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July 1, 1942.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

SUBJECT: Milburn McCarty, Jr., Military Service
Deferment Record.

I. Summary of Personnel Record.

Milburn McCarty, Jr., is 30 years old, having been born at San Angelo, Texas, February 14, 1912. His application indicates that he was educated at Texas public schools, Devitt Preparatory School, Washington, D.C., the National University, Mexico City and at Dartmouth College, from which he was graduated in 1935. He lists prior employment with the New York Herald Tribune, reporting and sales promotion, in 1935 and 1936; WOR and the Mutual Broadcasting System, 1937; New Yorker Magazine, 1937; Douglas Leigh, New York sign specialist, 1938; and Steve Hannagan Associates, a well known publicity and public relations firm, 1938 to 1941.

He entered Treasury employment on May 26, 1941, as "Principal Advertising Specialist" at \$5600 per annum, becoming a general assistant to Vince Callahan, Chief of Press and Radio Activity.

On February 9, 1942, his payroll designation was changed to "Consulting Expert" at \$6500 per annum and he became Chief of the Press Section under Callahan, which represented no substantial change in the character of his work. His staff includes 9 writers, 7 stenographers and two messengers.

Biographical sketch of Mr. McCarty, written by himself is attached, marked Exhibit 1.

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II. Military Service Record

McCarty registered under the Selective Service Act in October, 1940, at the time of the original registration for ages 21 to 35, under Local Board No. 14, 331 Madison Avenue, New York City. His residence address at that time was 243 East 46th Street, New York City. On November 28, 1941, he received notice (Exhibit 2) that his classification was 1-H. This deferred classification, Mr. McCarty believes, was due to the fact that he was at that time more than 28 years old. (See interview attached.) Exhibit 6.

McCarty says that before his employment in the Treasury and while he was still in New York, he desired to enter the Army Air Corps for active duty, but was told that he was too old to become a flying officer. (Page 6 of interview.)

In March of this year (1942) McCarty discussed with Vince Callahan his situation with respect to the draft. "I realized that sooner or later the question of my being drafted was coming up." (Pages 3 and 4 of interview.) Callahan said, according to McCarty, "I think you are now in a position where you are doing more work for the war effort than any place you could be", and volunteered to write to the draft board "not asking for deferment but merely for information" so he could make arrangements. Callahan, under date of March 24, 1942, wrote to Sidney Rossman, Chairman, Local Board No. 14, 331 Madison Avenue, New York City, a letter containing the following paragraph: "We have an important organizational problem here in the essential department which has been developed under Mr. McCarty, and I would appreciate your letting me know in advance, if it is possible, what sort of decision you and your Board would be likely to make in considering his reclassification." (Exhibit 4)

A reply, dated April 1, from the draft board, signed by the clerk on behalf of the Chairman, stated: "In reply to your letter of March 24, 1942, please be advised that the members of this board have not granted your request and that it will be necessary for the above named registrant to appear for his physical examination when ordered." (Exhibit 5)

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Callahan discussed this reply with McCarty and said he would talk to Mr. Graves. (Page 5 of interview.) McCarty says Callahan later reported that as a result of conversations with Mr. Graves, Mr. Sloan "and the Secretary" he, Callahan, was discouraged and said "I don't think the Secretary will do anything on this." Callahan then, according to McCarty, suggested that McCarty see what he could do about obtaining a commission in either the Army or the Navy. McCarty successively interviewed a Major Edgerton of Army Air Corps Public Relations, another officer in Army Air Corps proper, and finally Addison Walker, a Special Assistant to the Under Secretary of the Navy. The interview with Walker resulted in his being referred to Commander Gerald A. Eubank, who was selecting men for War Savings work in the Navy Department. His interview with Commander Eubank resulted in his filing application for a commission, which McCarty understood was to be that of Lieutenant in the Naval Reserve. This application was dated April 12, 1942. Following his first interview with Commander Eubank, but prior to the filing of his application, McCarty also called on a Lieutenant Commander Chipman in Naval Intelligence and Colonel Switzer of the Army Air Corps, but was discouraged from seeking commissions in either of those services. The interviews with these various officers occurred between the dates April 7 and April 12.

On April 15, 1942, Local Board No. 14 sent McCarty a notice of his reclassification in Class 1-A under Selective Service. It should be noted that McCarty received this notice after he had made application for a commission. His application for the commission, however, followed the receipt by Callahan of the draft board's letter dated April 1, which seemed to indicate that a request for occupational deferment would not receive favorable consideration.

McCarty reports that consideration of his application for the Navy commission was being expedited and that he received a telephone call from Commander Eubank "almost every day." He reports that he passed the physical examination the day after making his application.

Callahan sent for McCarty "about a week before I was supposed to get my commission" and said that the matter had been discussed with Mr. Graves and the Secretary and "they don't want you to go." Callahan took McCarty and Ross Barrett to see Mr. Graves. The result of the conference, according to McCarty, was that Graves decided to ask Secretary Morgenthau to approve letters to the Army and Navy asking deferment of commissions and an application to the draft board for six months deferment in McCarty's case. McCarty filled out the request for draft deferment at Callahan's request on the following day. Subsequently he was informed by Callahan that both requests, that for deferment of the commission and that for application to the draft board for six months deferment, had been approved by the Secretary.

The application for draft deferment did not follow the usual channels. It was not recorded in Mr. Thompson's office because of unfamiliarity with the routine of the office on the part of a stenographer who had replaced Miss Cullen on that particular day. It appears to have gone through Mr. Graves' office to Mr. Callahan, who handed it to Mr. McCarty. It was not recorded in the office of Mr. Adams, Administrative Assistant to Mr. Sloan. Mr. McCarty himself mailed the application to Local Draft Board No. 14, with a letter dated May 1, in which he said "I was all ready to take a commission (which was due to come through next week) in the Navy Department, but the Secretary of the Treasury interceded when he learned I planned to leave the Treasury and specifically requested that I remain at my present job, which is Chief of the Press Section of the War Savings Staff." (Schmitt 7.)

On April 27, 1942, Callahan wrote a letter to Local Draft Board No. 14 stating that he understood that McCarty was to appear before the board for possible reclassification, that McCarty was doing vital work in the war effort, that it would be very difficult to replace him, and that "I trust that the information contained in this letter will be of help to you in making your determination of Mr. McCarty's Selective Service status." (Schmitt 8)

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McCarty evidently did not know of this second letter when he talked to me as he did not mention it. It was discovered by Adams, the Administrative Assistant, in the War Savings Staff files.

The request to the Secretary of the Navy for a deferment of McCarty's commission, in the form of a letter by Mr. Thompson to the Secretary of the Navy, dated April 29, was approved by the Secretary of the Navy in a letter dated May 13.

The Navy Department has advised Mr. Thompson that the papers in McCarty's file indicate that if we had not requested a postponement a commission would have been issued to Mr. McCarty and that he would have been assigned to duty under Admiral Conard of the Bureau of Supply, who is in charge of the War Savings promotion in the Navy Department.

III. Alleged Discrepancies in Statements by McCarty Cited by Miss Martha Strayer of the Washington Daily News.

(1) That McCarty said on June 22, over the telephone, that he had not heard from his draft board and did not know his status.

McCarty, of course, knew at that time that he had been reclassified in 1-A. The question, however, apparently was not a precise one and McCarty may not have known what she meant by "draft board status."

(2) That the draft board reported that McCarty had given information that he applied for a commission in the Navy on April 30 last.

We have the text of McCarty's letter to the draft board informing the board that he "was all ready to take a commission" but that the Secretary of the Treasury had interceded.

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(3) That Kuhn told Miss Strayer that McCarty's services had been sought by the Navy, that he had not applied for a commission but had been urged to take one.

The fact is that McCarty applied for a commission, as indicated above.

(4) That McCarty did not remember the number of his draft board when called on the telephone by Miss Strayer.

The fact that McCarty gave his street address in New York seems to indicate that he was not attempting to conceal the place of his draft registration.

(5) That McCarty told Miss Strayer that he was to have been in the Supply Corps whereas Mr. Kuhn volunteered the information that McCarty was to have been in the War Bonds Division of the Navy.

Both statements are correct. The War Bonds work under Admiral Conard is in the Supply Corps of the Navy.

(6) That McCarty claimed credit for certain features, limericks, "Penny Wise" and Bond Quiz, which he did not actually originate.

His biographical memorandum does not say that he originated them, but he claims credit for "development of them". This, according to the War Savings people is consistent with the facts.

COPY

April 27, 1942.

Local Board #14,
Room 1004
331 Madison Avenue
New York City, New York.

Gentlemen:

I understand that Milburn McCarty, Jr., Chief of the Press Section of the War Savings Staff, is appearing before your board for possible reclassification. While it is not the Treasury Department's policy to request a Draft Board for reclassification, there are pertinent facts concerning Mr. McCarty that I should like to offer for your consideration in deciding on his status.

As Chief of our Press Section, Mr. McCarty is engaged on a strictly War job. As you no doubt know, the War Bond Drive is an important and vital part of the total War effort. Already this drive has raised more than five billion dollars of War money and much more must be raised in the future. With the recently announced Quota Campaign, which has been projected by Secretary Morgenthau with the direct backing of President Roosevelt, our work is becoming even more extensive and more important. To provide enough funds for our War needs, we must raise one billion dollars per month. We have set that as our goal for the month of July, and for every month thereafter until we have to raise a figure still higher.

The War Savings Staff Campaign is principally a sales promotional campaign in which publicity plays the largest part. Newspapers and magazines, along with radio, are naturally the most important media to use in obtaining this publicity.

As Chief of the Press Section, Mr. McCarty is in direct charge of all national newspaper and magazine publicity in this campaign. He formulates publicity, creates and passes on ideas and is the administrative head of the paid publicity staff in Washington and hundreds of publicity workers over the country.

We invited Mr. McCarty to leave a lucrative job in private industry almost a year ago, long before the War began, and he came to Washington to build up this entire department himself. He developed all the War Bond promotion that has appeared in news stories, editorials, feature stories, cartoons, columns, pictures, and elsewhere in newspapers and magazines.

Outstanding in the over-all operation of his staff have been the consolidation of the country's cartoonists behind the Bond Campaign; organization for War Bond publicity; the development of "Liberty Limericks," "Defense Bonds Quiz," "Penny Wise," and other special features; and the

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general use of the Minute Man design on newspaper front pages and magazine covers. He has been the administrative head of special publicity activities carried on through the Labor Press, College Press, Foreign Language Press, Religious Press and various other media.

Under his direction also has been the mobilization behind the Bond Campaign of the nation's creative writing talent, and the use of Bond promotion on book jackets and covers.

As you can see, his job is not only an important one in the War effort — it is a vital one. He has done it so successfully because he is one of the few people in the country who has the background, the contacts, and the knowledge and ability to get a specialized job of this magnitude accomplished. Every day he handles material, assigns men to special assignments, and makes other decisions which actually mean the difference of millions of dollars of Bonds sales. His loss to the War Saving Staff would be an immeasurable one. Especially at this time, when we are moving into the more important operation of the quota Campaign, we need him to supervise and extend the ramifications of his department. It would be very difficult to replace him, and at the very least it would take months to develop a new man who could efficiently handle the executive work he is doing.

I know that you gentlemen who are volunterring your services week after week have a difficult and important job to perform. I trust that the information contained in this letter will be of help to you in making your determination of Mr. McCarty's Selective Service status. Frankly, it seems to me that in deploring our available man power into positions where each man is doing the job that he can do best, that there are many reasons to indicate that Mr. McCarty should continue to do the work he is doing at present.

Sincerely yours,

Vincent F. Callahan
Director of Press & Radio
War Savings Staff

(This copy not in Personnel files prior to June 29, 1942.
Obtained from Radio and Press Division on that date)



TREASURY DEPARTMENT

WASHINGTON

DEFENSE SAVINGS STAFF

MILBURN MCCARTY, JR.

Data On

Publicity Experience

1. Treasury Department, Chief, Press Section, Defense Savings Staff
-- From May, 1941, to date

In this job McCarty is in direct charge of all newspaper and magazine publicity on the National Bond and Stamp campaign. Under the supervision of Vincent F. Callahan, Director of Press and Radio, he formulates policy, creates and passes on ideas, and is the administrative head of the paid publicity staff in Washington and hundreds of volunteer publicity workers over the country. He built up the department himself, and developed the Defense Bond promotion that has appeared in news stories, editorials, feature stories, cartoons, columns, pictures, elsewhere in newspapers and magazines.

Outstanding in this over-all operation have been: Consolidation of the country's cartoonists behind the Bond Campaign. Organization of the comic book field and the movie-fan and adventure magazine groups for Defense Savings publicity. Development of "Liberty Limericks," "Penny Wise," Defense Bond Quiz," and other special features. The general use of the Minute Man design, emblems, and boxes on newspaper front pages and magazine covers. He has launched special publicity activities through the Labor Press, College Press, Foreign Language Press, Religious Press, various other media.

Under his direction also has been the mobilization behind the Bond Campaign of the Nation's creative writing talent, and the use of Bond promotion on book jackets and covers.

2. Steve Hannagan Associates -- 1938-41

Principal work with Hannagan was directing the Coca-Cola account. Other accounts handled: Libbey Glass Company, Martini & Rossi Vermouth, Gruen Watches, Sun Valley, the Island of Puerto Rico.

Although McCarty does both contacting and writing, his main work is formulating ideas for campaigns, then following up to direct their execution. His handling of a wide range of products -- everything from Bonds to a soft drink, from watches to a winter resort -- has taught him to find and conceive every sort of publicity idea. And he's learned that publicity can be obtained on practically anything, even that old wastebasket in the corner, if proper ideas can be developed.



-2-

3. Douglas Leigh - 1938

Conceived and launched the publicity idea to make Douglas Leigh the "Broadway Sign King." The results speak for themselves; There are half a dozen sign companies in America larger than Doug Leigh's, but he is by far the best known man in the business.

4. WOR and the Mutual Broadcasting System -- 1937

A spare time job five years ago -- worked as idea and advance man for "Let's Visit", then popular program featuring Dave Driscoll and Jerry Danzig.

Editorial and Reporting Experience1. The New Yorker Magazine -- 1937

Under Stanley Walker and St. Clair McKelway reported and wrote for "Talk of the Town". Also developed editorial ideas for that department of the magazine.

2. New York Herald Tribune -- 1935-36

Did both reporting and sales promotion. In the later work launched a college and school subscription campaign for the circulation manager which brought the Tribune ahead of the New York Times in this field for the first time in history. Made numerous speeches in schools and colleges.

3. The Daily Dartmouth -- 1934-35

Was Manager Editor last year in college.

4. At various times reported for the Dallas News, Ft. Worth Star Telegram, Eastland (Tex.) Telegram. Also wrote and edited syndicated column -- "It Happens In New York" -- carried by more than 200 papers throughout the country.Education, and Miscellaneous Background Material

- * Born at San Angelo, Texas, February 14, 1912.
- * Educated at Texas public schools; Devitt Preparatory School, Washington, D. C.; La Universidad National, Mexico City; and Dartmouth College. At Dartmouth did honors work in American history and was graduated with A. B. degree in 1935. Fraternity: Alpha Delta Phi.

-3-

- * Served as a page in the Texas State Senate in 1926. Following year appointed by Democratic Leader Senator Joseph Robinson to be a page in the U. S. Senate. In 1928 went to Democratic National Convention as Assistant to Colonel Edwin A. Halsey, now Secretary of the U. S. Senate. That fall accompanied Alfred E. Smith on all campaign trips as Smith's personal page.
- * Earned way through college, working during summers and winters in various capacities: manager of an ice cream parlor in California, stevedore on the New York docks, ordinary seaman on South American fruit boats, oil driller in Texas, newspaper boy, sledge-man on a highway gang, store clerk, truck driver, etc., etc.
- * Travelled considerably: Mexico, Alaska, South America, the West Indies, all over Europe. Been in every state in the U. S. except South Dakota, and in all parts of the country has developed good contacts with local newspaper and radio outlets.
- * In athletics won several golf, tennis, and squash titles. In 1940 was Chairman of Publication Committee for New York Metropolitan Squash Racquets Association.
- * McCarty is 30 years old; unmarried; moderate in his indulgences; and likes and works hard at any good job he gets his hands on.
- * Clubs: National Press, and University (Washington); Dartmouth (New York).
- * Residence: University Club, Washington.

Washington References --

U. S. Senator Tom Connally of Texas
Colonel Edwin A. Halsey, Secretary of U.S. Senate
Major George W. Hibbert, Public Relations,
War Department
Bill Donaldson, Manager, House Press Gallery

And any of the present or former employers
named above.

-000-

NOTICE OF CLASSIFICATION

• **Millburn McCarthy, Jr.**
Order No. **2358**
as been classified by

NEW YORK, N. Y.
(STATE OF LOCAL BOARD)

Local Board Board of Appeal, by vote of ... to ...
President In class **1-B** (Until **10** 19 **41**)
Date of mailing **November 28,** 19 **41**
Member of Local Board

BE ALERT
The laws requires you—
To keep in touch with the local board.
To notify it of any change of address.
To notify it of any fact which might change classification.

NOTICE RIGHT TO APPEAL
An appeal from a classification by local board for board of appeal must be made at office of local board, by signing appeal ...
16-19071 U. S. GOVERNMENT PRINTING OFFICE

NOTICE OF CLASSIFICATION

• **Millburn McCarthy, Jr.**
Order No. **2358**
as been classified by

LOCAL BOARD No. 14
ROOM 1004
33 MADISON AVE.
NEW YORK CITY
(STATE OF LOCAL BOARD)

Local Board Board of Appeal, by vote of ... to ...
President In class **1-B** (Until **10** 19 **42**)
Date of mailing **April 15,** 19 **42**
Member of Local Board

BE ALERT
The laws requires you—
To keep in touch with the local board.
To notify it of any change of address.
To notify it of any fact which might change classification.

NOTICE RIGHT TO APPEAL
An appeal from a classification by local board for board of appeal must be made at office of local board, by signing appeal ...
16-19071 U. S. GOVERNMENT PRINTING OFFICE

SELECTIVE SERVICE Penalty for Private Use to Avoid
Payment of Postage, \$300

<p>LOCAL BOARD No. 14 331 MADISON AVE RM. 1004 NEW YORK</p> <p style="text-align: center;">(STAMP OF LOCAL BOARD)</p>	<p style="text-align: center;">GRAND CENTRAL ANNEX</p>
--	--

OFFICIAL BUSINESS

Milburn McCarthy, Jr.,
 The University Club,
 1135 - 16th Street, N.W.,
 Washington, D.C.

10-14715

SELECTIVE SERVICE Penalty for Private Use to Avoid
Payment of Postage, \$300

<p>LOCAL BOARD No. 14 ROOM 1004 331 MADISON AVE NEW YORK CITY</p> <p style="text-align: center;">(STAMP OF LOCAL BOARD)</p>	<p style="text-align: center;">GRAND CENTRAL ANNEX</p>
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OFFICIAL BUSINESS

Mr. Milburn McCarty, Jr.
 The University Club
 1135 - 16th Street N.W.
 Washington, D. C.

10-14071-1

L-172

March 24, 1942

Dear Mr. Rossman:

Mr. Milburn McCarty, Jr., who is Chief of the Press Section of the Defense Savings Staff, originally registered with your Board. Since being placed in Class IH some months ago he has not been reclassified, but he will undoubtedly come up for your consideration sooner or later.

At our request Mr. McCarty left private industry almost a year ago to become Assistant Chief of our Press Section. Since then he has been promoted to Chief, and he is now in charge of all newspaper and magazine publicity for the Defense Bond Program. His is an integral and essential job in a strictly War campaign -- a vital campaign that is currently raising some \$600,000,000 per month. He is doing a splendid job, and his talents and capabilities are of a special kind which fit a very special job. He is serving his country more efficiently, I think, than he would in any other work which he might do. It would be very difficult to replace him.

We have an important organizational problem here in the essential department which has been developed under Mr. McCarty, and I would appreciate your letting me know in advance, if it is possible, what sort of decision you and your Board would be likely to make in considering his reclassification. Thank you.

Very truly yours,

Vincent F. Callahan
Director, Press and Radio Sections

Mr. Sidney Rossman, Chairman
Local Draft Board Number 14
331 Madison Avenue
New York, New York

sb

SELECTIVE SERVICE SYSTEM

15 5

LOCAL BOARD No. 14
ROOM 1004
331 MADISON AVE.
NEW YORK CITY
(STAMP OF LOCAL BOARD)

April 1st, 1942

Mr. Vincent F. Callahan
Treasury Department
Washington, D.C.

Dear Sir: Re: Milburn McCarty, Jr.

