident that the American Government would be disposed to give sympathetic consideration to any reasonable proposals for aid to China in her resistance to Japan. He stated that he believed, however, that he could be of assistance to General Chiang as well as to his own Government if he were to suggest that the request made by China should be accompanied by a careful presentation of the needs of the situation in this country and a careful outline of the measures to be taken to meet the situation - the measures China proposes to take to help herself and the measures to be undertaken with any American loan or credit. These were matters in which the considered opinions and studies of the financial experts and advisors of the Chinese Government would be most helpful. He pointed out that the American Congress has control

- 4 -

of the national funds in the United States, and when the executive branch of the American Government has need of funds a careful statement of the needs must be prepared and submitted to the Congress and it must be shown how the funds, if appropriated, are to be applied. The same fundamentals would seem to apply in the case of a request for a loan to a foreign Power; the American Government should have before it a careful statement of the needs and of the measures to be undertaken with the funds from the loan; this would seem to be desirable in a study of the matter by the executive branch of the Government as well as in presentation of any request to the Congress for an appropriation or for an authorization to grant the loan. Mr. Gauss continued that he did not wish to appear to be quibbling; he was not suggesting that the Generalissimo formulate proposals as to the terms and conditions of the loan he seeks; but he did suggest the need for a more detailed and precise statement of the needs of the situation and of the measures to be undertaken with the funds sought by way of a loan or credit. Mr. Gauss pointed out that America had already extended substantial financial aid to China - by way of import-export bank credits, a stabilization fund loan, and appropriation of large sums for lend-lease supplies which were being moved as rapidly as possible to China. He felt that the American Government would be disposed to give sympathetic consideration to China's needs, but suggested that those needs be stated more precisely along with the proposals as to the purposes and manner in which any loan would be applied.

General Chiang replied that the plans for the use of the proposed credit or loan were now being drawn up by the financial experts and advisors of the Government; when the loan is assured, these proposals can be put forward; meanwhile he requested that the Ambassador put forward to the American Government

the request for a loan.

Mr. Gauss inquired whether the Generalissimo could tell him for example, whether the proposed loan and the measures to which it was to be applied, had been suggested, recommended, or approved by Sir Otto Niemeyer, the head of the British Economic Mission to China. General Chiang said that Sir Otto was informed of the request and it had been put forward to the British Government. (He carefully avoided saying whether Niemeyer had supported the proposal.)

The Ambassador continued, in a fully sympathetic manner, to impress upon General Chiang the importance of a more complete presentation of the proposals. He acknowledged the Generalissimo's statement that the loan sought is more in the nature of a political loan than an economic loan, but pointed out that it would seem most desirable to submit a more complete presentation of the situation to the American Government, but General Chiang's replies were evasive and confined to reiteration of the request that the proposal for the loan be communicated to the American Government; information on the measures and manner in which the loan would be applied could be forthcoming later when the financial experts and advisors had completed their studies.

The Ambassador stated that he would return to the Embassy and report the Generalissimo's request and observations fully and sympathetically to the American Government.

J.C.V.

Approved:

C.E.G.

JCV/CEG/cwc

Copy:vw:2-19-42

Enclosure no. 2 to Despatch no. 266,
dated January 8, 1942, from the
Embassy at Chungking.

Paraphrase of Telegram sent by British Ambassador

On the 24th December Chiang Kai-shek sent for me and told me that he thought it urgently necessary to follow up the military cooperation set on foot by General Wavell's visit by the closest economic cooperation. By this he meant that he must ask for China early financial assistance on a scale that would make a deep impression upon the public mind, check growing despondency and stave off ultimate economic collapse.

He felt that now that we were allies - now that China was "a member of the family", her economic condition was a matter of the highest importance to ourselves and that she was justified in the belief that she would not appeal to us in vain for the help she needed. He was at pains to insist that a large measure of the power to sustain her resistance depended now more than ever upon what her people thought of her economic position. What was wanted was a sum, in the form of a loan, large enough to give a very potent psychological stimulus to the people and to restore their faith in their own currency. He put this sum at one hundred million pounds from the United Kingdom.