In reply to your letter of March 24, 1942, please be advised that the members of this board have not granted your request and that it will be necessary for the above named registrant to appear for his physical examination when ordered.

Very truly yours,

SIDNEY ROSSMAN, Chairman
Local Board #14

ABreg

By: *Ann Breindel*
Ann Breindel, Clerk

cc. to: Milburn McCarty, Jr.
The University Club
1135 16th St. N.W.
Washington D.C.

June 30, 1942.

Conversation between Mr. Gaston and Milburn McCarty, Jr.,
Chief, Press Section, War Savings Staff, Treasury.

Mr. Gaston: The Secretary is probably going to have face further inquiries on this thing. He remarked that it was a good idea to get the record straight so that he won't be put to any more embarrassment.

Mr. McCarty: It was inconceivable to me that all of you did not know about the request for draft deferment that had gone through. It had been brought over by Mr. Callahan, had been approved by Mr. Graves, Mr. Morgenthau and Mr. Thompson and I naturally thought that copies were in the record and that everyone knew about it. Therefore you can realize my distress when I found out, after the press conference yesterday, that the Secretary had stated that no request for deferment had been made. Previously Mr. Kuhn had told me that he had seen Mr. Thompson and had ^{gotten} given him all the papers and he had ~~gotten~~ all the facts and knew all about the case and I just assumed that with this information he got that he also knew about this request for deferment.

Mr. Gaston: Well now let's go back and get the whole facts, your selective service status and your negotiations with the Navy. In the first place you registered for the draft in New York City, Manhattan Local Board No. 14, I believe, and you were living then --

Mr. McCarty: I was living then at 243 East 46th Street, New York City.

Mr. Gaston: That was the first registration, was it not? In October, 1940?

Mr. McCarty: Yes, the first registration, I believe. It does not give the date of registration here, but I believe it was in October.

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Mr. Gaston: You were notified later of your number in the drawing?

Mr. McCarty: Yes sir, I had a very high number.

Mr. Gaston: Do you know what it was?

Mr. Carty: Order number 2358.

Mr. Gaston: Would that indicate the order in which you were to be drawn for service - 2358?

Mr. McCarty: I forget. There were so many numbers at that time. You first got one number and then another. I just remember that when the numbers did come out I was 7/8ths down - that was 5000 or something. You would have to check with a draft board official to find that out.

Mr. Gaston: Do you know whether that was No. 5000 for induction?

Mr. McCarty: I was never called.

Mr. Gaston: (Mr. Carty handed Mr. Gaston a paper) This is from Local Board No. 14, Madison Avenue, New York, and this is notice of classification. Registered Milburn McCarty, Order No. 2358, has been classified by Local Board in Class 1-H. Date of mailing November 28, 1941.

Mr. McCarty: 1-H at that time meant over 28 years old.

Mr. Gaston: Over 28 years old - 1-H. Do you have any further communications from your draft board? Di you have any further notice?

Mr. McCarty: I believe so. I got a 1-A classification in ^{April} February of this year.

Mr. Gaston: You were notified of that?

Mr. McCarty: I am not certain of this. I am surprised that I do not have the card here if I did get it.

Mr. Gaston: Would you be able to find it?

Mr. McCarty: Must be at my home, which is the University Club. You see

later corrected by Mr. C after looking up card - 1941

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because of negotiations that had been in progress at that time the draft situation became one of minor importance to me after that.

Mr. Gaston: Because you were way down on the list?

Mr. McCarty: Because of circumstances that had arisen at the time it was either the Navy or the Treasury.

Mr. Gaston: Let's come to that later. In the meantime you do not recall any correspondence with the draft board. You did not write to the draft board between the time you got the notice and the time you later got a notice that you had been classified in 1-A. You got that notice in February.

Mr. McCarty: I will have to check on that.

Mr. Gaston: You did get a notice that you had been classified in 1-A?

Mr. McCarty: I am quite certain of that.

Mr. Gaston: When did these negotiations with the Navy Department about a commission start? When and how was that first taken up?

Mr. McCarty: It would be much easier if I had my file on this. May I call and have this sent over? (Mr. Gaston gave his consent and Mr. McCarty made a telephone call.)

Mr. Gaston: Regardless of the date, what happened in regard to your getting a commission in the Navy. Ignore the date for the moment and tell me your recollection about how the matter arose - about your getting a commission in the Navy.

Mr. McCarty: I realized that sooner or later the question of my being drafted was coming up. I didn't know whether it would be in a month, or several months, or six months and so I talked with my boss, Mr.

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Callahan about it. I knew that sooner or later I would be leaving here. I didn't know what the policy was at all on deferments. Mr. Callahan said I think you are now in a position where you are doing more work for the war effort than any place you could be. I want you to stay here. You are running ^{the Press} ~~that whole~~ part of the job for me and I naturally I want you here. I don't know what the Secretary's opinion is on deferment, but first of all I think I will just write the draft board a letter and not ask for any deferment but just find out what their thoughts are on it, so I will have some advance information on it, so I will know how to handle the problem here. He drafted a letter - I think I have a copy. He wrote that letter and sent it directly to the draft board explaining what I was doing, telling them he was not asking for deferment, he just wanted to ask in advance so he could make arrangements. We did not hear anything for several weeks. Three weeks after that ^{Vince} ~~I~~ got a form letter - ~~Vince does~~ ^{did} - from the draft board which says, we want to tell you we will not be able to comply with your request of such and such a date concerning Milburn McCarty, Jr. --

Mr. Gaston: It was a form letter?

Mr. McCarty: It was a form letter.

Mr. Gaston: A form letter interpreting Mr. Callahan's letter as a request and notifying him they would not be able to comply with his request.

Mr. McCarty: Then Mr. Callahan told me that they don't seem to pay much attention to this. It doesn't look like -

Mr. Gaston: Mr. Callahan had just been made a Director.

Mr. Carty: He had just been made a Director, I was Assistant Chief of the Press Section. He had been made Director of Radio and Press and I

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had been made Chief of the Press Section and Charlie Gilchrest Chief of the Radio Section. And so Vince said I don't want you to go and leave a hole here. We are moving into an intensified part of the campaign and I will talk to Mr. Graves. I think my superiors will agree with me that it is important for you to stay here. And so I waited for him to find out. He afterwards said he talked to Mr. Graves, Mr. Sloan and the Secretary and he was discouraged and came back to me and said, I don't think the Secretary will do anything on this. He has consistently refused to ask for anyone's deferment and it looks like we will have to lose you. Have you been offered any commissions. I said only vaguely. I said I knew a few Captains and Majors here and there and had mentioned the matter from time to time. He said, why don't you look into it. Look around. You are a good man and I know you can help them in a good many places. They are looking for men of your ability. I mentioned a Major Edgerton. He said call him up. I did call him and he said to come over and see him. He named someone else. I did have several offers of commissions, not only the Navy thing.

Mr. Gaston: Did you go over to see Major Edgerton?

Mr. McCarty: I went over to see Major Edgerton, but I didn't like the looks of the place. There seemed to be so much confusion. Two Majors and two Captains and a couple of Lieutenants and a couple of girls all in this one room.

Mr. Gaston: Did Edgerton then say it would be possible for you to get a commission, either in the Air Corps -

Mr. McCarty: Nothing definite. He wanted to see me again. He introduced me to another Major, who was personnel man of that department,

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Major Storey.

Mr. Gaston: But this going over to see Major Edgerton was the result of Vince Callahan's suggestion?

Mr. Gaston: Army Air Corps proper and not Army Air Corps Intelligence?

Mr. McCarty:

He said well that's one thing. Why don't you come over to see me. He said we need men for commissioned officers. I am putting them through every day. I said I had wanted to go in the Army Air Corps long ago and they wouldn't accept me, said I was not young enough. He said we have other jobs even though you are too old to fly a plane. We need men - come over and talk to me. And so I went to talk to Lieutenant Carrell. He gave me ~~me~~ blanks to fill out. I was ready to fill them out but wasn't certain just what I wanted to do, I didn't know how soon I would be drafted. I mentioned the matter to another friend of mine who was down here from Cleveland, Ohio, John Gilchrist - This is in connection with the Navy. I told him that I had been offered a commission and said Commander Eubank wants me to come over and see him. I had been in touch with Eubank on the telephone once or twice, but I didn't go to him. But this other friend of mine from Cleveland, Ohio, John Gilchrist, a young lawyer there -

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I went to school with him. John had just been over to the Navy to see about a commission for himself. He said there is one man to see at the Navy - a wonderful man. He is looking for men, has jobs open. He is Special Assistant to the Under Secretary. Has a good many openings.

Mr. Gaston: This John Gilchrist, he is not the same man who is working on War Savings?

Mr. McCarty: No, just a friend of mine.

Mr. Gaston: He told you the man to see?

Mr. McCarty: That man was Addison Walker, Special Assistant to the Under Secretary.

Mr. Gaston: Do you recall about when that was?

Mr. McCarty: I think when my file comes -

Mr. Gaston: All right, you went to see Addison Walker in the Office of the Under Secretary of the Navy.

Mr. McCarty: Yes and I carried a copy of my biography with me. As I told Mr. Graves I first made out that biography for the office when I was coming down here. ^{Vince} HE told me that the men here in Washington were all very busy men, but told me who were the ones to see, and they didn't have time for long interviews and I should have something about myself on paper. Vince told me don't be modest, put down just what you think.

Mr. Gaston: You subsequently had that biography mimeographed?

Mr. McCarty: Yes ----- I went in to see Mr. Graves. Vince gave him my biography. He was very much impressed with it. When he came to Dartmouth, he said it might be a good idea to take a Dartmouth man

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there are too many Princeton men around. At the end of the interview I was hired. So, at the time I was going to see the Navy and had been to see Lieutenant Carrell, Army Air Corps, I had a lot of these biographies in my desk. ~~xxx~~ At the same time there were several magazine writers in asking for personnel information on all the people in our department and I was building up a file of biographies and they wanted something on me, so I took my biography edited it and had some copies mimeographed.

Mr. Gaston: So you took this old biography, ~~with~~ added what you had done here and had them ~~run~~ off to use for a dual purpose.

Mr. McCarty: Yes.

Mr. Gaston: So you had this for two purposes, one for these writers who were looking for information on the War Savings Staff and second you contemplated that you could use it in connection with these applications for commissions.

Mr. McCarty: Yes, because it included all my background. The only thing that was wrong with it was that it was not overly modest. After all I am a publicity man.

Mr. Gaston: Frankly I was more interested in whether you got it out for the purpose of circulating it to the military services.

Mr. McCarty: Only the people I was in touch with ~~it~~.

Mr. Gaston: You took a copy of it and went over to see this man Addison Walker.

Mr. McCarty: Having found that Washington men are too busy for long interviews, I took a copy of the biography along with me. He read it over. He said this is good. You have done a lot in your life. We can use men like you definitely. I had never seen Mr. Walker before. He

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said just a minute, let me put you in touch with an old Navy man, an All-American player in about 1926. He sent me around to see him. He was a civilian, although he was an Annapolis graduate. He said let me hear what you have done. Have you got that biography Mr. Walker told me about. I said, yes sir. Here I will show it to you. He said, I know where we can use you. Commander Eubank is looking for young men to help him on bonds. I said wait a minute, that is what I am doing now. He said Eubank doesn't need any one on publicity, he needs someone on administration. He might send you to Hawaii, etc. He called Commander Eubank on the phone and I went around with this man to Commander Eubank's office and was introduced to him. He looked down a list on his desk and finally said "Milburn McCarty." He said what are you doing here and this other man told him I had been referred to him. He said you could help us here. He looked over my record. He said you have all the prerequisites for us to give you a commission. Let me see if the Admiral is in.

Mr. Gaston: This was Admiral Conard?

Mr. McCarty: ~~xxxxxxxx~~ And so the Admiral and the Commander both wanted me. Things moved so fast, but I was not too enthusiastic about it. Going from an over all bond operation into an operation which was only a part of it. I told Commander Eubank about this. He said we can use you immediately. I want to send you out to Navy yards, to Norfolk, Cleveland, to the Great Lakes, I might even send you out to the Atlantic fleet. We have a tremendous job to do. I don't just want a publicity man, I want you for other things.

Mr. Gaston: You indicated to them that you would accept a commission?

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That would be a commission as what?

Mr. McCarty: He indicated it would be a full Lieutenant, but he found out later that he might not be able to get me a full Lieutenant because of age; but at that time he said he thought he would be able to get me the rank of full Lieutenant.

Mr. Gaston: But you indicated to them that you would accept it and took the papers home to fill out?

Mr. McCarty: Yes, I did. I indicated that I wanted to let my boss Vince Callahan know about it and the basis I left it on was that I would take it if the Treasury

Mr. Gaston: Then you did fill out the papers and submit it to him?

McCarty: Before this I had two other offers of commissions. I had seen the name of Lieutenant Commander Chipman on a door and so I dropped in and introduced myself and told him I was from Dartmouth. He said what are you doing here, looking for a commission? Looks like I have one already. I was supposed to have looked you up as I heard you were looking for men and that you were a Dartmouth man yourself. I was coming in to see you but I have just been to see Commander Eubank. He has a special job for me to do. Lieutenant Commander Chipman looked at my biography and explained to me the jobs in his office. This is what you want to do; you don't want that job there, sitting at a desk all the time. This is what you would like. One day you might be on the wharf at Buenos Aires, next day somewhere else. You had better look into this. So Commander Chipman sent me down to his Lieutenant who took care of personnel problems. He discouraged me. What you tell me you are going to do for Commander

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Eubank sounds like it is a very important job. Intelligence is all right but it doesn't have the glamor that most people think it has. Three-fourths of the time you are sitting at a desk making out reports. You should think about it.

Mr. Gaston: So the net you got out of Commander Chipman was that you could probably have a commission in Intelligence if you wanted it, but the Lieutenant advised you that the other was a better assignment.

McCarty: Captain Dresden, who is in Army Air Corps, came over to our place and said let me take you over this afternoon to meet Colonel Switzer.

Mr. Gaston: But you had already been to Army Air Corps.

McCarty: No that was public relations. Captain Dresden introduced me to Colonel Switzer.

Mr. Gaston: You went over that afternoon to see Captain Dresden.

McCarty: I had a talk with Colonel Switzer. He said we can use you here; I can give you a commission but I wouldn't recommend it. Dull work. I want to get out of it myself. I just don't believe you would like it. After this I had several conversations with military men around town. It looked to me, judging from their advice, that the best job and the most important job, where I could do the best work, was with Commander Eubank. So I went back and told Vince about it. He said I ought to take it. I said all right.

Mr. Gaston: So you filled out the application and submitted it.

McCarty: Yes and sent my biography with it.

Mr. Gaston: These suggestions that you see these several people about commissions resulted from casual conversations in which it came out that you were in the draft, that you might be interested in a commission.

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McCarty: That sooner or later I would be called in the draft.

Mr. Gaston: You submitted the application for a commission and what resulted from that. Did you get notice?

McCarty: Commander Eubank gave me a telephone call almost every day. They wanted me immediately, but said it would take about two weeks to get the papers through. I called back both Navy Intelligence and Army Air Corps and told them thanks very much but I am going to follow your advice and because I think this other thing is the thing I should do. My papers went through right away and so that is the way it was and I was ready to go in the Navy. And then Commander Eubank called me up one day and said the papers could be finished almost any day and that I would get my orders and commission at the same time. Orders in one hand and commission in the other. And so I was all ready to go and then Vince Callahan calls me down to see him.

Mr. Gaston: You had not been officially notified of your acceptance. Had not been called for physical examination.

McCarty: At the Navy? I had passed my physical examination, had passed everything except final O.K. by the Board of Navigation.

Mr. Gaston: That was soon after your first interview? The day after your first interview you went down and took the physical examination at the Navy Medical Center.

McCarty:

Mr. Gaston: Things were now right up close to the actual issuance of the commission and then you told Vince of what was going on.

McCarty: Yes.

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Mr. Gaston: And then you had a talk with the

Mr. McCarty: About a week before I was supposed to get my commission Vince called me down and said he wanted me to stay here. I have just talked to Mr. Graves again and the Secretary has been notified and they don't want you to go. Mr. Graves is going in to speak to Secretary Morgenthau. Barrett by this time had come into the picture. He was going into the Army. Had a commission offered him as a Captain and so Callahan was seeing his department heads ready to leave and he was concerned about it. Said we are going right over to see Mr. Graves. Mr. Graves said: McCarty, Barrett, why don't you boys let me know about these things? Vince said to me, I told him, he has just forgotten. McCarty, Mr. Graves said then, we think you and Barrett both are doing more important work here than you would be doing if you should go into any of these other places. We are moving into an important part of the bond campaign and particularly need publicity. He said, I have just heard that you, McCarty, are ready to go into the Navy and Barrett into the Army. We will have to get in touch with Army and Navy and state that new circumstances and new conditions make it advisable for us to ask you to remain here with permission of the Army and Navy. Letters will have to be drafted. He then asked Barrett if he was in 1-A and he said 3-A. He said here is what we can do. If you gentlemen want we can ask the Army and Navy to postpone your commissions, if that is all right with you and Barrett, and hold them up indefinitely and at the same time for you McCarty we will ask for a deferment of six months of your draft and we would like to have you

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remain here because we think you have done a fine job and we need you, but I want to warn you if you do stay here at the end of six months we don't know whether any further request for deferment will be made.

Mr. Gaston: In other words it was a gamble as to whether you would be able to get any further deferment and second, whether you would be able to get a commission at that time.

Mr. McCarty: Yes, on the one hand I had a commission in the Navy which was almost within my reach, gone through everything all except the final O.K., and on the other hand it was remaining here with a draft deferment of six months, which Mr. Graves said would be O.K.'d by the Secretary, and taking my chances then. Mr. Graves asked me what I would do. Will you stay and I said yes, sir, I will, if the Secretary wants me to. I don't believe I would be doing as important work on any other job as I am doing here. Mr. Graves then turned to Barrett and asked him and he said the same thing. That settles it, all I have to do now is to have letters go to the Secretary of the Navy and the Secretary of War and in your case McCarty we will need to send out a request for draft deferment. Barrett does not need that. When his case comes up we can go into that.

Mr. Gaston: Sá you filled out the request for draft deferment?

Mr. McCarty: Mr. Callahan gave it to me and asked me to fill it out and give it back to him.

Mr. Gaston: The same day.

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Mr. McCarty: The next day. I could not get all the blanks — and so then the next day Mr. Graves telephoned me. He said Mac I want to let you know it is O.K. I have just seen Mr. Morgenthau and it is O.K. ~~Both of the letters~~ Both of the letters — to the Secretary of the Navy and to the draft deferment board will go out. — I got it back shortly after that

Mr. Gaston: From him?

Mr. McCarty: I believe Vince Callahan gave it to me. You are supposed to send it on. Then Vince told me of the Secretary

(Mr. McCarty handed Mr. Gaston several things from his file.)

Mr. Gaston: This letter is dated April 29 and probably you sent it on — approved by the Secretary and Mr. Graves, May 1. So that must have been the day it all went forward.

Mr. McCarty: No doubt it is. I sent a note along with it.

Mr. Gaston: You wrote a letter May 1 to Local Draft Board No. 14, 341 Madison Avenue, N.Y. (copy attached). Was that your first communication with the draft board since you had had your notice of reclassification in 1-A?

Mr. McCarty: Except the answer to the letter Mr. Callahan wrote.

Mr. Gaston: You wrote this letter here submitting request for deferment, signed by Mr. Thompson as Administrative Assistant?

Mr. McCarty: Somewhere I have got — I imagine you have seen the letter from Secretary Knox. I had a photostat made of it so I would have a copy.

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Mr. Gaston: Yes, I suppose it is in the file here. Yes, here is the original of it.

Mr. McCarty: Yes, a letter had arrived a few days before that stating Secretary Knox was out of town.

Mr. Gaston: Yes.

Mr. McCarty: Here is some additional evidence on the respective values of my work that came from the Bureau of Navigation. (Handed Mr. Gaston several papers.) Then they answered yes it was alright for me not to take the commission.

Mr. Gaston: Now this relates to your application for the Bureau of Navigation. Application for appointment in class SCVS U. S. Naval Reserve. That does not relate to this appointment under the War Savings Work.

Mr. McCarty: Under Admiral Conard.

Mr. Gaston: This is a follow-up directed to you.

(Mr. McCarty handed Mr. Gaston several letters and papers from his file and there was general discussion about them.)

Mr. Gaston: Is it possible for you to give us any of those earlier dates now -- the approximate dates that you saw these different people and do you have your notice of reclassification to 1-A.

Mr. McCarty: No, I don't have that. I must have left it home.

Mr. McCarty: Here is a letter from Army Air Corps asking me to take physical examination -- which I never used.

Mr. Gaston: Oh yes, this should give us a clue. This is dated April 7. Form authorization to the Officer in Charge of the Medical Clinic at Walter Reed Hospital -- referring Milburn McCarty, Jr. to Officer

in Charge for physical examination.

Mr. McCarty: Here is the date of my original filling out application for a Navy commission, which was the one I was going to take.

Mr. Gaston: On April 12 - application for appointment as Lieutenant Sc-V-(S) U. S. Naval Reserve. That's the one. This is a copy of the one you actually did fill out.

Mr. McCarty: One of them. There were pages and pages ---

Mr. Gaston: Shows your application for this job --- that your application for a commission, which you were to get, was made on April 12.

Mr. Gaston, reading from a paper handed him by McCarty: Do you speak and understand Spanish?

(There was discussion here as different letters and papers were passed back and forth between Mr. Gaston and Mr. McCarty.)

Mr. Gaston: The only date we are lacking now is the date of your reclassification. There are not any other communications with the draft board that you can think of. You have no direct communication, as I understand it. You received the usual notice of your classification - original classification - then you received a later notice of your reclassification. Vince Callahan wrote them a letter which was not an outright request for your deferment, but an inquiry, and they replied to it, treating it as a letter of request, and then there was no other communication until May 1, when you sent them this formal request for deferment, filled out by Mr. Thompson, with a letter in which you stated that you had been all ready to take a commission in the Navy, but the Secretary of the Treasury interceded and specifically requested that you retain your present job.

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Mr. McCarty: ----- Had his Administrative Assistant fill out and file a request for deferment for me. I never wrote to the draft board myself up until that time. The only other communication I had from them at all was one before I was reclassified.

Mr. Gaston: Your talk with Callahan, that was after you had been reclassified. Callahan realized the spot you were in, likely to be called at any time and although he said he hated to lose you, he recommended that you go out and get yourself a commission.

Mr. McCarty: He did not say it exactly that way. I was interested ---

Mr. Gaston: He indicated that just as a personal matter that that would be the logical thing for you to do.

Mr. McCarty:

Mr. Gaston: And so you did begin to follow them up in the way you have told - saw the man in Air Corps Public Relations, then the man in Air Corps proper and the man in the Navy, Addison Walker, who was the special placement man under the Secretary of the Navy, and he routed you to Eubank, the War Savings man and after seeing Eubank you saw Naval Intelligence.

(COPY)

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May 1, 1942.

Local Draft Board 14
331 Madison Avenue
New York, New York

Gentlemen:

I was all ready to take a commission (which was due to come through next week) in the Navy Department, but the Secretary of the Treasury interceded when he learned I planned to leave the Treasury and specifically requested that I remain at my present job, which is Chief of the Press Section of the War Savings Staff.

I agreed, of course, to follow Mr. Morgenthau's request.

Mr. Morgenthau had his Administrative Assistant, Mr. W.N. Thompson, fill out and file a deferment for me. I am enclosing this herewith for your attention.

Very truly yours,

Milburn McCarty, Jr.,
Chief, Press Section,
War Savings Staff.

Enclosure.

July 1, 1942.
6:10 p.m.

HMJr: Hello.

Operator: Mr. Currie.

HMJr: Hello.

Lauchlin
Currie: Hello, Mr. Secretary.

HMJr: Hello. How are you, Lauch?

C: Fine, thank you.

HMJr: Want to get in on a fight?

C: (Laughs) Sure.

HMJr: Well, Harry's sitting here with me and nine o'clock tomorrow morning this committee on whether we should or shouldn't adopt the report on this - to have a meeting with technicians of the International Stabilization Fund....

C: Oh, yes.

HMJr:and there's dirty work at the crossroads.

C: Really? Oh, really? Well, I'm always prepared to gang up with the Treasury against State. (Laughs)

HMJr: What - what a good nose you have.

C: (Laughs) Well, I sat in on one or two of these technicians' meetings.

HMJr: Well, come on - be here at nine o'clock and....

C: Fine.

HMJr:the - the pond is big.

C: Fine. (Laughs)

HMJr: Harry and I need you.

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C: Okay. (Laughs)

HMJr: All right.

C: I'll put in my two cents worth.

HMJr: Do you - hello.

C: Yes.

HMJr: We worried a little bit about Eccles on this.

C: Oh, is he....

HMJr: Yeah, do you think you can do a little ground work yet?

C: Beforehand?

HMJr: Yeah.

C: Yes, you're....

HMJr: A little late, I know today, but Eccles works late.

C: Yes, I can call him.

HMJr: Would you?

C: Do you know what his particular check....

HMJr: Well, they just think maybe that State's been to him to - the idea is to kill it, you see.

C: I see.

HMJr: Because we've got an idea and State hasn't, and they don't want anybody else to have any ideas....

C: I see.

HMJr:and of course I think the person who will naturally side with them will be Jesse, but I'm not asking you to do anything on Jesse.

C: (Laughs)

HMJr: And....

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C: I'm glad of that.

HMJr:but you - if you felt like it you might contact Eccles.

C: Yeah. Yeah, I'll contact him.

HMJr: I should think he'd be all right.

C: Yeah, I'll call him.

HMJr: Then I'll look forward to you at nine.

C: Okay.

HMJr: I hear you - you saw my fourteen percent, didn't you?

C: Yes. Yeah, I talked with Randolph today about it.

HMJr: That's all right, isn't it?

C: Yes, I think it's probably the best they can do. It works out to eleven, as Randolph explained to me....

HMJr: Incidentally....

C:which is better than the eighty.

HMJr:two things, in the first place it happens to be my own little pet theory....

C: Uh huh.

HMJr:and in the second place, if it goes through it will be the first post-war legislation.

C: Yes, that's right.

HMJr: Had you realized that?

C: No.

HMJr: Well, it will be.

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C: Is that so?

HMJr: Sure. Well, think of anything else for post-war.

C: Well, I know that Congress voted down on any money for planning.

HMJr: Yeah, but this would be the first post-war.

C: I think you're right, yes.

HMJr: Yeah.

C: Yeah.

HMJr: Well, come on over tomorrow. The water will be warm and nice.

C: Fine.

HMJr: Thank you.

C: All right, sir.

July 1, 1942

MEMORANDUM FOR THE SECRETARY

I discussed the post-war rebate with Marriner Eccles on the telephone this morning and now I have from him a letter, the original of which is attached hereto.

I also discussed the rebate over the telephone with Lauchlin Currie, and he expressed general agreement with the formula. He had no specific comments.

Dan Bell has given us his comments in the form of a memorandum, and wherever possible we are incorporating his suggestions.

RSC →

Attachment

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



OFFICE OF THE CHAIRMAN

July 1, 1942.

Mr. Randolph E. Paul,
Assistant to the Secretary,
Treasury Department,
Washington, D. C.

Dear Randolph:

In your letter of June 30 enclosing a copy of the memorandum, "Committee action on Revenue Bill of 1942, June 26, 1942", you invite my comments with respect to the post-war rebate. Since you wish me to reply immediately, I am giving you my impressions inasmuch as there is not time to study this particular proposal thoroughly.

While I would have preferred an 80 per cent top without a rebate, I recognize the considerations which prompt the 94 per cent tax with a 14 per cent rebate. Certainly a 94 per cent rate without a rebate would not be desirable, as experience in England, for example, with a hundred per cent rate indicated. There would be too much incentive for tax avoidance and the rebate is an inducement to retain earnings.

One good feature of the proposal, I think, is the options given to the Treasury for calling or redeeming the bonds, which are callable upon three months' notice at any time prior to maturity or may be paid one-third at the end of the second calendar year following the end of the war, one-third at the end of the third year, and one-third at the end of the fourth year. These payments presumably will be available to enable business concerns to convert to peacetime production. (It is specifically provided that these funds shall not be available to pay dividends, bonuses, etc., or to increase idle cash reserves or to buy securities.)

So far as personal savings are concerned as represented in War Bonds, it would be desirable if their redemption could be closely coordinated with conversion to peacetime production so that demand would be in reasonable relationship to supply. In the case of business savings, however, the sooner they are available after the war, the quicker adjustments can be effected so that civilian production will be facilitated.

Mr. Randolph E. Paul - (2)

July 1, 1942

I would prefer that feature of your formula which would not include the amounts returned in corporate incomes subject to tax. Making the amount so returnable subject to the capital gains tax of 15 per cent actually makes the effective rate of the excess profits tax more than 80 per cent. It would be fairer, I think, to leave these funds free for the conversion that will be so urgently needed after the war. If these refunds really represent a debt obligation owed by the Treasury to the taxpayer, they cannot properly be regarded as capital gains. If the Committee felt that your formula was too liberal, a more direct approach would be to reduce somewhat the amount of the refund rather than to resort to this taxing back of a part of the refund.

Offhand I have no other comments. Needless to add, I appreciate your giving me an opportunity to express my views.

Sincerely yours,



M. S. Eccles,
Chairman.

7-1-42

42

INCOME TAXES
FOR JUNE 1942
AS COMPARED WITH JUNE 1941
BY
FEDERAL RESERVE DISTRICTS

	<u>June 1942</u>	<u>June 1941</u>
BOSTON	\$ 151,764,845.41	\$ 68,443,757.05
NEW YORK	606,016,011.30	255,385,151.00
PHILADELPHIA	183,977,761.99	88,157,923.80
CLEVELAND.	251,489,276.96	99,694,632.66
RICHMOND	114,814,117.18	43,923,305.56
SAN FRANCISCO	74,372,220.00	30,419,742.87
CHICAGO	396,858,161.26	<u>a/</u> 207,688,066.06
ST. LOUIS	45,290,592.09	20,327,516.46
MINNEAPOLIS	23,494,237.16	9,447,827.12
KANSAS CITY	50,731,652.45	20,366,915.29
DALLAS	45,056,575.30	17,348,032.87
SAN FRANCISCO	<u>141,833,074.08</u>	<u>52,098,845.63</u>
TOTAL, FEDERAL RESERVE BANKS . .	\$2,085,698,525.18	\$ 913,301,716.37
TERRITORY OF HAWAII.	<u>*296,086.17</u>	<u>*247,617.92</u>
GRAND TOTAL	<u>\$2,085,994,611.35</u>	<u>\$ 913,549,334.29</u>

* Reports June 15, 16, etc. not yet received.

a/ \$70,000,000 from General Motors Corporation, Detroit, Michigan in payment of nearly all of balance due in 1941.

MEMORANDUM

July 1, 1942.

TO: The Secretary
 FROM: Mr. Sullivan

JHS

Under the terms of the tax convention between the United States and Sweden we have agreed to furnish each year to the Finance Minister of Sweden a list of all dividends, interest, royalties, pensions, annuities or other fixed annual or periodical income paid to residents of Sweden.

Commissioner Helvering has prepared such a list of payments made during the calendar year, 1940. However, it has occurred to him and to me that there may be some reasons for not forwarding this list to Sweden at the present time. Undoubtedly this matter should be discussed with the State Department. Commissioner Helvering or I will be glad to turn over this material to whoever you think should negotiate with the State Department.

Talk to Harry White
 and Foley,

[Signature]
 Show to Mr. Sullivan 7/2

Handwritten initials/signature

MEMORANDUM

July 1, 1942.

(Shows to Mr. Sullivan 7/2/42)

TO: The Secretary
FROM: Commissioner Helvering and Mr. Sullivan
SUBJECT: Conference with W. P. B. re additional business machines.

ALS

Mr. Locke, Assistant to Donald Nelson of the W. P. B. called to discuss this problem with us. We gave him the list of additional business machinery and equipment which we would need and he immediately asked what additional machinery and equipment would be required by industry to keep those records which would be necessitated by a withholding tax. We advised him that we did not know what the additional requirements would be.

After a fairly frank conversation Mr. Locke stated that he felt W. P. B. would be most reluctant to give us the additional equipment if there were not available for industry whatever additional equipment it required. On the other hand he stated that in his opinion W. P. B. could give to the Bureau of Internal Revenue all of the equipment and machinery we would require although many of the 2,100 typewriters would be secondhand machines. We asked him if this meant that W. P. B. could not give any additional equipment to industry for this purpose and he said that this was not so, — that undoubtedly W. P. B. could give some additional equipment to industry, but that there was a point beyond which it could not go and that no decision would be made on this matter until W. P. B. was given some idea of what the requirements of industry would be. He suggested that we might make a spot check in some banks and some manufacturing plants to see whether they could handle their records for a withholding tax with the present equipment or just how much more equipment they would need.

We agreed to see what we could find out for him along this line and promised to get in touch with him as soon as possible. We also cautioned him that this matter should be kept strictly confidential.

During the discussion Mr. Locke said that W. P. B. might be faced with deciding whether or not stopping all manufacture of business machinery and equipment in November of 1942 was prudent.

Sullivan ask to get back to find out details on how much business machinery has been bought by land lease since Jan/28 1942

Let me know soon

- 2 -

He said that in England they had been very much inconvenienced because they had stopped this type of manufacture immediately on entering the war and for that reason were obliged to get substantial amounts of business machinery and equipment from us on Lend Lease. He further stated that the impending shortage of labor was further ground for questioning the wisdom of the decision to stop all business machinery manufacture as early as November, 1942.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

July 1, 1942

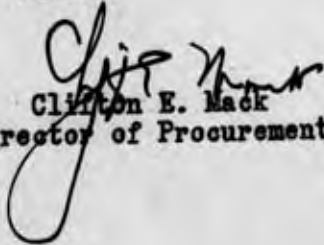
MEMORANDUM TO THE SECRETARY:

I have just received a copy of Mr. Nelson's letter to you dated June 29th, and I am having complete information obtained for you.

The conference at this office on May 6th with WPB representatives dealt with a diversion by the War Department, when they embargoed Russian shipments, of about 1800 cars of Russian lend-lease material originally routed to ports, and at that time we stated we would endeavor as promptly as possible to find out where the cars had been diverted, also the storage arrangements made, so that we would have a record of the locations. It was on May 10th that shipping was centralized in Washington for the proposed War Department release system to become effective June 1st. It has been a cumbersome procedure. After numerous conferences with ODT, WSA and Office of Lend-Lease Administration the difficulties are being overcome.

The WPB now receives copies of most of our lend-lease reports and we will be glad to furnish them with detailed information concerning available materials for the Russians. I will check the alleged delay in providing high priority cargo, and our preliminary check of certain of the items indicates that the material was ordered forward in time to meet the shipping request.

I will have a detailed report for you tomorrow as to each of the points Mr. Nelson has raised.


Clinton E. Mack
Director of Procurement





THE SECRETARY OF THE TREASURY
WASHINGTON

47
July 1, 1942.

My dear Mr. Ambassador:

This will confirm that the Agreement of January 3, 1942, between the Secretary of the Treasury and the Government of the Union of Soviet Socialist Republics for the purchase of 602,000 fine troy ounces of gold is hereby amended so that the term "360 days" is substituted for the term "180 days" in paragraphs (1) and (3) thereof.

Very truly yours,

Wm. M. E. C. J.
Secretary of the Treasury.

His Excellency
Maxim Litvinoff,
Ambassador of the Union of
Soviet Socialist Republics.

Maxim Litvinoff
The foregoing is agreed to on behalf
of the Government of the Union of
Soviet Socialist Republics.

Ambassador,
Union of Soviet Socialist Republics.

BRANT HOLME

TEL. CENTER BRUNSWICK 26 F 22
MERLES - MEAD R. F. D. 3, TROY, NEW YORK

Wednesday, July 1, 1942

Dear Henry:

*Handled on phone
by H.M.*

I have delayed giving you a "progress report" on my appointment to O P A until it had reached some finality. My papers had all cleared and been approved and, apparently, been very satisfactory to the parties concerned, including Mr. Burton E. Oppenheim under whose jurisdiction I would function in the Textiles Section.

Now, I have just been told by telephone that my appointment has been "frozen" along with other additions to the personnel of O P A, as a consequence of the Congress' reduction of its appropriations for O P A. It appears to be mere conjecture whether this "freeze" will be lifted, and my appointment completed.

In preparation for the appointment, I have cut off all other interests and plans within the last few days and given undivided study to the problems of the textile-bag industry. It is obvious, supported by my conversations in Washington, that there is a very definite need for someone official there who has an intimate working knowledge of the industry. The industry, I find, readily concurs in that opinion. There is no one there permanently who has mastered the intricacy of the industry as it affects the cotton and the burlap markets and the conversion of those materials for military and export and civilian needs. I realize that I am an amateur looking to a "professional" and, so, I beg your indulgence on my question whether you think that, if O P A is out, I could be placed in the "Container Division" of W P B. I should think that the same desirable purpose could be served thru that channel and, the good Lord only knows, that I have gotten myself so "steamed up" on these problems that I'd hate to see myself "go to waste" when I see so much upon which I could lend a hand. They're simple enough, properly approached, and I'm itching to help but, frankly, I'm only a 'babe in the woods', as you know, and don't know how to go about it. I hate to have current developments stymie me. Are you disposed to advise me?

BRANT HOLME

TEL. CENTER BRUNSWICK 26 F 22
MERLES MEAD R. F. D. 3. TROY, NEW YORK

- 2 -

I shall be up home, at the above address, over the weekend of the Fourth and am sending this to Washington in the hope that I might talk to you, if you are coming up to the farm next weekend, - by 'phone. I thought it best to give you this foreword. Then, if you'll send me word, I'll call you whenever it suits your convenience. And, I hope that I'm not imposing on you.

My love and very best to you and Ellie.

Sincerely yours,

Brant

Mr. Henry Morgenthau, Jr.
2434 Belmont Road
Washington, D C

WAR SHIPPING ADMINISTRATION
WASHINGTON

ADMINISTRATOR

July 1, 1942

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

My dear Mr. Secretary:

Please refer to your letters of April 24 and April 28 and the confidential Treasury memoranda enclosed.

I have had our people examine the reports with a view of determining whether or not they contained any information which we are not now receiving through other channels and which might be of value to us.

It has been developed that the reports do not add anything to the regular advices now reaching us. Under the circumstances, we will not of course require further copies of the Treasury memoranda but I desire to express my appreciation of your action in bringing the matter to our attention.

Sincerely yours,



E. S. Land
Administrator

OFFICE OF CIVILIAN DEFENSE
WASHINGTON, D. C.

July 1, 1942

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

Dear Mr. Morgenthau:

May I take this opportunity to thank you personally and on behalf of the American Theatre Wing for ~~making~~ it possible to use the Belasco Theatre as a Canteen.

Judging by the remarkable success which the Stage Door Canteen has had in New York, I feel quite confident that the men in the Services as well as in the city of Washington will benefit greatly by having one here.

Very sincerely yours,

Melvyn Douglas
Melvyn Douglas, Consultant
Section of Volunteer Talents

RECEIVED
JUL 1 1942

July 1, 1942

My dear Mr. Ambassador:

This display will give you some idea of the excitement created by a group of British and American war heroes who have been touring the country for us. The British contingent was headed by Squadron Leader John D. Nettleton, V.C., who raided Augsburg, and included a good cross section of the R.A.F., Commando units and Army and Navy men.

My own feeling is that this tour has not only helped to strengthen the war spirit in this country but has also done a great deal of good for England.

Sincerely,

(Signed) H. Morgenthau, Jr.

Hon. John G. Winant,
American Ambassador,
London, England.

Enclosure

FK/cgk

copies to Thompson

Via Diplomatic pouch
Sent to State Dept. by Busey 4:15
7/2
nmc

July 1, 1942

Dear Averill:

You may remember that at lunch the other day you stated you had not heard of the tour then being undertaken on behalf of War Bonds by a group of British and American war heroes.

This display of newspaper headlines will give you some idea of the excitement caused by our travelling group in the cities they visited. The tour is ending in St. Louis on Saturday, and I am convinced that it has been very much worth while for this country and for England too.

Sincerely,

(Signed) Henry

Hon. W. Averill Harriman,
American Embassy,
London, England.

FK/cgk

Copies to Thompson

*Via Diplomatic Pouch
Sent to State Dept. by Bundy 4/18
7/2*

nm

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

July 1, 1942

TO Mrs. Klotz

FROM Mr. Gaer

TOPIC: Education Plan

Here is a rather comprehensive memorandum dealing with an education plan for young people on the War Savings Program, which incorporates the ideas of:

- (a) Revised War Savings Books and Stamps to be released in series;
- (b) Direct messages to schools from the President, Secretary of the Treasury, etc.; and
- (c) Most important of all, the value and use of classroom projects, with types of projects needed.

Nothing is said here about what can and should be done in the education of adults, and more particularly foreign-born adults, on the place of the War Savings Program in the defense of our way of life. This program offers a great opportunity to sell with each bond a share in the understanding of freedom for all and the urgency to defend that ideal against all enemies. If we can get the school plan under way, we may then work out plans on how to reach adults through existing discussion groups and local forums.