2. I explained that in present circumstances China could not make any good use of foreign exchange and that this would at once be apparent to all those acquainted with finance. He said that this did not matter. Those upon whom it was essential to produce an immediate effect were 95 per cent of the population of China, i.e., the people and the armies. It was urgently necessary that he should be able to show them that His Majesty's Government

-2-

had faith enough in victory to give China the quickest and simplest help. I said that it seemed to me that what he wanted was something like a picture on the wall which he could display to his people and that he did not much care whether he could use it or not. He replied that this was so.

3. I then mentioned Sir Otto Niemeyer's scheme of which he was aware, and yesterday by arrangement we three met. Meanwhile Sir Otto had been impressing upon him the need for speedy action of some kind in view of the threatening price situation and the continued illness of the Minister of Finance who has been absent from duty for about a month.

4. Chiang Kai-shek went over the same ground and asked us to put his proposal to His Majesty's Government. He did not exclude the possibility of adopting Sir O. Niemeyer's scheme, but he said that this was in itself insufficient to produce the psychological effect to which he attached so much importance. It could in due course be made a part of his present proposal which he wished to be able to announce without delay. He pressed for a reply from His Majesty's Government before making a similar approach to Washington, but when we explained the unwisdom of this he said that he would at once take up the matter with the United States Government, his intention being to ask for five hundred million dollars.

A true copy
of the signed
original
(Init.) GS

COPY

Enclosure no. 3 to despatch no. 266,
dated January 8, 1942, from the Embassy
at Chungking.

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MEMORANDUM FOR THE AMBASSADOR

January 2, 1942

Subject: Credit to China

Mr. Hall-Patch called again* this afternoon in regard to General Chiang Kai-shek's request for an Anglo-American credit amounting to one billion U. S. dollars. He wished to know whether we had had any reaction from Washington in regard to the matter. I told him that, in as much as we had only telegraphed to Washington on December 30, it was too early to expect any indication of the Government's reaction. I showed him a copy of the paraphrase of our message to Washington of December 30 (no. 548, December 30, 6 p.m.) which you had sent to the British Ambassador.

Mr. Hall-Patch said that the Chinese with whom he had been in contact were exhibiting considerable interest with regard to the British Government's attitude and had approached him in regard to the matter. He said that within the last few days he had had a conversation with the two Vice-Ministers of Finance (O. K. Yui and Y. C. Koo). They had put forward China's urgent need for funds with which to carry out reconstruction. They said that reconstruction was essential at this time in order that, at the end of the war, China

* Mr. Hall-Patch had called on me on December 29 at which time he left with me a paraphrase of the British Ambassador's telegram to London in regard to the requested credit (copy enclosed). The burden of his conversation on that occasion was objection to the size of the credit requested on grounds that Chinese could not use, and the British Government could not afford to grant so large an amount. He said that ten million pounds and fifty million dollars was all he thought the Chinese could effectively employ but, if they could show a program warranting larger sums, the amounts he had mentioned might be doubled. I told him that the sums the Chinese were requesting struck me as being too large but that I felt the American Government would be disposed to consider sympathetically requests which could be reasonably supported as serving constructive political and economic ends.

would be in a strong and healthy position to discharge its duties in the Far East. Mr. Hall-Patch told the Vice-Ministers that he sympathized with their desires for reconstruction in China, but pointed out that at the close of the war there would be a tremendous demand for money for reconstruction, not only in China but in England and throughout Europe, and that he felt it was unreasonable for the Chinese to expect to obtain credits from England and America to carry on reconstruction at this time - particularly reconstruction that would have no bearing on the successful prosecution of the war.

Mr. Hall-Patch said that he had recently seen a memorandum prepared by CHANG Chia-ngau, Minister of Communications, in regard to Chinese financial difficulties. He said that the memorandum had been read by the Generalissimo and that he felt that it had been the basis for the Generalissimo's request for a credit of one billion U. S. dollars. He said that Mr. Chang's analysis of Chinese financial difficulties and causes thereof was quite good, but that he had "dodged the issue" in regard to remedies by simply showing in very general terms how a credit of 263,000,000 pounds sterling could be used to overcome those difficulties.