Att.

Miss Chauncey: Statement to newspapers
requesting something to print on buy-
ing war bonds, etc.

July 1, 1942

This is a critical month in the war. It is also a critical month for us on the home front. This is a time when all of us must show that we are ready to make sacrifices and to practice self-denial in our common cause.

It is urgently necessary that you double the rate at which you are now buying War Bonds and Stamps. This will mean the sale direct to individual Americans of War Bonds and Stamps to the amount of not less than one billion dollars every month.

One billion dollars a month is the National quota. It is equal to one-tenth the combined incomes of all Americans.

This money is needed to buy the tools of war for your fighting forces. It will not pay for all of them. Our war expenditures now are at the rate of about FOUR BILLIONS a month, and they are growing daily. But a billion dollars a month direct from the people will make all-out production possible. Without it we cannot do our best; without it we cannot put forth our full effort.

It is desperately needed for another reason. We can't fight a war and at the same time live and spend as usual. There are not enough goods to go around — the things we buy with money. If we go on spending at the 1941 scale, we'll be robbing the fighting man to add to our own comfort or pleasure. We'll be driving up the cost of living for all of us. We'll be imposing dire hardships on our neighbors.

What is asked of you is ten percent of your earnings — a tithe for Liberty. It is not a tax; it is not even a contribution; it is a loan at interest, for your use and protection later.

Your Government asks you to cut down your expenditures, to SAVE. Your boys on the firing line and in the training camps, through your Government, ask you to save so that they may have what they need to win YOUR WAR for you. America asks you to save; to SAVE TO WIN THE WAR; to buy War Bonds and Stamps up to not less than ten percent of your income.

Is Liberty worth it? Is Democracy worth it? Is America worth it? I think I know your answer.

Sincerely,

(Signed) H. Morgenthau, Sr.

mmc

original & file to Kuhn

57

7/1/42

Prepared for use at press conference,
but not used.

7-1-42

War Bond sales in June totaled \$633,945,000, or just a shade under the total for May. This figure is far below the \$800,000,000 quota we set for June. This is disappointing, and not just because we missed our quota. It is disappointing because it seems to show that we in this country are not yet awake to the dimensions of the job ahead of us. It is disappointing because it shows that we don't yet understand the kind of war we are in, and the kind of effort we've got to make to win it.

I am not going to offer any alibis. I should like, however, to call your attention to a number of facts that appear in the figures for June and a number of other facts that do not appear in the figures.

In the first place, I am glad to see that sales of E Bonds are still going up. The sales in June were well above those in May, and in addition we have to remember that there is an accumulation of many millions of dollars in workers' payroll savings plans which will not be translated into actual bond purchases for a month or more. The biggest disappointment in the June figures was the slump in sales of F and G Bonds. The F Bond sales were 3.4 percent below those in May and G Bond sales 6.1 percent below the May figures, and of course they were far below what we expected when we fixed the June quota for all types.

On the subject of payroll savings, it may interest you to know that more than 100,000 concerns of all kinds, employing more than 23 million workers have now installed such plans for the systematic buying of Bonds out of payrolls. Of these 23 million workers more than 13 million are not putting aside a part of their pay every pay day, and are buying Bonds at an average rate of about 10 dollars per month per worker. Our job now is to push that figure of 13 million up to at least 20 million, and to increase the amount of savings to at least 10 percent of every company's gross payroll.

I have before me a long list of big companies where more than 95 percent of the workers are investing regularly more than 10 percent of the company's payroll. One example is the General Electric Company with 125,000 employees; 95 percent of these workers are now buying bonds at a rate

- 2 -

of ten percent of the company's payroll. This is the kind of job we believe will be done in all the businesses of America.

I have just heard that 99 percent of all firms employing 5,000 people or more have installed payroll savings plans. We have begun new drives to increase the employees' savings in those plants where a payroll savings plan is operating but where the rate of saving is under ten percent. These drives naturally could not be reflected in the June figures because the workers have to accumulate the money for Bond purchases, but they should lead to substantial gains in July and in the following months.

As for the future, we are going right ahead, and we are aiming at an average of \$1,000,000,000 a month in the new fiscal year. You may have read that the House Appropriations Committee has approved our request for more money so that we can increase our staff in the field. Up to now we have been operating with 270,000 volunteers and only 800 paid employees in Washington and in the field. We intend to increase those paid employees to 1265, and we are going to pay particular attention to the payroll savings plans which, to my mind, are the heart and core of our whole operation. Incidentally, I suggest that you read Mr. Graves' testimony before the Appropriations Subcommittee; it has just been published in the hearings on the First Supplemental National Defense Bill for 1943. That testimony will give you a great deal of information, much of it unpublished until now, about the nature of our operation and the methods we intend to use in the coming year.

UNITED STATES SAVINGS BONDS

Sales in June Compared with May, 1942
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales		Increase or Decrease (-) in June Compared with May	
	June	May	Amount	Percent
Series E	\$ 433,223	\$ 421,831	\$ 11,392	2.7%
Series F	41,041	42,465	- 1,424	- 3.4
Series G	<u>159,681</u>	<u>170,060</u>	- <u>10,379</u>	- <u>6.1</u>
Total	\$ <u>633,945</u>	\$ <u>634,357</u>	-\$ <u>412</u>	- <u>0.1%</u>

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

July 1, 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 - June 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Series E	Series F	Series G	Total
June 1942				
1	\$ 19,834	\$ 2,546	\$ 7,160	\$ 29,539
2	6,008	1,372	6,523	15,903
3	12,970	1,656	6,978	21,604
4	17,388	2,482	11,292	31,162
5	24,789	1,757	7,587	34,132
6	15,209	1,451	5,084	21,744
8	27,048	1,986	9,540	38,574
9	8,912	880	4,072	13,863
10	20,085	1,876	8,069	30,029
11	15,678	1,735	5,807	23,220
12	16,550	1,295	4,107	21,952
13	15,230	1,302	4,907	21,439
15	23,984	1,581	5,670	31,235
16	7,535	513	3,090	11,099
17	15,815	1,499	5,971	23,285
18	12,288	1,567	4,732	18,587
19	19,421	1,829	6,185	27,435
20	10,987	1,022	2,345	14,354
22	29,386	2,231	8,038	39,655
23	10,692	991	4,843	16,526
24	15,866	1,777	7,465	25,108
25	14,877	1,607	6,166	22,650
26	15,956	1,192	4,671	21,819
27	13,719	1,451	5,573	20,742
29	24,893	2,065	6,900	33,858
30	16,106	1,378	6,945	24,429
Total	<u>\$431,221</u>	<u>\$ 41,041</u>	<u>\$159,641</u>	<u>\$631,903</u>

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

July 1, 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.

CONCERNS HAVING TEN PERCENT OR MORE ALLOTTED
TO THE PURCHASE OF WAR SAVINGS BONDS

<u>NAME</u>	<u>No. of EMPLOYEES</u>	<u>Employee PARTICIPATION</u>	<u>Payroll PARTICIPATION</u>
Arma Corp., Brooklyn, N. Y.	3,000	100%	12%
Sonoco Products Co., Hartsville, S. C.	1,525	99.5%	18%
Diamond T. Motor Car Co., Chicago, Ill.	1,743	98%	10% plus
W. T. Grant Co., New York, N. Y.	900	96%	11%
Northwestern Steel and Wire Co., Sterling, Ill.	1,795	100%	10%
W. S. Butterfield Theatres Inc., Detroit, Mich.	1,289		10.6%
Bayonne Associates, Bayonne, N. J.	1,100		16.8%
Consolidated Steel Corp., Orange, Texas	12,000	94%	10% plus
Cummins Construction Co. Cedar Point, Md.	2,000		10% plus
Hamilton Foundry & Machine Co., Hamilton, Ohio	331		10%
Gruen Watch Co., Cincinnati, Ohio	184	100%	10% plus
General Electric Co., Schenectady, N. Y.	125,000 plus	95%	10%
Northern Pump Co., Minneapolis, Minn.	6,630	100%	14.39%
Deere & Webber Co., Minneapolis, Minn.	317		10%
Southern Bleachery & Print Works Inc., Greenville, S.C.	1,641		10% plus
Consagra Coal Co., Blakely, Pa.	300	100%	10%
Beech Aircraft Corp., Wichita, Kansas	Over 5,000		16.1%
American Hoist & Derrick Co., St. Paul, Minn.	1,500	95%	10% plus
Scruggs, Vandervoort & Barney, St. Louis, Mo.	2,610	98% (St.&Bds)	14.8%

(REPORT FROM DEPUTY ADMINISTRATOR ILLIGEN, PA.)

American Chain, Division of American Chain and Cable Co., York, Pa.	2,058	100%	10.24%
Saquoit Silk Mill, Scranton, Pa.	1,100	100%	10%
Speer Carbon Co., St. Marys, Pa.	1,100	98%	10%
Babcock & Wilcox Tube Co., Beaver Falls, Pa.	2,000		10% plus

CONCERNS HAVING TEN PERCENT OR MORE ALLOTTED
TO THE PURCHASE OF WAR SAVINGS BONDS

- 2 -

<u>NAME</u>	<u>No. of</u> <u>EMPLOYERS</u>	<u>Employee</u> <u>PARTICIPATION</u>	<u>Payroll</u> <u>PARTICIPATION</u>
Casco Products Corp., Bridgeport, Conn.	855		11.9%
J. Hungerford Smith Co., Rochester, N. Y.			10%

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Mr. Kuhn

FROM C.G.K.

Mr. Odegard suggested that something should be included referring to the Ludlow statement in the Record for Monday. "Some mention ought to be made of the fact that we have need of additional outlets for bonds. We have plenty of outlets for stamps but we have been limited by the fact that we have only banks and post offices for outlets and that we are now qualifying upwards of 5,000 or more department stores as issuing agents for bonds, and the traffic in these stores is the heaviest traffic of any outlet."

UNITED STATES SAVINGS BONDS
 Sales Since May 1, 1941, by Months
 On Basis of Issue Price
 (In thousands of dollars)

Month	Series E			Series F	Series G	Total
	Post Offices	Banks	Total			
May	\$ 42,836	\$ 57,745	\$ 100,581	\$ 37,817	\$ 211,420	\$ 349,838
June	40,788	61,729	102,517	28,876	183,134	314,527
July	50,558	94,717	145,274	27,359	169,498	342,132
August	40,725	76,878	117,603	20,318	127,685	265,606
September	38,117	67,123	105,241	18,099	108,987	232,337
October	41,634	81,250	122,884	22,963	124,866	270,713
November	37,997	71,478	109,475	18,978	105,035	233,487
December	103,154	237,930	341,085	33,272	154,242	528,599
1942						
January	158,469	508,942	667,411	77,559	315,576	1,060,546
February	86,938	311,051	397,989	51,820	253,391	703,200
March	86,278	251,321	337,599	41,070	179,223	557,892
April	83,802	242,858	326,660	40,003	163,839	530,502
May	108,005	313,826	421,831	42,465	170,060	634,357
June	<u>105,907</u>	<u>327,316</u>	<u>433,223</u>	<u>41,041</u>	<u>159,681</u>	<u>633,945</u>
Total	<u>\$1,025,211</u>	<u>\$2,704,163</u>	<u>\$3,729,374</u>	<u>\$ 501,640</u>	<u>\$2,426,638</u>	<u>\$6,657,652</u>

July 1, 1942.

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

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

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

Comparison of June sales to date with sales during the same number of business days in April and May 1942

(At issue price in thousands of dollars)

Date	June daily sales	Cumulative sales by business days			
		June	May	April	June as percent of May
June 1942					
1	\$ 9,705	\$ 9,705	\$ 7,302	\$ 11,987	132.9%
2	7,895	17,601	15,168	21,677	116.0
3	8,634	26,235	25,516	29,097	102.8
4	13,774	40,009	33,145	35,818	120.7
5	9,344	49,353	48,751	46,174	101.2
6	6,535	55,888	60,817	55,991	91.9
8	11,526	67,414	67,213	63,695	100.3
9	4,952	72,366	72,794	70,364	99.4
10	9,945	82,310	80,845	77,197	101.8
11	7,542	89,852	85,410	80,586	105.2
12	5,402	95,254	94,391	91,623	100.9
13	6,210	101,464	102,106	96,031	99.4
15	7,251	108,715	108,923	102,657	99.8
16	3,564	112,279	114,129	111,829	98.4
17	7,470	119,749	123,534	116,374	96.9
18	6,299	126,048	127,724	120,625	98.7
19	8,014	134,062	138,908	131,852	96.5
20	3,367	137,429	149,502	136,532	91.9
22	10,269	147,698	156,587	145,250	94.3
23	5,834	153,532	161,404	152,983	95.1
24	9,242	162,774	171,335	160,398	95.0
25	7,773	170,547	179,208	166,278	95.2
26	5,863	176,410	189,271	176,561	93.2
27	7,024	183,433	196,192	184,279	93.5
29	8,965	192,398	206,874	195,393	93.0
30	8,323	200,722	212,526	203,842	94.4

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

July 1, 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 - SERIES E

Comparison of June sales to date with sales during the same number of business days in April and May 1942

(At issue price in thousands of dollars)

Date	June daily sales	Cumulative sales by business days				June as percent of May
		June	May	April	June as percent of May	
June 1942						
1	\$ 19,834	\$ 19,834	\$ 12,679	\$ 12,993		156.4%
2	8,008	27,841	24,263	24,256		114.7
3	12,970	40,811	46,532	35,050		87.7
4	17,388	58,199	55,460	47,119		104.9
5	24,789	82,988	73,824	65,115		112.4
6	15,209	98,197	97,049	73,795		101.2
8	27,048	125,245	114,218	85,714		109.7
9	8,912	134,157	128,670	97,925		104.3
10	20,085	154,242	151,956	108,707		101.5
11	15,678	169,920	161,346	116,081		105.3
12	16,550	186,470	177,133	138,272		105.3
13	15,230	201,700	194,047	146,937		103.9
15	23,984	225,684	208,939	154,623		108.0
16	7,535	233,218	223,442	168,103		104.5
17	15,815	249,033	247,532	178,870		100.6
18	12,288	261,321	257,374	189,156		101.5
19	19,421	280,742	271,079	207,742		103.6
20	10,987	291,729	290,485	217,104		100.4
22	29,386	321,114	309,584	229,140		103.7
23	10,692	331,806	323,705	241,644		102.5
24	15,866	347,673	347,494	256,076		100.1
25	14,877	362,550	360,564	267,396		100.6
26	15,956	378,505	375,702	288,434		100.7
27	13,719	392,224	392,627	300,188		99.9
29	24,893	417,117	408,409	313,511		102.1
30	16,106	433,223	421,831	326,660		102.7

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

July 1, 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 - TOTAL

Comparison of June sales to date with sales during the
same number of business days in April and May 1942

(At issue price in thousands of dollars)

Date	June daily sales	Cumulative sales by business days			June as percent of May
		June	May	April	
June 1942					
1	\$ 29,539	\$ 29,539	\$ 19,981	\$ 24,980	147.8%
2	15,903	45,442	39,430	45,933	115.2
3	21,604	67,046	72,048	64,147	93.1
4	31,162	98,208	88,605	82,937	110.8
5	34,132	132,341	122,575	111,289	108.0
6	21,744	154,085	157,866	129,786	97.6
8	38,574	192,659	181,431	149,409	106.2
9	13,863	206,523	201,464	168,289	102.5
10	30,029	236,552	232,801	185,904	101.6
11	23,220	259,772	246,756	196,667	105.3
12	21,952	281,724	271,525	229,895	103.8
13	21,439	303,163	296,152	242,969	102.4
15	31,235	334,398	317,861	257,280	105.2
16	11,099	345,497	337,371	279,933	102.4
17	23,285	368,782	371,066	295,244	99.4
18	18,587	387,369	385,098	309,780	100.6
19	27,435	414,804	409,987	339,594	101.2
20	14,354	429,158	439,987	353,636	97.5
22	39,655	468,812	466,171	374,391	100.6
23	16,526	485,338	485,109	394,628	100.0
24	25,108	510,446	518,829	416,474	98.4
25	22,650	533,097	539,771	433,674	98.8
26	21,818	554,915	564,973	464,995	98.2
27	20,742	575,657	588,819	484,467	97.8
29	33,858	609,516	615,283	508,904	99.1
30	24,429	633,945	634,357	530,502	99.9

July 1, 1942.

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

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

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Sales of United States Savings Bonds
From June 1 through June 30, 1942
Compared with Sales Quota for Same Period
(At issue price in millions of dollars)

CONFIDENTIAL

Date	Series E				Series F and G				Total			
	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales
	June 1	June 1	June 1	to Date	June 1	June 1	June 1	to Date	June 1	June 1	June 1	to Date
Daily	to	to	as % of	Daily	to	to	as % of	Daily	to	to	as % of	
	Date	Date	Quota		Date	Date*	Quota		Date	Date	Quota	
1	\$ 19.8	\$ 19.8	\$ 21.7	91.2%	\$ 9.7	\$ 9.7	\$ 14.0	69.3%	\$ 29.5	\$ 29.5	\$ 35.7	82.6%
2	8.0	27.8	32.0	86.9	7.9	17.6	23.0	76.5	15.9	45.4	55.0	82.5
3	13.0	40.8	46.4	87.9	8.6	26.2	37.9	69.1	21.6	67.0	84.3	79.5
4	17.4	58.2	63.6	91.5	13.8	40.0	51.0	78.4	31.2	98.2	114.6	85.7
5	24.8	83.0	79.6	104.3	9.3	49.4	61.7	80.1	34.1	132.3	141.3	93.6
6	15.2	98.2	93.7	104.8	6.5	55.9	69.4	80.5	21.7	154.1	163.1	94.5
8	27.0	125.2	120.0	104.3	11.5	67.4	82.2	82.0	38.6	192.7	202.2	95.3
9	8.9	134.2	132.4	101.4	5.0	72.4	89.2	81.2	13.9	206.5	221.6	93.2
10	20.1	154.2	149.6	103.1	9.9	82.3	99.6	82.6	30.0	236.6	249.2	94.9
11	15.7	169.9	170.0	99.9	7.5	89.9	108.4	82.9	23.2	259.8	278.4	93.3
12	16.5	186.5	189.0	98.7	5.4	95.3	115.4	82.6	22.0	281.7	304.4	92.5
13	15.2	201.7	205.6	98.1	6.2	101.5	120.8	84.0	21.4	303.2	326.4	92.9
15	24.0	225.7	236.5	95.4	7.3	108.7	130.9	83.0	31.2	334.4	367.4	91.0
16	7.5	233.2	251.1	92.9	3.6	112.3	137.3	81.8	11.1	345.5	388.4	89.0
17	15.8	249.0	271.3	91.8	7.5	119.7	147.8	81.0	23.3	368.8	419.1	88.0
18	12.3	261.3	295.2	88.5	6.3	126.0	157.0	80.3	18.6	387.4	452.2	85.7
19	19.4	280.7	317.4	88.4	8.0	134.1	164.6	81.5	27.4	414.8	482.0	86.1
20	11.0	291.7	336.9	86.6	3.4	137.4	170.6	80.5	14.4	429.2	507.5	84.6
22	29.4	321.1	373.0	86.1	10.3	147.7	181.9	81.2	39.7	468.8	554.9	84.5
23	10.7	331.8	390.0	85.1	5.8	153.5	189.2	81.1	16.5	485.3	579.2	83.8
24	15.9	347.7	413.5	84.1	9.2	162.8	201.3	80.9	25.1	510.4	614.8	83.0
25	14.9	362.5	441.1	82.2	7.8	170.5	212.0	80.4	22.7	533.1	653.1	81.6
26	16.0	378.5	466.8	81.1	5.9	176.4	221.0	79.8	21.8	554.9	687.8	80.7
27	13.7	392.2	489.2	80.2	7.0	183.4	228.0	80.4	20.7	575.7	717.2	80.3
29	24.9	417.1	530.6	78.6	9.0	192.4	241.4	79.7	33.9	609.5	772.0	79.0
30	16.1	433.2	550.0	78.8	8.3	200.7	250.0	80.3	24.4	633.9	800.0	79.2

July 1, 1942.

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

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

* Takes into account both the daily trend during the week and the monthly trend during the month.

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JULY 1, 1942
Vol. II, No. 5

The Minute Man



A Navy man who took part in raids on Jap bases in the Pacific urges a crowd in Seattle's Victory Square to buy War Bonds



News Letter OF
THE WAR SAVINGS STAFF

THE Minute Man

JULY 1, 1942

VOL. II, NO. 5

News Letter of the War Savings Staff, Treasury Department Contents

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Issued by the Field Division. The Minute Man seeks to create and maintain sales activities on behalf of United States Savings Bonds and Stamps by supplying information, ideas, inspiration, and instruction to members of the War Savings Staff throughout the United States, its Territories and Possessions. Printing approved by the Bureau of the Budget.