Mr. Hall-Patch said that he would keep me informed in regard to any information he might receive regarding the requested credit and I told him that we would undertake to reciprocate. He said that he expected to have a discussion of the matter with Mr. Fox within a few days.

John Carter Vincent

JCV/gc

True copy
of signed original

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Copy:vw:2-19-42

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Confidential

Enclosure no. 4 to despatch no. 266,
dated January 8, 1942, from the
Embassy at Chungking.

COPY handed to Mr. Vincent by Mr. Fox

LETTER FROM VICE MINISTERS H. Y. YU AND Y. C. KOO DATED
DECEMBER 23, 1941

TO MR. K. P. CHEN, CHAIRMAN OF STABILIZATION BOARD

The Ministry of Finance has received from the generalissimo's Headquarters a memorandum submitted by Minister K. N. Chang suggesting the issuing of NG\$20,000,000,000 treasury bond and savings bond for the future of maintaining military and administrative expenditures of the Government, so that the use of bank notes could be economised and prices may be stabilized. Supplementing this memorandum there is also another memorandum explaining the suggestion in detail.

According to the opinion of the Bond Department of this Ministry the remaining portion of the Stabilization fund should be used as guaranty fund for the issuance of bonds in pound sterling or U. S. dollars. We are therefore forwarding you two copies of Minister Chang's memorandum and one copy of the Bond Department's memorandum for your examination.

We hope they will be carefully studied by the Board and should like to hear from you the result of your findings.

SIGNED: H. C. YU
Y. C. KOO

CONFIDENTIAL

MEMORANDUM SUBMITTED TO THEIR EXCELLENCIES GENERALISSIMO CHIANG AND DR. H. H. KUNG BY MINISTER CHANG KIA-NGAU ON THE PROPOSED ISSUE OF \$20,000,000,000 NATIONAL CURRENCY WORTH OF TREASURY AND SAVING BONDS IN U. S. DOLLARS AND/OR POUNDS STERLING.

The rapid unceasing rise of prices in the recent year has an alarming adverse effect on the livelihood of the masses, and also on the political, military and social situation. If this condition were allowed to continue, all plans for reconstruction as well as the next year national budget would be impeded from being carried out.

As Your Excellencies are well aware, the main cause of the rise of prices and labour is the loss of confidence of the people in Fapi as a

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result of the steady increase in the note-issue. The immediate and most urgent step is how to check and contract its further increase.

Supposing the national budget for the next year be limited to a total of \$13,000,000,000, which will be increased to a grand total of \$15,000,000,000 by the supplementary budget of \$2,000,000,000, whereas National income from taxes amounts to \$3,000,000,000; proceeds from Government bonds and saving deposits in banks \$2,000,000,000, making a total of \$5,000,000,000. With this income there will still be a deficit of \$10,000,000,000. If the war were to continue for another two years the deficit could only be met by increase in note-issue.

In order to prevent this excessive increase in currency with a view to restore and maintain public confidence, the following proposal is submitted for consideration.

The National Treasury shall be authorized to issue two kinds of bonds in U. S. dollars and or Pounds Sterling, namely; Treasury Bonds and Savings Bonds.

The amount of issue shall be \$20,000,000,000 National currency, equivalent to U. S. \$1,056,000,000 or £263,019,000. These bonds shall be issued in two years according to the following terms; Treasury Bonds be issued at 98 bearing interest at 5%. During the first three years only interest will be paid. Principal be paid beginning from the fourth year. Amortisation of both principal and interest will be made in equal instalments every six months until the entire amount of the issue be fully repaid at the end of the tenth year. The Savings bonds shall be issued at par value of 100 bearing interest of 3%. During the first year only interest shall be paid and principal be paid beginning from the second year until the end of the fifth year. Both principal and interest be redeemed by instalments every six months. These two kinds of bonds may be bought by any person with national currency at the fixed rate of the Central Bank. They shall be underwritten and sold by a group of the 22 "Appointed Banks" under the freezing order of U. S. A. and Great Britain who shall form a sort of consortium. With a view to maintaining the confidence of the people, these bonds be issued under the following conditions:

1. The Stabilisation Board of China shall assure the "Appointed Banks" that foreign exchange required for the payment of these bonds in regard to both principal and interest will be supplied by the Board.
2. Should there be insufficient fund at the Board's disposal to effect the payment as stated in the preceding paragraph, the American or British Governments will appropriate further fund to meet this insufficiency.

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3. In consideration of the assistance to be given by the American and British Governments, the Chinese Government shall put up as security all frozen foreign credits of the Chinese people; the foreign exchange sold and surrendered to the Central Bank of China and the portion remained over of wood oil and mineral products which have been used as security for repayment of the American and British loans and credits.
4. All National currency received from the sale of these Bonds shall be handed over to the Central Bank of China for account of the National Treasury to meet Government expenditure thus avoiding further borrowing from the banks. Since these bonds unlike previously suggested issues of gold bonds and gold certificate have the features of the guaranty of the Stabilization Board and the support of the American and British Government. Therefore the people would favourably (be) inclined to buy these bonds. By contracting the note-issue by the issue of these bonds, the value of the Chinese dollars will gradually be stabilized.

The primary question in connection with this proposition is to obtain the support of the two friendly Governments and the Board. Fortunately the redemption of these bonds in respect of the payment of interest and principal are all by installments which amount to not a large sum for each year. For instance in the first year it will only require U. S. \$20,000,000; the second year U. S. \$10,000,000, the third year about U. S. \$160,000,000; the fourth and fifth year U. S. \$200,000,000; the sixth year to tenth year, less a million each year. The grand total is about U. S. \$1,200,000,000. If we use all the securities as suggested in (3) we feel there should be no great difficulty in obtaining agreement for assistance and support from the American and British Governments.

I beg to append herewith an amortization table.

Signed: Chang Kia Ngau

Dated 2nd December, 1941

A PROPOSAL FOR THE ISSUE AT INTERVALS OF TREASURY BILLS
AND SAVING BONDS TOTALING US\$20,000,000

1. Knowing that the Government's only way of meeting deficits is to print more fapi the people begin to lose confidence in the money and try to hoard whatever goods they can get, thus causing speculation and rising of prices. Unless some important step is taken and the fear of the people for inflation is eliminated there will be no great improvement in our present economic difficulties.

2. At the present the value of fapi has little relation with foreign exchange. What (we) need to do is to increase and improve its internal purchasing power. With regard to this several suggestions have been made: 1) To seek a loan of about US\$200,000,000 from the U.S. Government for the enlargement and strengthening of the stabilization fund; 2) To seek a loan of about the same amount from the U.S. Government for enabling the Stabilization Board to increase its amount of supply of foreign exchange; and 3) To seek a loan from the U.S. Government and use it as security fund for the issue of a kind of gold paper money. The above suggestions may alleviate some of the ills but cannot solve the question. The issue of Treasury bills and saving bonds will supply the amount of money necessary for the prosecution of war for the next two years. Because of their rate of interest and possibility of free sales in the stock exchange the people will be inclined to buy them.

3. The people will have confidence in the treasury bills and saving bonds if some organization in which the people have trust can be persuaded to back them up. Tariff has been made the security for several issues of bonds and proved to (be) very successful. The Stabilization Board with its American and British participation is just such an organization and its fund if used as a security for the issue of the treasury bills and saving bonds will prove to be an incentive of buying for the people. There will, of course, be technical difficulties but these can be discussed with the American and British members and can be overcome.

4. To carry this plan out we must at first have the consent of the U. S. and British Governments. Since the beginning of the war in the Pacific two questions have become vitally important to us, namely the closing up of the Yunnan-Burma Road and the inflation of our currency. If war is going to be successfully carried out each of the questions must be immediately tackled. The U. S. and British Governments should at once be approached and impressed (with) the seriousness of our present situation. With their consent to the issue of the treasury bills and saving bonds our economic difficulties may be satisfactorily solved.

After having been instructed by the Minister to study the question of how to increase the people's confidence in the fapi by using the stabilization fund for foreign exchange we propose the issue of a gold bond, using the remainder of the fund as a security. Here are our reasons and procedures:

1. Reason for the issue of the gold bond: After the war in the Pacific started the remainder of the stabilization fund can no more be used for its original purpose. The fund was founded with the idea of stabilizing foreign exchange and strengthening the value of fapi. The best way at present is to use its remainder as a security fund for the issue of a gold bond. This will not only stabilize prices but also lessen the difficulty of printing more fapi. If a part from the loan under Lend and Lease Act could be used for the purpose of absorbing idle capital it would be still better.

The reserve for the present fapi or its excess over the amount of issue should not be used for the issue of more fapi or the strengthening the value of fapi already in circulation because such steps will not help the situation. The effective way is to lessen the issues of more fapi and the amount in circulation. By issuing a gold bond such object can be obtained.

II. Procedure of issue: The procedure of issue is somewhat as follows:

1) The bond shall be of two kinds, one of U. S. dollars and the other of British Pound Sterling. It can be bought either with fapi according to the exchange rate of the Central Bank or with U. S. dollars or British pound sterling.

2) The fund for the issue of the bond shall be independent and under the control of a board consisting of American, British and Chinese members.

3) The total amount of the bond shall not be over \$3,600,000,000 in Chinese currency. (The Ministry of Finance has a plan to issue a military and a construction bond of \$1,800,000,000 each in 1942).

4) The rate of interest for the bond shall be 5%. (This is the same as that of the two bonds issued in 1938 and 1940).

5) The value of the bond shall be 98% of the face value. (Same as that of the bond of 1940, but for the military and construction bonds to be issued in 1942 there will be discount.)

6) The total amount of the bond shall be redeemed in fifteen years. Parts shall be redeemed twice every year.

7) The military and construction bonds are now in the process of printing and will be issued at face value. If the gold bond is put in the market at the same time the sale of the former will probably be affected. It is, therefore, suggested that the three bonds shall be sold together and no one is allowed to buy only the one and leave the other alone.

True copy
of signed original

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

Rio de Janeiro

Dated February 21, 1942

Rec'd. 9:27 2 p.m.

Secretary of State,
Washington.

541, February 21, 9 p.m.

Reference instruction 2117 regarding Atlantic Refining Company of Brazil.

Rental payments will be blocked in Banco de Brazil.

I recommend approval of application.

CAFFERY

RR

Copy:bj:2-25-42

TREASURY DEPARTMENT

448

INTER OFFICE COMMUNICATION

DATE February 21, 1942

TO Secretary Morgenthau
FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£26,000
Purchased from commercial concerns	£10,000

Open market sterling held at 4.03-3/4, with no reported transactions.

There was no appreciable movement in the foreign currencies still quoted in the New York market, and closing rates were as follows:

Canadian dollar	11-5/16% discount
Argentine peso (free)	.2360
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2775
Cuban peso	9/32% premium

There were no gold transactions consummated by us today.

No new gold engagements were reported.

The report of February 11 received from the Federal Reserve Bank of New York, giving foreign exchange positions of banks and bankers in the district, revealed that the total position of all countries was short the equivalent of \$3,621,000, an increase of \$299,000 in the short position since February 4. Net changes were as follows:

Country	Short Position February 4	Short Position February 11	Change in Short Position *
England	\$1,154,000 (Long)	\$ 523,000 (Long)	+ \$ 631,000
Europe	2,419,000	2,481,000	+ 62,000
Canada	383,000 (Long)	621,000 (Long)	- 238,000
Latin America	24,000 (Long)	84,000 (Long)	- 60,000
Japan	160,000	160,000	--
Other Asia	2,275,000	2,278,000	+ 3,000
All others	29,000	70,000 (Long)	- 99,000
Total	\$3,322,000	\$3,621,000	+ \$ 299,000

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

BRITISH EMBASSY
WASHINGTON, D.C.