10-Percent Drive in Full Swing

Complete and convincing promotional material launches program to enlist 10 percent of the national income in the War Savings program

COPIES of the "Plan for Diverting at Least 10 Percent of America's Pay Roll Into War Savings Bonds" have now been distributed to all WSS State headquarters, and from there to the field force everywhere.

The brochure which presents the plan, and the accompanying posters, badges, stickers, pamphlets and other materials which implement it, have been enthusiastically received by the entire War Savings Staff.

No praise seems too high for this material, which provides a clean-cut action program for every local committee, and for every member of a pay-roll savings division. Some typical comments:

"Best thing Washington has ever sent us."

"Exactly what companies need for this program."

"Inspiring, clear, complete."

Reports indicate that in most counties the task of presenting the plan to employers of 100 or more people had been completed by July 1, and that committee workers are now vigorously presenting the plan to smaller firms. Pay-roll savings divisions, speakers bureaus, and labor divisions of local committees have been enlarged to handle the intensive drive now under way.

Local committees are assigning a worker to each business firm in their



One of the new posters for the drive to raise pay-roll savings to 10 percent of income.

districts. Each worker has responsibility for one large firm, or for a few smaller ones. He is expected to service these firms by calling at least once each week, or oftener if necessary, and doing everything possible to help them secure full participation, and at least 10 percent of the total pay roll in War Savings Bonds allotments.

This plan will succeed because it is (1) fully understandable by every wage earner and salaried person, and (2) because it has behind it the most effective promotional material ever supplied by the United States Government to meet a similar need.

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With the FIELD FORCE

New York at War Parade Launches Pledge Campaign

THE ENORMOUS "New York at War" parade arranged by a special committee headed by Grover Whalen appointed by Mayor LaGuardia, included many references to the War Savings program and to New York's pledge campaign which began next day.

The parade was planned to include representation of every phase of the war effort, civil defense, and war production. However, John T. Madden, chairman of New York's pledge campaign pointed out that it was War Savings which made the parade more than a demonstration, "inasmuch as it provides a formula for action."

The task of recruiting and training the 200,000 Minute Men and Women needed to make a complete canvass of the 2,000,000 homes in the metropolitan area was an enormous job and was accomplished in many different ways. For example, ads appeared on the financial pages of the New York Times and other papers under such headings as: Volunteers Wanted! Wanted: You—As a Minute Man. Each ad included a coupon which the volunteers could fill out and mail in to headquarters.

All Minute Men were required to attend one of the training meetings which were held in many neighbor-

hood centers. At these meetings, a lecture illustrated by a slide film gave them information which they needed to know when calling on their neighbors for pledges.

Each Minute Man was asked to call on one person each evening on each of the 10 days of the campaign.

Pre-campaign publicity was arranged by a committee of advertising men, headed by Sam Fuson. This was a well-integrated program made possible by the cooperation of many advertisers and advertising agencies. It represented a large monetary contribution to the War Savings program. The program included a series of full-page ads published over a 10-day period in 13 daily newspapers in the metropolitan area; 600 outdoor posters; 17,500 car cards; and 100,000 posters for use in store windows.

As this publicity material incorporated many ideas and suggestions which can be used in connection with the continuing campaign, a complete set of these materials has been made available to all State headquarters offices.

Milwaukee Holds Big War Exposition

STATE ADMINISTRATOR Frank J. Kuhl, who served as honorary chairman of the Milwaukee War Exposition and

Bond Rally held from June 6 to 10, reports that the event was a great success from every point of view.

This exposition was sponsored jointly by the Milwaukee County WSS, the city, the county, and the county defense council. Wisconsin manufacturers of war materials staged impressive exhibits. The Army and Navy cooperated in making available equipment, bands, and details of men from various services. Many stars of the entertainment world contributed their talent.

A small admission fee was charged to defray the few items of expense which were not contributed. Seats in the big arena for the shows presented each afternoon and evening were given to those who bought bonds at the exposition, with regular seats "priced" at \$18.75 and boxes at \$1,000.

A War Bond Rally in Connecticut

WILLIAM J. PAPE, publisher of the Waterbury Republican and Waterbury American, Pulitzer prize winner, and an active worker for War Savings, submitted to the Connecticut WSS this report of a rally which he attended in a small Connecticut town:

"DEAR MR. HEWES: I had a bully good time at Newtown last night, but it was an altogether different kind of party than I expected. I thought it was going to be a serious meeting of bond canvassers and I was all ready to prime them on the investment angle. I could have sold those bonds to a glass-eyed banker, but there were no bankers there.

"When I got to the hall I found the

On the south lawn of the Treasury Building, facing Pennsylvania Avenue, this sign reminds Washingtonians of their monthly War Bond quota.



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lawn lit up like a county fair with 3 drum corps and a dozen State policemen on hand with about 10 white police cars. There had been a street parade several miles long with floats. There was a platform outdoors with a jazz band and a piano and Lisa Roma, an opera singer. Ex-Mayor Buckingham, Senator Coles and I were the speakers, but we did not talk much about the bond campaign. We pumped in patriotism.

"You see, we had a lot of competition. There were a dozen Indians of the Hopi tribe, from a 5-month-old baby to the Big Chief himself, also a Sioux Indian Chief, and they danced Indian dances, sang Indian songs and spoke in Indian and English. There was a rope-throwing champion there—the only man in the world who had ever succeeded in twirling 10 lariats at once—and he did it again. The Danbury Hatters' Union drum corps had a girl baton-tossing champion.

"I told the crowd that I came over to prove that everybody ought to devote 10 percent of his income to buying bonds and stamps, but instead I was going to just give them greetings from Waterbury and observe the way Newtown was doing it so as to be able to report to our War Savings committee.

"Newtown knows there is a war on and seems quite determined to do something about it."

"Roll Out Your Dollars" Campaign Slogan in San Diego

THE WAR SAVINGS publicity program developed by the San Diego WSS committee is of interest in that it employed a special bond slogan and practically every known publicity medium.

During a 2-week period, "Roll Out

War Bond rally in front of the new headquarters of the Alianza Hispano-Americana in Tucson, Ariz., when the organization, its members and friends purchased \$110,000 worth of bonds and stamps.



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Poster widely used in San Diego, Calif. In many communities, local committees, businesses and special groups have prepared their own War Bond posters.

Your Dollars—Buy a War Bond Every Month" was impressed upon all San Diegoans through 600 to 800 column inches of newspaper publicity plus 4 full-page and 13 smaller newspaper ads; 17 twenty-four-sheet posters and 75 six-sheet posters on outdoor boards; car cards in every bus and streetcar and on the exteriors of 100 cars; four 15-minute radio programs, and 30 spot announcements every day; distribution of literature in every office building; speakers at all luncheon clubs; 11 special window displays; movie trailer shown in all San Diego theaters; and, finally, 20,000 lapel ribbons worn by salespeople, waitresses, bank tellers, filling station attendants, etc.

This program was developed by G. H. Whitney, chairman of the San Diego County War Savings committee, and Norman R. Barnes, chairman of the advertising and pro-

motion division, in cooperation with the San Diego Union and Tribune Sun, and local merchants.

Iowa News Letter Reports Some Novel Sales Ideas

PARADES, stamp booths, ad-writing contests for the sale of bonds, poster contest, something doing every minute—that's the way the War Bond campaign at Davenport has been going. County Chairman Hutchinson has the able assistance of a fine committee which is cooperating with the Ramsey Advertising Agency on one of the finest publicity campaigns worked out by any county so far in this State.

The Davenport Times is running an ad-writing contest, giving \$5 in War Stamps to the 20 people writing the best ads. Advertising experts arrange the lay-outs and illustrate the ads which are sponsored by local firms and institutions.

The War Bond poster contest is sponsored by the Friends of Art in Davenport.

A group of girls in this city has been providing free rides on the river in speedboats for bond buyers. First purchaser was a man who said he wanted to buy a bond for his soldier son.

Everyone who has visited Burlington in the last quarter-century has seen an old popcorn wagon, standing unused on a side street. Now it has returned to duty. A full-page ad in the Daily Hawkeye-Gazette not long ago announced:

"I've been around Burlington for a long, long time. I remember some of you old-timers when you were just kids. I've sold thousands

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of bags of popcorn and peanuts and tons of candy and ice cream. But now I'm through selling those things—now I'm going to sell War Stamps and Bonds. Yes, and I want everyone of my old customers to come down and see me and buy at least one War Stamp."

In the little town of Decorah, Robert Rounseville, Cedar Rapids Gazette carrier, joined with other carriers in the stamp and bond selling campaign this year. He boned up on all the facts about bonds and then started out. His first big sale resulted from an interview with a merchant who asked him to call. He made quite a sales talk and the merchant ordered a \$500 Series E Bond and handed Bob a check in payment. Since then, he has made other large sales and up to April 25 his sales had amounted to more than \$9,000. Bob keeps books on his customers and knows when to call back for another sale.

First community-sponsored wartime parade in Marion, Iowa, was held under the auspices of the Linn County War Savings committee. Sixteen airplanes roaring over the city helped provide martial fanfare. A large picture of Marion's own war hero, a flyer with the A. V. G.; decorated bicycles; and juvenile floats—one a wagon decorated as a prairie schooner with the legend "We've still got that fighting spirit, 1776 to 1942"; another wagon loaded with salvaged iron and steel and a sign, "I can't shoot a Jap but I can collect scrap,"—were some of the features of this successful affair. Scores of small towns throughout Iowa are now staging similar patriotic rallies.

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Wheelbarrow Rally

PLEDGES to buy \$107,000 worth of War Bonds were secured in 1 hour during a highly successful rally held recently in Columbus, Ga.

A big wagon driven by six large horses furnished by the Wilson Co., helped attract a crowd. A sound truck from the WRBL radio station broadcast patriotic songs and speeches. High-school girls circulated through the crowd, which gathered at a principal downtown intersection. Signers of pledges were given the privilege of pushing the girls around in wheelbarrows which were appropriately decorated for the occasion. Everyone had a good time.

Boy Scouts Make Thorough Canvass in Two Pennsylvania Counties

AN OUTSTANDING demonstration of the ability of the Boy Scout organization to handle emergency assignments has been reported from Pennsylvania. Just 1 week before Pennsylvania's pledge campaign was launched, the Valley Forge Boy Scout Council was given the responsibility of handling the entire canvass in Montgomery and Delaware Counties.

Finale of War Savings skit staged by a dancing class in Augusta, Me.



Joe Shoung (center), operator of a chain of stores is shown purchasing \$100,000 worth of War Bonds. Albert Chow, coordinator of War Savings activities in San Francisco's Chinatown, accepts the check while Northern California Administrator James G. Smyth presents Shoung with a bond. Chow was instrumental in putting on a drive which resulted in sales of more than a half million dollars worth of Bonds and Stamps to Chinatown's 20,000 persons. He also took a leading role in the pledge for Victory Drive. He is now devoting his time to installing pay-roll savings plans in Chinese stores. Shoung is setting up the 100-percent-10 percent plan in his chain of stores.

These counties are just outside of Philadelphia and have a combined population of 610,000. Fortunately they are completely covered by the Boy Scout "Troop Service Areas" established a year ago as part of a program of preparing for emergency and defense service projects. With this splendid organization, in less than 10 days, the Scouts trained their 6,100 members in War Savings, and the pledge program, and conducted an intensive house-to-house canvass which produced pledges from 246,000 persons, or 40 percent of the population of the two counties. On the average, each of the 6,100 scouts

and scout leaders secured 40 signed pledges.

Montgomery and Delaware Counties are well served by the scouts and scout leaders of the Valley Forge Boy Scout Council. However they are not unique in this respect. Many War Savings committee chairmen have found the Boy Scouts of their communities ready and eager to help promote sales of War Savings Bonds and Stamps in every possible way.

Pledges Can Exceed Quotas—East Carroll's Demonstration

C. R. EVANS, WSS chairman for East Carroll Parish, La., has secured pledges from 1 out of every 4 persons in that agricultural parish, an average of more than one pledge in each household. The total amount is 5 percent in excess of the parish's June quota. 12,000 of the total population of about 19,000 are Negroes—chiefly tenant farmers, share-croppers, and farm laborers who are sacrificing much to buy bonds and stamps.

Deputy Administrator Mark Bartlett submits this record as an indication of what can be done, by patient effort, in districts which would seem unpromising, even impossible, in advance of such efforts.

This year's annual convention of the Oklahoma Firemen's Association has been canceled. Officers of the association voted to invest in Savings Bonds the \$12,000 to \$15,000 it would have cost to entertain the 1,500 visiting firemen who usually attend these big events.

Oregon Reports

"VICTORY CENTERS" for the promotion and sale of War Savings Bonds are being established in communities in all sections of Oregon. Grand openings of these centers, at which elaborate patriotic programs were arranged, have been held at Salem, Oregon City, Pendleton, and Hood River. These and similar programs are keeping the State staff busy as speakers. All these centers offer band concerts, talks by local citizens, and entertainment numbers, and at all of them stamps are sold to people in the audience and bonds are either sold and issued immediately or ordered. More than \$1,200 was realized from stamp and bond sales at the opening of the Victory Center in Oregon City. R. Morris Holman, county chairman has reported.

A "roaming Victory Center" has been established in Washington County, and programs are rotated among the communities, according to Mrs. Paul Patterson, county chairman.

Methods of installing pay-roll savings plans for purchase of War Savings Bonds by municipal employees, and other ways and means by which Mayors and other municipal executives can promote sales of the securities were discussed before members of the League of Oregon Cities at that organization's recent annual conference. The league is working out a uniform pay-roll savings plan for all cities to adopt.

Allan Rinehart, vice president and sales manager of the Beaver Engraving Co., of Portland, has been appointed a deputy administrator

for Oregon. He has been active in many Portland civic affairs and in 1937 was named as the city's first junior citizen. He was in charge of the War Savings pledge campaign for Multnomah County and since January 1, has served as associate chairman of the Multnomah County committee.

Why Hawaii Beat Its May Quota by More Than 600 Percent

ADVANTAGES of associating War Bonds and Stamps promotion with national and local holidays are again proved by reports from Hawaii. Its people celebrated Lei Day by buying bonds and stamps totaling \$1,017,750—more than the entire month's sales quota for the Territory.

With this fine start, Hawaii went ahead to roll up total sales for the month of \$5,985,000—more than six times its May quota, and the largest increase over quota scored by any State or Territory.

"Buy Uncle Sam a Lei of Dollars" was the slogan for Lei Day. The quota of \$250,000 set for that day was reached in the first hour, and was hailed as the best example of concerted cooperation in history by all elements of the Territory's population.

Gov. J. B. Poindexter lent the program not only his official support, but bought \$10,000 worth of bonds for his own account. Lt. Gen. Delos C. Emmons recommended the investment by military personnel of a large percentage of their accumulated back pay, retroactive to December 7, 1941. Rear Admiral David W. Bagley provided strong stimulus

for investment among Navy shore and fleet personnel.

All the elements necessary to success were therefore present. They can be summarized as (1) recognition of the national emergency, (2) intelligent use of a holiday to increase enthusiasm and action, (3) force of example set by prominent citizens, (4) complete organization of WSS before sales program begins.

Administrators and chairmen who see that these conditions are fulfilled will always be satisfied by the power and volume of the public's response.

Ak-Sar-Ben Show in Omaha Boosts War Savings

THE Knights of Ak-Sar-Ben each year stage a tremendous show in Omaha's Colosseum. The show is given each Monday night for 10 weeks and attracts an attendance of from 50,000 to 70,000 for the season. This year, the entire second act is devoted to War Savings.

Big Parade in Perth Amboy, N. J.

PERTH AMBOY'S War Savings campaign was launched with the largest parade in the history of the city, followed by patriotic ceremonies at the city's stadium. The parade was composed of more than 12,000 industrial and business employees and an estimated 40,000 persons witnessed it from sidewalks and roof tops. It was the first parade in the city's history in which every local industry, business firm, and store was represented.

Ceremonies at the stadium included several songs by Miss Lucille Manners, well-known star of the Cities Service radio program, a talk by actress Helen Menkin, addresses by former Governor A. Harry Moore,

Members and advisors of the Publicity Division of the Tarrant County WSS committee in Fort Worth, Tex. Seated, left to right are: B. E. Chester; J. Lewell Lafferty; Homer Below; Cullum Greene; Victor LeMay; Tarleton Jenkins and C. C. Johnson, Jr. Standing, left to right are: Rowland Broiles; Ed. G. Parker; James A. Foltz; Robert E. Hicks; Frank Weatherford; Harry Campbell; Thomas L. Yates; A. S. Billingsley; Richard MacMoy and Curtis Taulbee.



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State Administrator Manning, Senator John E. Toolan and others. A highlight of the rally was the induction of eight young men into the Marine Corps.

During the meeting, girls of the local high school bands went through the stands and sold War Savings Stamps.

80 Window Displays for \$25.00

WINNETKA, Ill., "saw red" on the morning of May 11, when the pledge campaign started in that State. Commuters hurrying to catch Chicago-bound trains wondered if they had suddenly gone color blind. Every shop window was a blaze of red—dress shops flaunted red frocks and coats, haberdasheries were an explosion of red neckties, florists' windows were abloom with red flowers. And in each window was a poster, sign, or three-dimensional display calling vigorous attention to the pledge campaign and War Bonds.

This is the way one town roused its citizens to the need for buying War Bonds, and to such good effect that Winnetka was the first town in Cook County to exceed its May War Bond quota.

Just eight women were responsible for "painting the town red" and designing and executing all the posters and signs. They were the members of the poster and display committee of the Winnetka War Savings Staff, appointed by the Winnetka chairman, Mrs. Benjamin F. Affleck.

These women, some of whom are artists, called on the merchants,

measured their windows, then ingeniously utilized such things as old wagon wheels, red umbrellas, hand cuffs from the village jail, and old gas street lamp globes to build the displays. In many cases they were able to link up the display with the particular kind of merchandise sold. They wrote many of their own slogans. Some of the windows carried only a slogan or sign, but all were in red and all lettered with boldness and vigor. Sometimes just a wide band of red crepe paper reached across the entire window with the lettering made from big letters cut from white shelf paper.

Mrs. Langdon Pratt, chairman of the display committee, estimates that all the materials used to decorate the 80 windows contributed to the cause, cost not more than \$25.

Memory of Pearl Harbor Promotes War Savings

THE ATTACK on Hawaii, December 7, 1941, was vividly recalled 6 months later, when on June 7, 1942, in scores of cities throughout the country, the U. S. Navy received thousands of new recruits in special ceremonies which were witnessed by large public gatherings. At many of these gatherings, War Savings was the principal theme of at least one speaker. The message was usually in words like these:

"These men are preparing to risk their lives to preserve this Nation. You may not be able to do as much, but you *can* help. You can buy War Bonds now, and regularly for the duration."



THREE OF THE "80 WINDOWS FOR \$25" (see story on opposite page). Above, "What's a horse doing on a Packard window?" Hundreds paused long enough to find out. Left, big red scissors made an appropriate display for tailor shops and dressmaking establishments. Below, an old wagon wheel painted bright red made a rack to display soldier's equipment that War Bonds pay for.



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In Providence, R. I., 150 new Navy recruits were introduced on the steps of the City Hall. Governor McGrath appealed for full public support of the War Savings program and the Deputy WSS Administrator for Rhode Island, Francis X. A. Flannery, also spoke. In the street procession preceding the ceremonies, an automobile equipped with a loud speaker followed the marching recruits with an announcer who made frequent references to the need for greater buying of War Bonds. While the exercises were underway, a Navy plane flew overhead and dropped small leaflets devoted to the day's program. One side of this leaflet read: "You!! Avenge Pearl Harbor.—Buy War Savings Bonds."

In New York City, the War Savings Staff cooperated closely with Navy officers in arranging the ceremonies held on June 7. These ceremonies were in Central Park and included group singing led by Lucy Monroe.

Seattle's Victory Square Highly Successful

ONE of the most attractive War Savings centers in the country is Seattle's Victory Square, shown on the cover of this issue. Thomas Jefferson's Monticello provided the architectural inspiration for the central pavilion. Opposite this platform, at the other end of the square, is a huge replica of the Washington Monument.

Every day at noon, War Bond rallies are held at this center. These programs are arranged with the cooperation of many organizations,

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Mayor Brunner and War Savings Committee Chairman Thomas F. Joyce in front of their War Bond headquarters in Camden, N. J.

groups and individuals and provide a wide range of entertainment, patriotic inspiration and direct promotion of bond sales.