February 21st, 1942.

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.

(U.S. SECRET)

OPTEL No. 61

Information received up to 7 A.M., 20th February, 1942.

1. NAVAL

E-boats were active off the East Coast last night and one of R.M. destroyers and the escorts of a South bound convoy report sinking two off YARMOUTH. Other E-boats were suspected of minelaying off SUFFOLK. TIRPITZ was sighted under weigh in TRONDHEIM FJORD yesterday. The French Battle Cruiser DUNKERQUE accompanied by destroyers was reported to have left ORAN for an unknown destination on 17th.

Reference OPTEL No. 55, this 8,000 ton vessel reported torpedoed has reached port safely.

2. MILITARY

LIBYA. On the evening of the 18th our patrols engaged small parties of enemy infantry and artillery on the coast road between GAZALA and TADMI, otherwise nothing to report.

BURMA. Heavy fighting continues on the BILIN Line with the enemy continually attempting to envelop our left flank while increasing his pressure on the right. Constant counter attacks have been put in and our troops though tired have succeeded in keeping their main positions intact. Fighting has been of an extremely fierce character and casualties are heavy on both sides.

NETHERLANDS EAST INDIES. BALI: The Japanese began landing on the South side of the Island on the 19th.

3. AIR OPERATIONS

WESTERN FRONT. 19th/20th. Eight aircraft were sent on a roving commission over North-West GERMANY and seven others to drop leaflets in the PARIS-LILLE area. All returned safely. At dusk 19th five Defiants intercepted enemy aircraft attacking a convoy off CROMER. One enemy bomber was destroyed and four others damaged. The convoy was unharmed.

BURMA. 18th. Elenheims and Iysanders with fighter escort made three attacks on enemy troop positions in the BILIN area.

It is reported that the French Vichy Government has agreed to German demands that 120,000 tons of Allied shipping lying in French ports should be requisitioned and used under the French Flag for transporting supplies to the Axis forces in LIBYA.

There are now clear indications that arrangements are being made to send blockade runners from European waters to the Far East. cargoes in which JAPAN is showing particular interest include machinery for steel works plant for coke ovens, precision instruments, etc.

TREASURY DEPARTMENT

451

INTER OFFICE COMMUNICATION

DATE February 21, 1942

TO Secretary Morgenthau
FROM Mr. Kamarok
Subject: Summary of Military Reports

German Armament Priorities

(The British have secured a copy of the German Armament Priorities Schedule. From this document, some interesting inferences may be made).

- (a) The Germans are concentrating production on all requirements for the armored forces. There is heavy emphasis on anti-tank and anti-aircraft guns.
- (b) The major effort in aircraft production is on the Junkers-88 bomber. (This bomber is a 2-motor, level and dive bomber. It is a long-range bomber and can carry a ton of bombs at a range of 3,000 miles).
- (c) For the Navy, highest priorities are given for all materials needed in the carrying on of submarine warfare. There is no reference to any new major naval units other than those already known, or to the aircraft carrier which is known to have been abandoned unfinished.
- (d) Finally, there is no reference to the manufacture of any sort of secret weapon.

(M.E.W. Armaments Report No. 47, January 29, 1942)

Far East

The British estimate on the basis of incomplete data, that, on a conservative basis, the Japanese have lost 850 airplanes in combat and from wastage up to February 10. (This would represent several months of the Japanese combat plane production).

(U.K. Operations Report, February 5-12, 1942)

Recent identifications suggest that the Japanese have withdrawn 2 divisions from Manchuria and 2 divisions from North China to reinforce the Japanese Army in the Southern Pacific. The Japanese probably have these 4 divisions in transports available for operations. One of the divisions is now being employed in Southern Sumatra. There are a further 4 divisions immediately available in the South China Sea area if required. The Japanese also have 10 more divisions which were recently mobilized in Japan that could be made available at short notice.