At the session sponsored by the University of Washington, one of the principal speakers was the former university football star, Douglas Bonamy, who recently returned from Sumatra, where he was the manager of a rubber plantation and had to flee before the advancing Japs. Since his return to this country, he has been serving as promotion director for the King County War Savings committee.

At the session arranged by the Red Cross in connection with its annual membership drive, Congressman Warren G. Magnuson, who had just returned from a tour of duty at sea with the Navy, spoke.

The China Day program included

Chinese war dances and songs, addresses by leaders of the War Savings program in Seattle's Chinese community, and the appearance of men of Chinese ancestry who are now serving in the American Army and Navy.

Theatrical stars and entertainers have cooperated fully with the Victory Square program. George Weber, president of the Seattle Advertising and Sales Club, who is in charge of this operation for the Seattle WSS, recently said: "Some people have commented that the high type of professional entertainment

which we have offered must be pretty expensive. It certainly would be were we paying for it. But every bit of entertainment has been donated to help the War Bond cause. We have had, and we will continue to have, the best local and visiting entertainers appearing briefly during our noon programs. They are really helping sell War Bonds and we certainly appreciate their help."

The Victory House in Continental Square, York, Pa. was the first Victory House constructed by a War Savings committee in Pennsylvania. Inset: Philip B. Desne, chairman of the York County War Savings Committee (left), and John H. Thomas, chairman of this committee's pay-roll savings division.



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Regional Meetings Save Rubber and Gas

RESTRICTIONS on travel by automobile have made State-wide conferences of War Savings committeemen less feasible than in the past and have fostered the idea of a larger number of regional meetings which bring together committeemen in a single county or a small group of counties for conferences and discussions with State and National leaders of the War Savings Staff.

Virginia, Florida, Oregon, West Virginia, Alabama, North Dakota, Arkansas, Oklahoma, and Texas are some of the States which have held many regional meetings to foster an exchange of ideas and permit State administrators and their deputies, members of State committees, and national field representatives of the War Savings Staff explain current objectives and the way they are to be achieved.

These regional meetings are giving the War Savings Staff the kind of unity which produces finest results.



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Sales Statistics Compiled Locally

MANY States report that the system of collecting sales figures from post offices, banks and other issuing agents on a county basis, four times a month, is working well and that their county chairmen are collecting this data without difficulty and using it to great advantage in their drives to meet monthly quotas.

In South Dakota, county sales statistics are compiled on a weekly basis and mimeographed for general distribution by the State headquarters.

Teletype Speeds Operations

THE War Savings Staff in Washington and 10 of its State field offices can now communicate by teletype.

Eugene W. Sloan, executive director of the WSS confers with some of his divisional chiefs in the Washington headquarters. From left to right: Sidney D. Mahan, Charles W. Adams, Vincent Callahan, Mr. Sloan, Harford Powel, and Robert W. Sparks.

New Display Available

ALL State WSS headquarters offices now have an attractive portable display suitable for use in connection with War Savings booths and exhibits at conventions, fairs and similar gatherings.

The display is a large folding screen which reproduces the War Savings mural—largest photo mural in the world—in Grand Central Terminal, New York City. The screen can be shipped or transported easily, as it comes in a special shipping box. State Administrators will have many requests for the use of these displays from city and county chairmen, presidents of large associations, and many others, and it is expected that they will be in almost constant use.

Idea for a War Savings Float

STATE Administrator Norman B. Collins of Illinois contributes this idea for a War Savings float:

"On a large flat truck, have a booth manned by one or more volunteers selling bonds and stamps. Have someone at the booth buying a bond. Back of the booth have Uncle Sam taking the money and handing it to a man in overalls. In front of the man in overalls have miniature guns, tanks, ships and airplanes and a group of men in uniform representing the various armed services."

Such a tableau tells the War Savings message in a very vivid way.

"Stamp Out the Japs!" Spokane, Wash., promotes this idea with a rubber stamp which puts a Jap warrior in each square of a regulation War Savings stamp album.



"Many people are looking for something that will encourage and promote the habit of home saving. A glass bank does just that. It appeals to men, women, and children. It makes a game of saving small coins—it is not only an incentive, but also a source of pride as the volume of 'bright money' piles up in its little glass house. Money which is over and above the necessities of decent living goes to Uncle Sam these days. It goes into War Stamps and Bonds. It is a patriotic service for you to help men, women, and children save for Uncle Sam."—Standard Oil Co. of Kentucky News.

Don Wyant of Atlanta, Ga., is too young to be in the Army with his three brothers but he is old enough to do a good job back home. He gets to school about an hour early every day and operates a stand where his schoolmates at Bass Junior High School can buy their stamps on any day.

Don's activity puts his family in the war all the way. His brothers are in the field artillery, the Ordnance Department, and the Air Corps. His father is an air raid warden and his mother is active in the Red Cross.

HIGH LIGHTS

- **DUST BOWL GREEN.** Baca County, Colo., a few years ago was known as the heart of the dust bowl. But the land's productivity has been restored and the 6,000 residents now have purchases of more than \$57,000 worth of War Savings Bonds to their credit.
- **ROOSTER STUFFED.** South Dakota's rooster, Uncle Sam, which has been stuffed by an amateur taxidermist to save feed and make transportation easier, has proved to be one of the best bond salesmen in the State. He has been "auctioned off" countless times and has appeared in all parts of the State. Anyone buying a War Bond at a stand where the bird is stationed can have his or her name entered on the Official Log. This record and the rooster himself will find a resting place in a State museum at the end of the war.
- **HORSES HELP.** New York has a mobile stamp-selling unit which is drawn by a team of horses named "Stamps" and "Bonds." They attract a lot of attention.
- **VICTORY EXCHANGE.** Mrs. Wallace Muir, of Washington Grove, Md., runs a victory exchange to which the town's residents bring anything they want to sell. Buyers get the articles (thereby lessening the demand for new goods) and sellers get stamps (which help finance the war).
- **BASEBALL.** Purchase of a \$1 War Savings Stamp will be required of all attending the all-star major league baseball game scheduled for July 7 in Cleveland, Ohio. . . . Several ball clubs are asking all holders of passes to buy a 25-cent War Stamp when they step up to pay the regular Government admission tax.
- **STAMPS FOR GOLF BALLS.** Several companies now offer to give War Savings Stamps in exchange for old golf balls—50 cents in stamps for one dozen balls is the usual rate of exchange.
- **"VICTORY FOR LIBERTY."** A large poster in four colors carrying pictures of the 31 Presidents of the United States from Washington to Roosevelt, and the text, "United We Stand—Victory for Liberty—Buy United States—Victory—War Bonds Now," has been printed by the Anheuser Busch Brewing Co. and distributed to every Budweiser outlet in America.
- **"SAY IT WITH BONDS."** The Postal Telegraph Co. has announced that it will deliver gift War Savings Bonds by messengers.
- **AD DOLLARS HELP TWICE.** The BBB Outdoor Advertising Co. in Terre Haute, Ind., has advised its clients that any money which they spend with the company to promote War Savings will be invested by the company in War Savings Bonds.
- **CONVENTION POSTPONED.** The Independent Order of Odd Fellows has postponed its annual convention this year and voted to invest the money thus saved in War Savings Bonds.

• **NEGRO COLLEGE HELPS SELL BONDS.** Students at the Houston College for Negroes, Houston, Texas, have canvassed all Negro business establishments urging installation of pay-roll savings plans and savings clubs to buy War Bonds and Stamps. The canvass was carried on under the supervision of Henry Grayson, chairman of the Negro Division of the Houston WSS committee.

• **PARENTS OF NEGRO WAR HERO HONORED.** A \$100 War Savings Bond was presented to the parents of Doris Miller, first Negro war hero, by the Negro Youth Conference at Tuskegee. Miller has been cited for his bravery under fire in the attack on Pearl Harbor.

• **PRISONERS' EXAMPLE.** Inmates of prisons and reformatories of the Federal Government by the first of June had invested more than \$105,300 in War Bonds and Stamps. James V. Bennett, Director of the Federal Bureau of Prisons, in announcing this record, pointed out that prison wages ranged from \$8 to \$20 a month and that most of the stamp and bond purchases had been made from the small coins which prisoners formerly used to buy cigarettes and similar small luxuries.

• **TEN CENTS A RIDE.** Charles A. Birch of Arlington, Va. likes to pick up suburbanites who work in Washington. His "fare" for each person to whom he gives a lift is one 10-cent War Savings Stamp, and he reports his riders never refuse to buy. His sales average one dollar a day and he acquaints scores of persons with the meaning of War Savings.

• **VACATION BONDS.** Relinquishing summer vacations, more than 10,000 workers at the Todd-Bath Iron Shipbuilding Corporation plant in South Portland, Maine, will take War Bonds in place of vacation pay.

• **AUCTION.** A \$20,000 bowling ball brought \$28,500 and a \$2 pair of silk stockings sold for \$1,000 at the Washington University Field House in St. Louis, when the B'Nai B'Rith Lodges and Auxiliaries auctioned \$10,000 in goods for more than \$1,875,000 in War Bonds. Other articles auctioned and the amounts which their purchasers had to invest in War Bonds to claim them included an electric roaster, \$18,000; a mix master, \$13,000; an autographed baseball, \$900; a set of golf clubs, \$10,000; an electric razor, \$5,000; a pound of coffee, \$150; two lamps, \$8,000; and a foot stool, \$6,000.

• **SUPER SALESMAN.** In New Orleans, Michel Brener, 32-year-old furniture salesman recently inducted into the Army, decided to spend his last day at the store selling War Bonds. He sold \$18,500 worth, making it the most successful day of selling in his career.

• **ONE WAY TO REDUCE.** A New York restaurant lists on its menu a 20-cent "nonfattening dessert"—two 10-cent savings stamps served on an empty plate.

• **BOOK PUBLISHERS HELP.** New York publishers are giving space on book jackets to appeals for the sale of War Bonds and Stamps. On some books the author writes the appeal.

RETAILERS

Exciting Activities Planned for July

THE 15-minute period at noon on July 1, during which millions of retailers throughout the country devoted themselves solely to selling War Savings Bonds and Stamps, was simply the dramatic beginning of an entire month of special effort by the retailers of the Nation to help the War Savings Staff reach the billion-dollar quota established for the month of July.

Among the other high points arranged for this month by the Retailers Advisory Committee are these: Friday, July 10—National War Stamp Corsage for Victory Day.

Friday, July 17—American Heroes Day. Each town will honor its own heroes of the present war and of past conflicts.

Thursday and Friday, July 30 and 31—Victory Days to bring campaign to whirlwind conclusion.

Treasury Day—The day a store reaches its goal for the month: 90 percent or more of all employees signed up to save at least 10 percent of the total pay roll and sales of bonds and stamps equal to 4 percent of the store's total sales during July of last year.

A complete blueprint for retailers to follow in developing War Savings sales promotional programs was pre-

sented to leaders of the Retailers for Victory movement early in June in a pamphlet called: Mr. Retailer, Here's Your Chance To Help Win the War! A copy of this pamphlet will be sent to any WSS committee chairman upon request.

Vineland, N. J. Stages All-Out Bond Drive

UNDER the sponsorship of local merchants, Vineland, N. J., staged an intensive 1-day drive to sell War Bonds and Stamps which was successful beyond all expectations. At the close of the Victory Day celebration, this community of about 25,000 in the extreme southern portion of the State had sold over \$618,000 worth of bonds and stamps.

The Victory Day celebration was carefully planned by a committee headed by A. B. D'Ippolito, a Vineland jeweler, with the active cooperation of Mayor John C. Gitton, chairman of the Cumberland County War Savings Committee. Franklin Lamb, president of Printasign Corporation of Chicago, and a former resident of Vineland, suggested the sales drive, and acted as general advisor to the local committee.

Feature event of the day-long celebration was a parade in which thousands of school children, service men, and civil-defense units

marched. The main street was decked out with flags and bunting and there were open air stamp and bond booths every 50 feet. From many loud speakers came martial tunes and pep talks. Every house, store, office and factory put up posters and signs to remind people to put their money in War Savings. After the parade in the evening, bands played and there was dancing in the streets with purchase of a dollar's worth of stamps required for admission.

Contributing to the success of the campaign, the Kimble Glass Co., where 2,500 employees are regularly investing \$3,500 a week in War Savings, paid a special bonus so these workers could increase their purchases.

Local 208 of the Amalgamated Clothing Workers Union promoted increased sales among its 2,100 members and invested \$80,000 of its reserve funds in Series F and G Bonds.

Several puppies were "auctioned off" with the highest bidders getting their money back in bonds and stamps as well as the dog.

A restaurant offered a free meal and cigar to anyone who bought a \$1,000 bond. It had more than 75 applications.

The local airport offered free rides to all who bought \$100 bonds.

Local merchants filled the Vineland Times Journal with advertisements devoted entirely to War Savings. More than 80 businesses advertised in this way in the special 24 page edition of the paper issued the day before the big event.

Ideas tested in Vineland will be used generally throughout the coun-

try during the big July demonstration of what retailers of the Nation can do to promote bond and stamp sales.

Chicago Retailers Map Big New Program

UNDER the leadership of the retail division of the Chicago and Cook County War Savings committee, retail business leaders in the Loop and in outlying business centers have enthusiastically endorsed a comprehensive publicity and advertising program to boost sales of War Bonds and Stamps in stores.

A special committee of retail publicity and promotion men has been set up to execute this campaign.

All Sears Roebuck employees can buy bonds through pay-roll savings.



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Window Display Program Developed

PRACTICALLY every prominent department store in the Nation has agreed to devote at least one of its main display windows to War Savings or some other major war activity for the duration. Thousands of smaller stores have pledged a comparable proportion to their available display space for patriotic displays. War Savings will be the exclusive theme of these windows dedicated to the cause of Victory during July and August.

This tremendous campaign is being organized by the Victory Display Committee of the International Association of Display Men. The committee is headed by Leslie S. Janes, national display director of Sears, Roebuck & Co., and includes many of the country's most talented designers. When the committee has completed its organization, more than 20,000 display men will have been banded together in this significant undertaking.

A Victory window display. See store above.



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Victory Window display themes will be selected by the War Savings Staff or its Retail Advisory Committee and by other national agencies. These themes will be developed by the Victory Display Committee, which will pass them along to window display men generally and to manufacturers of window display materials. It will thus be possible for display men to execute the suggested themes inexpensively with materials already on hand or for them to purchase variously priced special display pieces which carry out these themes.

Two of the Victory Window designs are illustrated in this issue of THE MINUTE MAN.

Winston-Salem Merchants Use Windows To Sell Bonds

IN Winston-Salem, N. C., 190 store windows were devoted to War Savings while that city's pledge campaign was in progress. I. Eisenberg served as the chairman of this division of the campaign organization.

Weekly Rallies Planned In Hudson County, N. J.

RETAILERS in Hudson County, N. J., are now holding one or two War Bond rallies each week. The rallies are held in the downtown business section of Jersey City and in the many shopping districts throughout the county.

At one of the first of these rallies \$10,000 worth of bonds were sold. That total sales reached this figure was due to a challenge of a local merchant who, when sales of \$8,400 had been recorded, offered to buy a \$1,000 bond if the bond salesman could sell the other \$600 worth to make sales an even \$10,000.

Stores Keep Albums on File

MANY restaurants and drug stores now keep stamp albums of their regular customers on file so they won't misplace the stamps they buy and will accumulate them toward the purchase of bonds.

The Bankhead Cafe in Sweet Water, Tex., has a large board on which are small pockets into which albums can be slipped. The pockets have the names of customers who regularly "Take part of their change in War Savings Stamps."

In the Rosse Drug Store in Fayette, Mo., a War Savings Stamp club has been organized. Mr. Rosse has painted the names of club members on the large mirror behind the fountain and keeps the albums of members in a small file box.

A small restaurant in the East attaches War Savings albums of its



A Victory Window Display.

regular customers to strings suspended from a long wire just behind the counter. Customers can ask for their albums, paste in new stamps, and then let the albums swing back in place.

Customers like these plans for reminding them to buy War Stamps and making it easy for them to accumulate stamps to exchange for bonds. These arrangements do a great deal to increase and sustain sales.

14,000 Express Trucks Carry War Bond Posters

FROM June to September, the American Railway Express Agency is displaying the new War Bond poster "Keep It Up" on its 14,000 trucks and on 1,000 building locations. This represents a donation of advertising space valued at nearly \$280,000 and should prove extremely helpful to the War Savings program.

In many communities, as the result of a suggestion made to State administrators, special ceremonies were arranged to call attention to the new poster and to the start of this extensive advertising program.

Many Store Windows Now Victory Centers

FROM many cities come reports that retail stores have converted one or more of their large display windows into War Savings Bond and Stamp booths. Magnin's, one of the most prominent stores on Wilshire Boulevard, Los Angeles; Crowley's in Detroit; Sears, Roebuck in Chicago; Miller & Rhoads in Richmond, Va., and the Palais Royal in Washington, D. C., are only a few of the merchants whose store windows are being devoted to the sale of War Savings Bonds and Stamps.

Most of these windows can be entered directly from the street. Some can be entered either from the street or the store. All are attractively decorated with official War Savings posters and with material prepared by the stores' own decorators.

Members of various women's organizations frequently accept responsibility for staffing these sales headquarters. Theatrical stars and entertainers make many appearances in these stage-wide windows, attract crowds and make short and moving appeals for the purchase of bonds and stamps.

Store Employees Celebrate With Dance

A DANCE was held by employees of the J. W. Robinson Co., Los Angeles, to celebrate the purchase of their first \$50,000 worth of War Bonds. The dance was held on the store's large paved parking lot and a large delegation of soldiers under Maj.

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Otis L. Darner were honor guests. The dance began at 8 a. m. and continued until the store opened hours later.

J. R. Richards, WSS Administrator for southern California attended the celebration, thanked store employees for all that they were doing to promote War Savings, and urged them to keep up the good work.

This window display of the Hardwick & Magn Co., Philadelphia features a reproduction of the War Savings Staff "Buy a Share in America" poster made of carpets.



One of the attractive War Savings windows created by the John Wanamaker Co.



Retailers in Iowa Develop Plans

IN AN eight-page, tabloid newspaper printed in two colors, the retail division of the Iowa WSS committee sets forth the war bond and stamp selling job which retailers have undertaken and suggests various ways in which the sale and purchase of these securities can be promoted.

Henry Frankel of Des Moines is the chairman of the retail division of the Iowa WSS committee.

Routemen Keep Retailers Supplied With Stamps

THE Jewel Tea Co. is one of the big food companies which have arranged to have their routemen carry supplies of War Savings Stamps for resale to their customers.

Jewel Tea routemen first tried the plan in selected localities in Iowa, Kansas, Missouri, and Nebraska. Successful there, the plan is being extended to other States.

★

Twenty-five percent of the filler space in the Chicago classified telephone directory published by R. H. Donnelly & Co., is devoted to reminders to buy War Bonds.

DATES AHEAD

- July 4.—Independence Day.
- July 10.—National War Stamp Corsage Day.
- July 14.—Traditional French Independence Day.
- July 17.—American War Heroes Day. Observance promoted by the War Savings Staff's Retail Advisory Committee.
- August —Vacation season is at its peak but this year many war production workers are taking brief "furloughs" or none at all, and buying War Bonds with their vacation money.
- August 3.—On this day, 450 years ago, Columbus sailed from Spain on his first voyage to the New World.
- August 19.—Aviation Day. The 71st birthday of Orville Wright is observed as National Aviation Day under a joint resolution of Congress adopted in 1939.

The above dates should be kept in mind when scheduling War Savings rallies and meetings and other sales promotional events.



No soldier can fight unless he is properly fed.

—DUKE OF MARLBOROUGH.

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SPECIAL EVENTS

War Heroes Tour Country in Interest of War Savings

A GROUP of 14 British and American war heroes, flyers, Navy men, and commandos, all of them veterans of combat over Germany, in the Philippines, in the Java Sea, on the coasts of France and Norway, and in the desert of Libya, toured the country during June under the auspices of the War Savings Staff.

The tour began in New York where on June 8 they were given a notable reception such as only New York City can stage. This reception began with a parade from the Battery up Broadway to the City Hall and on to Times Square, and ended with a huge patriotic rally in New York's Madison Square Garden. New York was thrilled by the presence of these men and by their stories.

From New York the group went to Boston, Philadelphia, and Baltimore and then on to Washington, where on June 13, they were given a rousing welcome. Secretary Morgenthau and the British Ambassador, Lord Halifax, greeted them at the airport. President Roosevelt received them at the White House. A special congressional committee headed by Senators Carter Glass, Alben Barkley, and Tom Connally met them at the Capitol. And many thousands turned out to see them as they paraded down Pennsylvania Avenue at noon. In the evening the

men participated in a patriotic War Savings rally at the Water Gate amphitheater opposite the Lincoln Memorial.