(The Japanese are estimated to have 5-6 divisions in the Philippines, while 3 divisions are being used against Burma. There were 5 divisions used in Malaya and probably 4 divisions are employed in the other landing operations in the Netherlands East Indies. The total number of divisions already in action comes to roughly 18. According to the British figures, there are another 18 available as reserves. This is a total of over 700,000 men, or almost half of the entire Japanese Army.

(U.K. Operations Report, February 5-12, 1942)

French Aid to the Axis

On or about February 11, on the quay at Marseilles, France, there were 125 railway wagons with cargo ready for shipment. Included were about 1,300 tons of war material. Forty percent of this is believed to be ammunition. Cases containing Italian cartridges were identified. On the same day, 5 sailing vessels, probably Italian, but flying a Tunisian flag, were reported ready to sail for Libya from Tunis. The cargo being carried for the supply of Libya consisted of wine and wheat.

(U.K. Operations Report, February 17, 1942)

Italy

The garrison of Sicily is believed to have been increased from 3 divisions to 4 divisions by the move of one Italian division from the mainland.

(U.K. Operations Report, February 18, 1942)

Use of American Airplanes

During the week of February 5-12, Tripoli was bombed by Consolidated Liberator four-motor bombers. They were operating from south of Port Said (east of Alexandria). One of the bombers completed the flight of 2,400 miles without refueling.

(U.K. Operations Report, February 5-12, 1942)



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

453

February 21, 1942

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

Dear Henry:

The attached is a summary of the
secret British Home Intelligence report
for the week ending February 16, 1942.

Sincerely,

Bill

William J. Donovan

REPORT OF SECRET BRITISH HOME INTELLIGENCE
FOR THE WEEK ENDING FEBRUARY 16, 1942

The public is profoundly disturbed and angry. Formerly they merely evinced a sense of disappointment and lack of enthusiasm for the conduct of the war. In several regions depression is reported and in a few regions some signs of defeatism. The public was far more shocked by the escape of the German warships than by the fall of Singapore. The week was called the blackest since Dunkirk. The Libyan situation is disappointing. Though they are still the one bright spot, the Russian advances are thought to have slowed down. There is very widespread desire to criticize. The main weight of public criticism seems directed against the government and no longer excludes the Prime Minister, although the service chiefs are greatly blamed.

The escape of the battleships is described as the most bitter failure of the whole war. Reactions include not only bewilderment, shock and anger, but also a sense of disgrace and humiliation. The disturbing points are:

a. How could the ships leave Brest at all, which brings up the comparison of the destruction of Swansea in three German raids. While Brest itself has been bombed more than a hundred times. This raises the question of the entire bombing policy. Although the flying rank and file escape censure, the operation is regarded as a failure of the R. A. F.

b. Where was the fleet?

-2-

c. In eight regions invasion apprehension is renewed.

d. Public compares the German escape and the loss of the Prince of Wales and the Repulse.

3. Public are amazed by the evident failure of the British Intelligence Service which produced no warning.

Concerning Singapore. People were resigned rather than reconciled. News of the City's fall was received with silence too deep for words. The excuse that forces had been diverted to Libya and Russia carries no weight. There is a good deal of anxiety over Burma and fear for Rangoon and the Burma Road. The reports from the Far East have been unfavorably compared with General MacArthur. The news of Chiang Kai Shek's service as Ambassador to India somewhat relieved the doubts on the adequacy of the Indian defense. It was also thought that it was imperative to bring about a measure of agreement in India. It is felt that Amery is not doing much about it.

There is intense and widespread criticism against the British government. There is an increasing feeling that the direction of the war is very much at fault. One opinion: There has not been such widespread grave doubt of the adequacy of the high direction in general and staff work in particular since the Norwegian fiasco. There is a dominant feeling of frustration that after two and a half years of war and nearly two

under Churchill's leadership, Britain should be, except for the battle of the Atlantic, apparently incapable of decisive victory over anybody but the Italians. Also; the time has come to stop accepting excuses and try a change in government.

The Prime Minister. His popularity remains very great but there is criticism of him in one form or another in all areas, directed mainly at his capacity as a Defense Minister rather than as Premier. "He never was a military strategist, military and naval tactics are for the expert." "He will not delegate authority and he has taken on far too much responsibility." He is much criticized for his protection of his Ministers. Churchill's speech met with a mixed reception. Although some felt it had a steadying influence, a far greater number felt it did not succeed in allaying criticism. His call for unity produced this reaction, "Unity depends on having the right men in the right places". His appeal to the public not to criticize was thought ineffective. It is believed that criticisms of Russia cut both ways as the public is making comparisons between the efficiency and organization of the Russian war machine and our own half hearted methods.

Cripps. Current rumors in two regions indicate that a major political crisis is ahead and that Cripps will be Prime Minister in a few months. There is some sign that people are beginning to think of alternatives to Churchill. In this connection, Cripps name is most often

-4-

mentioned. There is great disappointment that he is not in the government. Cripps's broadcast met with favorable comment in twelve regions. His absence of rhetoric and his human voice were appreciated, as was his helpful, factual and non-political approach.

According to a special report from the Midland region, the freely expressed opinion is circulating that before many months the government may be forced into a general election. In this event, few of the present members of Parliament are expected to be returned. Increasingly, people of all classes are taking to a kind of home-made Socialism, which does not pay allegiance to any political faith, but expresses resentment against a system which has delegated so much power to so few individuals. This is not at all confined to people of the industrial middle class or factory workers.

From the Eastern region there is reported desire among the working classes for some sort of post-war new order intended to contract the gulf between the have-nots and the haves.

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HRD 319.1 No. 638 U.I.D., "J. 11:00 A.M., February 21, 1942.
 Situation 8-11-41

SITUATION REPORTI. Pacific Theater.

Philippines: Artillery dueling between harbor forts and enemy positions at Cavite has increased. Enemy bombers using incendiary bombs have been active against Bataan position where active infantry patrolling and artillery fire continues. Davao: Fighting on the Bilin River continued with no significant advance by Japanese forces reported. Bali: Strong Japanese forces have made landings on the island of Bali, off the East tip of Java. Serious losses were sustained by the enemy during this operation. Timor Island: Northeast of Java, has been attacked by Japanese forces. Java: Press reports state that the enemy forces have crossed from Sumatra to Java over the Sunda Strait.

II. Western Theater.

No new activity to report.

III. Eastern Theater.

The Soviet Radio claims the Russians are pushing their attacks along the entire line, especially northwest of Moscow and at Leningrad. The German High Command claims successful counter-attacks. No official changes in the general situation have been reported. (A situation map will not be issued this date.)

IV. Middle Eastern Theater.

Ground: No change.

Air: Unfavorable weather conditions interrupted air activity in Libya.

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RESTRICTED

MEM 319.1 No. 538 M.I.D., U.S. 11:00 A.M., February 21, 1942.
 Situation 3-11-41

SITUATION REPORTI. Pacific Theater.

Philippines: Artillery dueling between harbor forts and enemy positions at Cavite has increased. Enemy bombers using incendiary bombs have been active against Davao position where active infantry patrolling and artillery fire continues. Burma: Fighting on the Bilin River continued with no significant advance by Japanese forces reported. Bali: Strong Japanese forces have made landings on the island of Bali, off the East tip of Java. Serious losses were sustained by the enemy during this operation. Tinian Island: Northeast of Java, has been attacked by Japanese forces. Java: Press reports state that the enemy forces have crossed from Sumatra to Java over the Sunda Strait.

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No new activity to report.

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The Soviet Radio claims the Russians are pushing their attacks along the entire line, especially northwest of Moscow and at Leningrad. The German High Command claims successful counter-attacks. No official changes in the general situation have been reported. (A situation map will not be issued this date.)

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Air: Unfavorable weather conditions interrupted air activity in Libya.

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