The War Heroes' itinerary after leaving Washington was as follows: Pittsburgh, June 15; Detroit, June 17; Milwaukee, June 18; Minneapolis and St. Paul, June 20; Denver, June 22; Salt Lake City, June 23; Seattle, June 25; Portland, June 26; San Francisco, June 27; Los Angeles, June 29; San Antonio, July 1; Dallas and Fort Worth, July 2; New Orleans, July 3; and St. Louis, July 4.

Many of the arrangements for this tour were handled for the Treasury Department by the War Activities Committee of the Motion Picture Industry operating through a special committee headed by Spyros Skouras, prominent theater owner and manager.

Great "Air Cavalcade" Touring Nation in July

A DOZEN of the fighting planes of Germany, Great Britain, and the United States are now part of a great "Air Cavalcade" which is touring the country under the joint auspices of the U. S. Army Air Forces and the War Savings Staff. The tour began in New York City on June 16 and visited Hartford, Providence, Albany, Washington, and Pittsburgh during June. During July, the Cav-

alcade will stop for 1 or 2 days in each of the following places: Cincinnati, Indianapolis, Louisville, Kansas City, Des Moines, Minneapolis-St. Paul, Duluth-Superior, Milwaukee, and Chicago.

The entire tour is being made in flight. Planes are on exhibition at the airports where they land, where they can be viewed by those who buy War Savings Stamps—50 cents for adults and 10 cents for children.

War Savings rallies are held at these exhibitions. Pilots of the Cavalcade describe their planes and make appeals for War Bond sales and enlistment in the U. S. Air Forces.

The flyers are also appearing at theaters, luncheon meetings of civic clubs, at Victory Centers and War Savings booths, participating on radio programs, and are helping in other ways to promote War Savings.

"Buy Tanks for Yanks," Says Tarzan, Jr.

JOHNNY SHEFFIELD, youthful star of MGM's "Tarzan's New York Adventure," is now touring Western States with an Army tank in the interest of the War Savings program.

Those who buy War Bonds and Stamps from Johnny have the privilege of boarding the tank, which is carried on a large truck, and inspecting it at first hand.

During June the Buy Tanks for Yanks party visited towns in California, Oregon, Washington, Idaho, and Utah.

Its itinerary during July includes towns in Utah, Colorado, Nebraska, Missouri, Tennessee, Arkansas, and Oklahoma.

Theater Men Active in Many Cities

THEATER OWNERS and managers mobilized to promote War Savings by the War Activities Committee of the Motion Picture Industry, swung into action during June. Large outdoor rallies in New York, Philadelphia, and many other cities were held by the theater men to call attention to their new drive to sell War Stamps and Bonds at theater box offices and special lobby booths and to otherwise promote War Savings.

At the New York City theatrical rally in Duffy Square on May 29, more than half a million dollars worth of bonds were purchased. Benny Goodman, Jimmie Dorsey, Paul Muni, Martha Scott, and Jean Arthur were some of the stage and film stars who participated in this affair. Members of the American

Julian I. Milliman of the Travelers Insurance Co., Hartford, Conn., drew this poster in striking black and yellow.



SO GLAD WHEN PEOPLE DON'T
BUY WAR STAMP — THANK YOU

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Women's Voluntary Services circulated through the crowd selling stamps and bonds and John Powers models displayed the flags of the 28 United Nations.

Practically every theater in the country now has War Savings Stamps on sale and a great many theaters have made arrangements to solicit and fill orders for War Savings Bonds. Theaters which have established pay-roll savings plans for their employees can qualify as regular bond issuing agencies and deliver bonds bought by their customers immediately. Most theaters, however, are simply taking orders for the bonds and arranging to have them issued by a local bank or other qualified issuing agency.

Film Premiere Nets \$5,750,000 for the War

IN A PREMIERE unprecedented in motion-picture history, "Yankee Doodle Dandy," the Warner Brothers film biography of George M. Cohan, opened at the Hollywood Theatre in New York City before a distinguished audience that had purchased \$5,750,000 worth of War Bonds for the privilege of attending.

Reservations were distributed to a capacity crowd of 1,554 persons who had purchased bonds ranging in price from \$18.75 for seats in scattered parts of the house to \$25,000 each for 88 chairs in the loge.

Wealthy individuals, celebrities, and unions bought bonds. The International Ladies Garment Workers Union received eight seats in return for the purchase of \$200,000 worth of bonds.

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Many Units in "New York at War" Parade

NEW YORK CITY's great demonstration, "New York at War," included more than 500,000 marching men and women organized into several hundred units to portray the tremendous scope and complexity of the city's war effort.

Inasmuch as many parades of this kind are now being scheduled and War Savings committees usually accept a large measure of responsibility for arranging these demonstrations, the following brief description and list of some of the component parts of the parade may be of interest to readers of *The Minute Man*:

Prologue. Marchers and floats depicting the following: Hitler Unleashes War; refugees; This Did Happen; fallen countries; War Declared; America Mobilizes; nationals of many lands.

Army and Navy. Units of marching men and equipment of the U. S. Army and Navy.

Reserve Forces. Units of the State guard, Red cross, Veterans of Foreign Wars, American Legion, etc.

War Production. Representation of various war industries. Marching men in working clothes from scores of AFL and CIO unions.

Protective Services. Policemen, air-raid wardens, rescue squads, women volunteer workers at control and report centers, bicycle messengers, firemen, doctors, nurses, ambulances, stretcher bearers, repair vehicles of all the different public utilities, decontamination squads, welfare workers.

The Home Front. War Savings Staff, United Service Organizations, American Women's Voluntary Services, Bundles for America, Bundles for Britain, British War Relief, Russian War Relief, United China Relief, Knights of Columbus, Elks, American Theater Wing, Chaplain Aid Society, Reserve Officers Training Corps, etc., etc.

Finale. Victory Reconstruction (symbolized by workers driving rivets into an upright steel girder rising out of a mass of rubble), Conquered Countries Arisen (appropriate floats accompanied by their rejoicing scholars, artists, musicians, churchmen, writers, workmen), The Atlantic Charter (depicting President Roosevelt and Prime Minister Churchill on shipboard signing charter), On To The Freedoms (floats symbolizing the charter's provisions and related freedoms), Freedom Sings (float featuring Miss Lucy Monroe and patriotic songs), The New Order of Freedom (depicting the triumph of the democratic ideal).

Three Great Unity Rallies Held

DURING JUNE, three great interracial rallies emphasizing the importance of national unity were held under the auspices of the War Savings Staff in Chicago, Detroit, and New York City.

Marian Anderson and Olivia de Havilland were two of the talented stars of the stage and screen who took part in all three rallies. Richard Crooks, Paul Robeson, Joe Louis, and Bill Robinson were among the other notables who participated, and

Pearl Buck, Justice Frank Murphy, Herbert Agar, and Thomas E. Dewey were among those who addressed the gatherings.

Music by Army bands, local orchestras and choirs; invocations and benedictions by leading white and colored ministers; and addresses by State and local War Savings officials and by other distinguished speakers were the principal features of the programs at all three places.

State Administrators and other leaders of the War Savings Staff who participated in or witnessed these rallies described them as extremely inspiring. They believe that they deepened the patriotism of all who attended as well as promoted a better understanding of the need for War Savings.

Similar events are being planned for cities in Ohio, Pennsylvania, Georgia, Alabama, Louisiana, Texas, and Missouri.

College Fraternity Mans War Savings Booth

MEMBERS of the Phi Gamma Delta fraternity at Wesleyan University, Bloomington, Ill., decided to see what they could do to increase sales of War Savings Bonds and Stamps. They set up a booth in the Courthouse Square and went to work. At the end of the first week the fraternity had sales of \$25,700 to its credit.

The fraternity celebrated its successful drive with a torchlight parade and patriotic rally with bands, speeches, and entertainment.

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PAY-ROLL SAVINGS

Community Flag Raising Ceremonies in Camden

ON JUNE 12, Camden, N. J., celebrated Flag Day by staging an unusual and interesting program. On that day, more than a score of Camden concerns which had earned the right to fly the War Savings Staff's Minute Man Flag were honored by Governor Edison, Mayor Brunner, State Administrator Manning, and other notables. These plants were visited by the party of War Savings leaders, mass meetings were held, and Minute Man flags raised.

Carl L. Biemiller, publicity director for the Camden County committee, reports that the scheduling of this special Minute Man Flag Day observance stimulated the workers in many firms to undertake War Savings drives and bring enrollment up to the 90-percent level in time to be included in the day's program. This idea from Camden is one which could undoubtedly be used to good advantage in many other places.

Office Building Wins Treasury Flag

THE "No. 2 Broad Street" building in Bloomfield, N. J., is believed to be the first office building in America to win the right to fly the Treasury's Minute Man flag.

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This building, Bloomfield's skyscraper, houses the offices of 31 different business and professional firms employing 521 men and women. By May 30, more than 90 percent of these workers had signed up to buy War Bonds through pay-roll savings and on Memorial Day the Minute Man flag was raised with appropriate ceremonies. The 31 firms also took a full page advertisement in the local paper to announce the achievement of their employees and to explain what they felt was its significance.

Here is an idea which should be adopted in many other cities. By organizing pay-roll savings campaigns in every major office building, thousands of office and professional workers who might otherwise be overlooked will sign up to buy bonds regularly.

How New York Explains Plan to Small Firms

To give the proprietors of the hundreds of thousands of small business firms in New York full information about why they should install pay-roll savings and exactly what it is necessary for them to do to help their employees buy bonds in this way, the WSS headquarters in New York City has set up a systematic telephone canvass.

Some of the best salesmen in the

city have volunteered to work on this operation. These men are systematically calling the heads of all firms, and are finding out whether or not they have pay-roll savings plans in operation. If they do not have or if they do not appear to know how the Treasury expects them to cooperate with the War Savings program, they are asked to come to the WSS headquarters for a conference.

According to State Administrator Ford, this telephone canvass is proving to be one of the most efficient and satisfactory ways of extending the pay-roll savings plan into small business firms. In a big city like New York, it would be difficult to reach these concerns in any other way.

An animated poster. The gun at the lower left is made of wood and is moved to record progress toward the 100 percent goal. All of the 481 employees of the Chicago Distributing House of Western Electric are buying bonds through pay-roll allotments.



Ship Builders Compete For Navy's War Savings Award

CIVILIAN employees in the Navy Department's shipyards and other shore establishments are competing for special certificates and flags issued by the Secretary of the Navy to naval activities which have achieved outstanding war pay-roll savings records.

The Navy Department's award is given to those activities which meet two requirements: (1) At least 90 percent of all civilian employees must be signed up for pay-roll reservations and (2) The purchase value of Series E Bonds issued must have amounted to 10 percent or more of the civilian pay rolls for two successive months.

Fighting Dollars, the new publication issued by the Navy Department's Office of the Coordinator for War Savings Bonds perpetuates the Navy's War Bond slogan, "Navy Dollars Are Fighting Dollars."

The publication carries reports on bond sales at all Naval Establishments. During May, nearly \$6,500,000 worth of bonds were issued and the Philadelphia, Norfolk and Charleston yards led the nine navy yards in that order in the percent of employees buying War Bonds on the pay-roll savings plan.

Fighting Dollars reports outstanding purchases by the Navy's fighting men (for example, that Navy personnel in the Manila Bay area, up to a few days before the fall of Corregidor, had purchased half a million dollars worth of bonds); tells how various yards are promoting War Savings with radio programs, advertisements, window stickers, etc., and contains other useful information.

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War Production Committees Boost Bond Sales

IN A NUMBER of plants, the promotion of War Bond sales has been undertaken by the war production committees which have recently been established at the request of the War Production Board. These committees represent both management and labor and provide an excellent basis for cooperative undertakings related to the war effort.

The "War Production Drive Committee to Beat the Promise" is the group which has just issued a new appeal for greater War Savings to all employees of the RCA Manufacturing Co. This appeal is in the form of a beautiful red, white, and blue folder illustrated with photographs of military equipment ("Here's what we need to fight with!") and of typical scenes from the daily life of an average American ("Here's what we're fighting for!").

The folder includes a special form which can be used to increase pay-roll savings. This form reads in part as follows: "Sure! I'll be a '10 percent' and put at least 10 percent of all my earnings in War Savings Bonds. This will authorize the RCA Manufacturing Co., Inc., to deduct an additional amount of \$..... from my earnings each pay period for the purchase of War Savings Bond for me."

A sample copy of the folder will be sent to any reader of *The Minute Man* upon request.

Test Air Raid Serves 10-Percent Drive

THE first daylight test of air raid precautions in Washington, D. C., came during the week in which the Treasury Department was conduct-

Railroad Shop 100 percent! The shop of the Southern Railroad in Princeton, Ind., spread this display shortly after Pearl Harbor. The thermometer began to rise immediately.



ing its 10-percent campaign. Commissioner of Accounts, E. F. Bartelt, director of the drive, took advantage of the occasion to make a talk on War Bonds to those who gathered in the shelter areas. He spoke through a newly installed public address system.

Federal Departments Launch 10 Percent Drive

THE complete success of the Treasury Department's drive to sign up at least 90 percent of all employees for pay-roll savings of 10 percent was reported on June 12 to all members of the interdepartmental War Savings Bond committee by Admiral Charles Conard, the committee's chairman and executive officer.

Materials prepared for use in connection with the Treasury's bond campaign have been made available through the interdepartmental committee to all Federal departments and agencies and most of them are now striving to equal or surpass the Treasury's record.

Competition Among Employees of Metropolitan Insurance Co.

METROPOLITAN LIFE INSURANCE Co., of New York, has announced that the various units of its home office and its many district offices will compete to see which can make the best record for war pay-roll savings. Comparative standings of the home office units will be determined every 4 weeks. A handsome trophy will be inscribed with the name of the division which leads during each 4-week period.

The district office which leads dur-

ing each 13-week period, on the basis of the ratio between total bond allotments and total district earnings, will be awarded a special certificate. In addition, the company will furnish a Minute Man flag for every district office in which 90 percent or more of all employees are purchasing bonds through the allotment plan.

"In behalf of our country, in behalf of the boys at the front, in behalf of our homes and our dear ones and in accordance with the reputation of the Metropolitan as a leader in all things, I solicit your participation in this great endeavor," wrote President Leroy A. Lincoln in the letter announcing these plans.

Soldiers Investing Heavily in Bonds

ALL Army officers and enlisted men, and all civilian employees of the War Department, have been given the opportunity to subscribe for War Savings Bonds through voluntary pay allotments. Their response to this plan has been magnificent. The way in which soldiers are sacrificing many small pleasures of the moment for the sake of their own and their country's future should be both an inspiration and a challenge to all civilians.

As of the middle of June, the War Department had received approximately 750,000 allotment authorizations. Allotments of commissioned officers average about \$20 and allotments of enlisted men more than \$5 per man. Many companies and some regiments report that every man is signed up to buy bonds.



Employees of the Oregon Shipbuilding Corporation swore to make Ray Conway eat crow for his remark that, in 10 days, they could not increase their pay-roll savings participation from 30 percent to more than 90 percent. Upon reaching 94 percent, they scoured the mountains for the largest crow that could be shot. State Administrator Conway showed his sportsmanship, and hit the headlines, by cheerfully devouring this tidbit before hundreds of cheering shipbuilders.

Bond Honor Roll

In Victory Center, Portland, Oreg., there are two large (60 by 13 feet) bulletin boards which carry the names of all local business firms and groups whose employees have signed up 100 percent for pay-roll savings. The sign was donated by C. E. Stevens, a Portland advertising firm, and the sign painters' union has undertaken to keep it up to date. Noonday ceremonies at Victory Center regularly include adding to the large board the names of companies where workers have gone over the top for pay-roll savings.

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Effective Posters

NEWSPAPER headlines can frequently be combined with War Bond appeals or slogans in a very effective way. F. P. Langan, of Oakland, Calif., for example, has made a sign which reads: "Aren't you glad you bought War Bonds?" This sign is just half the size of a newspaper page. When a paper breaks out with big headlines telling of some naval victory or other piece of good news, he attaches this sign to the bottom half of the front page and displays it prominently. A poster of this kind, he reports, gives those who are buying bonds a glow of pride and satisfaction. Other companies in the San Francisco Bay area are taking up the idea.

A short time ago, the R. G. Letourneau Co., of Peoria, Ill., used a current news headline—"1,250 Bomb-

ers Hit Cologne"—to point up the punch line of its new War Bond poster—"Your bonds will keep them hitting." This poster also reproduced Secretary Morgenthau's telegram asking the company to under-

take a drive to bring pay-roll savings up to 10 percent of total pay roll and the company's telegram of reply, promising full support of the War Savings program.

Minute Man flag presentation ceremonies at the Swift & Co. plant, Union Stock Yards, Chicago. On the platform, from left, J. F. Brandt, L. W.

Bermond and C. F. McKinn, company executives; Deputy Gallaher; John Holmes, company president; General Borzynski; and A. F. Hunt.



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Proof of HOOPER

• One of the first large organizations to meet the Treasury's goal and to sign up more than 90 percent of all employees to save more than 10 percent of their pay was the *Treasury Department* itself! On June 22, 57,268 of the Department's 60,197 employees had enrolled for pay-roll savings, and pay allotments totaled 10.8 percent of the monthly pay roll.

• "Management-Union Defense Committee successfully conducted a 3-day War Savings drive," Paul W. Dillon, president of the *Northwestern*

Steel & Wire Co., of Sterling, Ill. wires. "More than 10 percent of a weekly pay roll of approximately \$70,000 has been diverted to War Bonds with all employees participating."

• Practically 100 percent of the 1,600 employees in the office and factory of the *American Sales Book Co.*, of Niagara Falls, N. Y., have signed up to put 10.9 percent of total pay in War Bonds. This includes every one of the 1,134 employees in the factory who signed up for an average allotment of 11.1 percent of pay.

A group of workers on the Colorado-Big Thompson Tunnel discuss War Savings with their employer, S. S. Magoffin (left). All of the 120 men who are driving the eastern portion of this tunnel were named "Heroes of the Week" by Colorado's Governor, Ralph Carr for subscribing 20 percent of their pay for War Bonds.



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A total 99.5 percent of the 1,525 employees of the Hartsville plant of the *Sonoco Products Co.*, Hartsville, S. C., were signed up to buy bonds regularly on May 28 and their bond allotments equaled 10 percent of the company's gross pay roll.

"Happy to report campaign throughout the personnel of this company resulted in 100 percent participation of shop employees and over 98 percent of general personnel and an average bond allotment of more than 10 percent of pay," wired C. A. Tilt, president of the *Diamond T Motor Car Co.*, of Chicago, on May 26.

All employees of the *Arma Corporation*, of Brooklyn, N. Y., have signed up to buy bonds with allotments averaging 12 percent of pay.

First firm in Indiana to report that its employees were in the 10 percent group was the *Packard Manufacturing Co.*, of Indianapolis. Homer E. Capehart, member of the Indianapolis WSS committee, is president of the firm.

First large railroad in the over-20,000-employees group to have a near-perfect record for employee participation in pay-roll savings is the *Norfolk and Western*. In an intensive 3-week campaign 98.16 percent of the 21,818 employees of this road signed up to buy bonds.

The 3,000 employees of the *Bowman Dairy Co.* attended ceremonies in Chicago's great Civic Opera House to receive the WSS certificate entitling them to display the Minute Man flag.



Gov. John Moses of North Dakota signs up for pay-roll savings in the presence of the committee in charge of promoting War Bond sales among State employees, more than 90 percent of whom have already followed the Governor's example. In addition, all school districts and many city governments in this State have installed pay-roll savings plans.

• Flag presentation ceremonies were impressive at the *East Moline Works* of the *International Harvester Co.*, one of the many units of this large organization to enroll 100 percent for pay-roll savings. Parker Weeks, chairman of the Rock Island County WSS committee, presented the flag, and Richard Manion, father of a sailor killed at Pearl Harbor, accepted it in the name of his fellow workers.

• The *Peters Packing Co.*, of McKeesport, Pa., was the first in the Pittsburgh district to fly the Minute Man flag. Flag raising ceremonies included music by the high school band, solo renditions of *God Bless America* and *The Star Spangled Banner*, and addresses by Steacy Webster, Pennsylvania State chairman, Life Underwriters Committee for National War Savings; Frank R. Denton, chairman, Allegheny County WSS committee; Lawrence C. Woods, deputy administrator; County Judge Benjamin Lencher.

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Minute Man Flag is raised at the plant of the J. P. Seeburg Corporation, Chicago, Ill.

R. C. A. Raises Its Goal

WAR SAVINGS bond sales of \$2,400,000 during 1942 was the goal of the R. C. A. Manufacturing Co., when the campaign was launched early this year (see News Letter, February 7). However the campaign goal has now been raised to \$4,000,000 which is more than \$325 per employee.

Extra Pay in Bonds

EMPLOYEES in the Nation-wide French, Shriner and Urner also organization have been promised a \$5 credit toward the purchase of each \$25 War Savings Bond they buy during the year through the pay-roll savings plan.

★

Every newly-married employee of the Knudsen Creamery Co., in Los Angeles, receives from the company a \$25 War Savings Bond. The company also gives a bond to every baby born to an employee.

★

The city waterworks in Ottumwa, Iowa is paying a "war bonus" of one \$25 War Savings Bond each month to the 23 employees who earn less than \$2,700 a year.

★

Chinese, Korean, and Filipino societies participated in the "I Am an American Day" program at Victory House in Los Angeles.

MR. & MRS. LESSON IN WAR ECONOMICS

By Arthur Falwell and Ellen Beebe



REPRODUCED BY BUREAU OF PUBLICATIONS SECTION, WAR AND AIR FORCE STAFF, TREASURY DEPARTMENT

LABOR

Cooperation Boosts Participation From 25 to 97 Percent

LABOR and management of A. Hollander & Son, Inc., a fur dyeing plant in Newark, N. J., have joined hands in a program to increase participation in the war pay-roll savings plan. First move was a rally at the firm's factory which was addressed by Michael Hollander, president of the company; Herman Buchner, president of the International Fur Workers Union; and others. Participation in the pay-roll savings plan for purchasing bonds increased almost immediately from 25 to 97 percent.

A War Savings committee com-

posed of company executives and union representatives is now making plans for a continuous campaign with 100-percent participation and 10 percent of gross pay roll as its objective.

Union Maintains Sales Booth

THE Teamsters' Union in Seattle maintains a War Savings booth at its headquarters and does a thriving business selling bonds and stamps to members and to wives and children of members.

At this stand in Atlanta's busy Five Points, principal downtown street intersection, War Bond rallies were held every day for 2 weeks.





The halfway mark was reached early in May by the members of the International Ladies Garment Workers Union, local number 70, of Portland, Oreg., in its drive to buy \$50,000 worth of War Savings Bonds this year. Above Masny Lobb, union manager, is distributing bonds to Bernice Muzocko, Marion Youngman, and Minnie A. Young, employees of Modish Cloak & Suit Co.

UAW-CIO Issues War Bond Posters

Two new War Bond posters have been prepared by the International Education Department of the UAW-CIO. One of these features a cartoon of a worker dropping a bomb on Hitler. The text reads: "Buy Bonds to Bomb Berlin—Get behind the second UAW-CIO War Bond drive to buy another \$50,000,000 battle-ship for Uncle Sam. Twenty percent of your weekly wages put into U. S. War Bonds will rain bombs on Berlin and Tokyo." The other poster features a photograph of a heavy bomber being loaded with bombs and carries the message: "Buy War Bonds to Bomb Berlin . . . Dig

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down deep in your pocket for Uncle Sam. Give our boys the planes and the bombs to blitz Fritz. Buy War Bonds on the regular UAW-CIO payroll savings plan."

Pay Raise Buys Bonds

THE Puget Sound Council of Lumber and Sawmill Workers has voted to divert the 10-percent pay raise granted them recently to the purchase of War Bonds. This action, it is estimated, will result in bond purchases of about \$45,000 per week.

EDUCATION

Graduation Activities Streamlined to Boost War Bond Sales

SCORES of high-school graduating classes throughout the Nation abandoned a time-honored custom of a trip to Washington in favor of helping to win the war by buying War Savings Bonds. Graduation gifts, banquets, and white dresses are other things which seniors this year decided to do without so that more money can be invested in War Savings Bonds.

Students of the senior class of the Oak Bluffs (Mass.) High School had worked 4 years to earn money for the graduation trip to Washington. However, the students voted unanimously that the money for the long-anticipated tour should be spent on United States War Savings Bonds instead.

Money saved by Gasport High School seniors in Niagara Falls for the usual graduation boat trip to Detroit was used to purchase War Bonds. Earlier in the year a plan had been devised whereby each member of the class would have a \$25 bond (maturity value) by graduation. Students had saved the money since their freshman year in 1937.

In North Wildwood, N. J., and Rochester, N. Y., graduating classes sacrificed Washington excursions to purchase War Bonds and Stamps.

The New Jersey school distributed them equally among the graduates at commencement.

Provo (Utah) High School seniors were graduated in their regular school clothes. Each student signed a pledge to economize on all unnecessary luxuries, including elaborate outfits for commencement, and to buy War Stamps and Bonds with the money they saved.

Juniors and seniors at Florida High School in Tallahassee voted not to have the traditional junior-senior banquet in June and to use the \$300 they had saved to buy War Bonds.

Teachers Given War Bond Bonus

ONE way to keep teachers from leaving the schools for better paying war-time jobs has been found by the Giles County (Va.) School Board.

When the schools closed recently the board gave each full-time teacher an unexpected bonus in the form of a \$50 War Savings Bond, in appreciation of services rendered. Substitutes and other part-time teachers were rewarded with War Savings Stamps in smaller amounts, according to the length of time they had taught.

The National Education Association complimented the Giles County board of education on the wisdom of its action.

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Cincinnati Public Schools Hand-Tailor Own W'S Program

ONE of the visual devices which the Cincinnati War Time Committee for the sale of stamps has used to promote the project in the schools is reproduced below. The red arrow on the thermometer works in conjunction with the sun. As more students participate in the campaign by buying War Savings Stamps, the arrow goes up and the red sun goes down.



"Setting" Japan's "Rising" Sun
in Home Room
with WAR SAVINGS STAMPS

Under the committee's leadership, and by the use of such promotional materials as this, War Stamp sales hit a six-figure mark for many weeks. These materials have all been produced in Cincinnati's Printing High School.

Next year the committee plans to stimulate home rooms to completely equip an infantry soldier. They obtained the figures together with a complete list of equipment from the WSS Education Division.

South Dakota Graduates Pledge

ALL eighth-grade graduation exercises in South Dakota included ceremonies for taking the Treasury's special school pledge.

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Students Report Pledge Campaign

FOUR HUNDRED student reports from the staffs of 55 high-school newspapers were given assignments in connection with New York's Pledge Campaign. Operating from a central "city room" in the Greater New York Pledge Campaign headquarters the young journalists were given leads to various news items and human interest stories. The experiment proved to be mutually beneficial—the students secured some fine experience and War Savings benefited from the many interesting stories which were brought to light and published in one way or another.

Dr. Pickens Reports on Negro Support

"THE United States holds the future of American Negro children," said Dr. William Pickens, director of the War Savings Staffs Negro Division, "and by a true instinct they seem to know it. They act upon that conviction when untampered with—showing that patriotism runs deeper than any personal problem or domestic issue."

Negro schools and colleges in the United States are cooperating wholeheartedly in the Government's effort to defray the expenses of the war through the purchase of War Savings Bonds and Stamps.

All but two of the 112 Negro colleges and universities are now promoting the sale of War Bonds and Stamps among students and faculty and more than 500 Negro high schools have adopted bond and

stamp selling as an important war activity.

In addition, all of the 475 teachers of the Jeanes Fund, maintained by the Southern Education Society, are educating teachers about the War Savings program. Each of these "Jeanes teachers" supervises from 25 to 100 teachers in the Negro schools.

Negro schools, like others throughout the country, have adopted a wide variety of methods to sell War Bonds and Stamps. In some places student committees set up stamp booths in hallways or recreation centers. In others, the school principal or other official sells the stamps from his office. War Savings posters made by school art departments have helped increase the sale of War Stamps and Bonds.

Numerous colleges are investing their funds in War Bonds. Atlanta University has already invested \$50,000 in Series F and G Bonds. Other colleges throughout the United States are building up special funds by soliciting contributions in the form of War Bonds. The War Savings Staff is prepared to tell other colleges how this has been done.

New Wrinkle in Movie Passes for School Children

To encourage children to buy War Stamps regularly and to stagger their movie attendance over the entire week, the Liberty Theater in Midland, Pa. has adopted a new plan. Every time a child can show that he has added \$3 worth of stamps to his album, he gets a free pass to the movies.



Students of Wickersham School, Harrisburg, Pa., built this War Savings booth and take turns acting as salesmen.

Bonds To Build War Memorial

TO GIVE up the high school and college annual, filled with photographs and other vivid reminders of school days, is not an easy sacrifice, but is one which was made by students at the Junior College in Garden City, Kans. The money for the production of this year's annual had already been collected when the student body voted to invest it in War Bonds which, when they mature, are to be used to erect a memorial to graduates of the school who give their lives in the present conflict.

Jeeps Symbolize Sales Goal In University Stamp Drive

SALE of enough War Savings Stamps to buy a jeep was the object of the War Savings drive on the campus of San Francisco University, promoted by the staff of Foghorn, student publication, and the ROTC honor society, Scabbard and Blade. The campaign was so successful that not 1 but 20 jeeps were symbolically purchased by the college students in a period of 5 weeks.

The Minute Man . 43

BANKING and FINANCE

New York Savings Banks Promote Pay-Roll Savings

ALL savings banks in the State of New York are now offering two types of special War Bond savings accounts designed to make it as convenient as possible to save and buy bonds. One type is designed to relieve employers of much of the book-keeping work in connection with pay-roll savings plans. These accounts are opened on instructions from an employer, a separate account for each employee who is buying bonds through pay allotments.

Each pay day, the bank receives a check from the employer, covering all pay allotments made in his organization, together with a list giving the names and the amounts which should be credited to each individual's War Bond account. When these amounts have accumulated to a sum sufficient to purchase a bond of the denomination desired, the bank issues and delivers such a bond. This service is greatly appreciated by employers and employees alike.

"Victory Clubs" have also been established by all New York savings banks for the convenience of depositors who want to save regularly for War Bonds. The Victory Club savings plan is similar to the Christmas Club plan in that special pass books are used and regular weekly deposits made.

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Nevil Ford, New York State WSS Administrator, presents a Minute Man banner to employees of the American Bankers Association in New York City. Ruth Foley receives the banner on behalf of the employees.

Sales of Smallest Bond Increase Most

IN May 1941, the \$25 denomination Series E Bond brought \$6,300,000 into the Federal Treasury. This amount was almost exactly 6.3 percent of total sales during the first month of the Defense Savings program. In March 1942, 11 months later, this smallest Series E Bond produced \$66,200,000 of revenue or more than 10 times as much and accounted for 20.2 percent of all revenues from the sale of Series E Bonds issued during that month.

These figures are from the May 1942 *Bulletin of the Treasury Department*, which presents statistical data on the sales of United States Savings Bonds by Series, denominations, months, and by States.

Here are some of the other interesting facts revealed by these figures: Individuals buy more than 34 percent of all Series F and G Bonds . . . between May 1, 1941 and April 30, 1942, \$217,572,000 worth of War Savings Stamps were sold and \$86,477,000 worth were redeemed . . . at least 84.9 percent of all stamps redeemed were exchanged for Bonds.

State-wide Installation of Bank Draft Plan

ALL banks in the State of New Hampshire now offer to purchase War Bonds for their customers by making monthly or other periodic deductions from checking accounts. This is the first State to report that every one of its banks has installed depositors' draft plan for the purchase of War Bonds.

The standard draft authorization form used by New Hampshire banks in operating this plan was prepared by the State Bankers Association and the plan itself is sponsored by the finance committee of the State defense council as well as by the association and the State War Savings committee.

E & G Bond Sales Effort

THE New Jersey Public Utility Information Committee has circulated all public utilities in this State, appealing to them to invest as much



Every schoolboy in Minnesota idolizes Bruce Smith, last year's All-American captain of the Minnesota team. The Farmers & Mechanics Savings Bank of Minneapolis has shrewdly recognized this hero worship by distributing this poster to every schoolroom in the city, and to the 200 companies for which the bank has opened employee pay-roll savings accounts. The Minnesota WSS has also given this poster wide distribution.

as they possibly can in War Savings Bonds—up to the legal maximum which is now \$100,000.

In New York City, 150 securities salesmen have been mobilized to sell the large denomination savings bonds to corporations and large private investors. Gail Golliday and Ritchie Kimball head the committee of investment bankers who are supervising the work of these salesmen. Prospect lists have been carefully compiled and some 700 corporations selected as the first prospective customers to be canvassed.

★

Save Now . . . Or Slave Later.

The Minute Man : 45

Sales and Quota Statistics

State	May sales—Series E, F, and G			July quotas—Series E, F, and G		
	Dollar total (issue price)	Ratio of sales to quotas	Rank	Dollar total (issue price)	Per capita (1940 population)	Ratio to national quota
		<i>Percent</i>				<i>Percent</i>
Alabama	\$5,285,000	139.6	11	\$7,881,000	\$2.78	6.79
Arizona	1,966,000	144.8	8	2,945,000	5.90	2.28
Arkansas	3,556,000	132.6	14	5,079,000	2.61	5.11
California	41,225,000	103.0	37	61,687,000	8.93	6.17
Colorado	4,327,000	105.9	36	6,840,000	6.09	5.98
Connecticut	16,518,000	124.9	19	25,534,000	14.94	2.51
Delaware	1,649,000	88.6	47	2,657,000	9.97	2.51
Dist. of Columbia	5,958,000	96.4	45	6,250,000	9.43	2.51
Florida	6,716,000	115.9	26	9,842,000	5.19	3.90
Georgia	6,439,000	120.0	23	9,797,000	3.14	3.90
Idaho	2,208,000	152.2	5	3,375,000	6.43	3.90
Illinois	52,227,000	105.9	35	84,925,000	10.75	3.40
Indiana	14,910,000	136.5	13	18,800,000	5.48	1.88
Iowa	13,870,000	154.1	4	15,000,000	5.91	1.90
Kansas	5,290,000	114.6	27	8,073,000	4.48	3.90
Kentucky	6,177,000	111.1	31	9,504,000	3.34	3.90
Louisiana	5,875,000	118.8	25	8,623,000	3.65	3.90
Maine	4,146,000	125.8	18	6,364,000	7.51	3.90
Maryland	8,392,000	92.4	46	13,535,000	7.43	1.65
Massachusetts	28,738,000	99.9	41	46,144,000	10.69	4.00
Michigan	26,240,000	121.2	20	39,466,000	7.51	3.90
Minnesota	12,574,000	107.9	34	19,580,000	7.01	1.90
Mississippi	3,698,000	127.3	15	5,343,000	2.45	3.90
Missouri	18,713,000	109.6	33	27,827,000	7.35	2.78
Montana	2,156,000	77.4	52	3,222,000	5.76	3.90
Nebraska	4,590,000	139.7	9	7,235,000	5.50	7.70
Nevada	692,000	119.1	24	1,038,000	9.42	1.88
New Hampshire	2,168,000	114.4	28	3,260,000	6.63	3.90
New Jersey	22,889,000	85.6	48	35,247,000	8.47	3.90
New Mexico	1,185,000	112.3	30	1,771,000	3.33	3.90
New York	106,671,000	85.3	50	171,596,000	12.73	17.70
North Carolina	8,190,000	139.1	12	12,153,000	3.40	1.88
North Dakota	2,059,000	147.8	6	3,112,000	4.85	3.90
Ohio	35,899,000	113.0	29	55,151,000	7.98	5.33
Oklahoma	5,919,000	109.8	32	8,855,000	3.79	3.90
Oregon	5,676,000	101.2	40	8,865,000	8.14	3.90
Pennsylvania	53,514,000	99.4	42	81,050,000	8.19	8.11
Rhode Island	4,404,000	82.3	51	6,936,000	9.72	3.90
South Carolina	3,097,000	126.3	16	4,320,000	2.27	3.90
South Dakota	1,731,000	139.7	10	2,464,000	3.83	3.90
Tennessee	6,484,000	126.1	17	10,092,000	3.46	1.00
Texas	22,479,000	120.9	21	33,677,000	5.25	3.90
Utah	2,057,000	171.3	3	2,879,000	5.23	3.90
Vermont	1,449,000	120.3	22	2,188,000	6.09	3.90
Virginia	9,092,000	101.4	39	12,698,000	4.74	1.25
Washington	11,082,000	146.2	7	13,415,000	7.73	1.54
West Virginia	4,062,000	98.9	43	6,111,000	3.21	3.90
Wisconsin	12,280,000	102.5	38	19,265,000	6.10	1.90
Wyoming	984,000	98.1	44	1,519,000	6.06	3.90
Alaska	492,000	248.5	2	738,000	10.18	3.90
Canal Zone	190,000			321,000	6.19	3.90
Hawaii	5,985,000	603.3	1	8,439,000	19.93	3.90
Puerto Rico	183,000	85.5	49	296,000	16	3.90
Virgin Islands				16,000	.64	3.90
Unallocated—not distributed by states				37,000,000		3.70
Total	634,356,000	105.7		1,000,000,000	7.46	100

Bonds or Bondage

By COL. J. L. STROMME

The Commanding Officer of the U. S. Army Air Base in Portland, Oreg., is one of the many Army and Navy men whose cooperation is proving of great value to the War Savings Staff. The following statement appeared in the Colonel's Column in the Air Base newspaper.

THE GOVERNMENT under which we live is the outgrowth of man's hopes and aspirations. We have been made the beneficiaries of the enterprises and sacrifices of all who have worked, fought and died in order to make those hopes and aspirations real.

After writing "we hold these truths to be self-evident: that all men are created equal, etc.," our forefathers waged a bitter struggle to secure these rights for themselves and posterity. Since that time we have adhered to those principles and have fought to preserve them, and the reason we are at war today is that we may preserve them for coming generations.

We have always recognized the dignity of the human personality. We have utilized our resources for the benefit of mankind; we have established the "good neighbor" policy; we have extended the open hand of friendship to all nations of the world, but all of our peaceful inclinations have been of no avail. We are now called upon to defend all that is near and dear to us.

"Our cause, it is just." We have been stabbed in the back. Our freedom is imperiled. We are living in the last stronghold of freedom, where human rights are still re-

spected and protected, and we are today in the midst of writing our own epitaphs or the birth certificate of a new freedom for the peoples of the world.

Many cannot shoulder a gun; many cannot join the armed forces, but their responsibility is as great. Defeat upon the home front would be more disastrous than defeat on the battle front. The soldiers of France suffered ignominy and defeat because of graft, corruption, and inefficiency at home.

We in the armed services will take care of the military threat if the people at home will keep the tanks rolling, the planes flying, and the ammunition coming.

When a citizen has shown his interest in defending our liberties by buying War Bonds, that citizen has shown the good faith that will entitle him to the liberties that have been his. No one will accuse him of being on the other side if he puts his money into the defense of this side.

There is a tremendous satisfaction in the privilege of participating in the war in this way. It is the American way of enabling everyone to share in our supreme effort which will enable everyone to share in the credit for victory. Ours is the choice—Bonds or Bondage.

Sales and Quota Statistics

State	May sales—Series E, F, and G			July quotas—Series E, F, and G		
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California	41,225,000	103.0	37	61,687,000	8.93	6.17
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Connecticut	16,518,000	124.9	19	25,534,000	14.94	2.51
Delaware	1,649,000	88.6	47	2,657,000	9.97	2.22
Dist. of Columbia	5,958,000	96.4	45	6,250,000	9.43	2.22
Florida	6,716,000	115.9	26	9,842,000	5.19	1.61
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Alaska	492,000	248.5	2	738,000	10.18	1.07
Canal Zone	190,000			321,000	6.19	0.07
Hawaii	5,985,000	603.3	1	8,439,000	19.93	0.84
Puerto Rico	183,000	85.5	49	296,000	0.16	0.01
Virgin Islands				16,000	0.64	0.002
Unallocated—not distributed by states				37,000,000		3.70
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MY PLEDGE

There is one pledge I want to make,
A pledge for Uncle Sammy's sake,
A pledge to buy a WAR BOND
every month!

Now, since the Japs destroyed Wake,
There is one part that I must take,
And my job is to
Buy a Bond a month!

Of course it is a modest sum—
It has to be—from my income!
But, even so, I'll save it
every month.

Now saving money isn't dumb,
When money makes our Bombers
hum!
So I will smile, and
Buy a Bond each month!

What would my money mean to me,
If cruel war killed LIBERTY?
That's why I want to
Buy a Bond each month!
If I would have my nation free
from ruthlessness and treachery,
It's up to me to
Buy my Bond each month!

Americans have got the stuff!
The road ahead is steep and rough—
Take up a notch, and
Buy a Bond a month!

Our enemy is plenty tough,
And one Pearl Harbor is enough!
So make a pledge, and
Buy a Bond a month!

—Earl T. Ross.

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1
TREASURY DEPARTMENT
WAR SAVINGS STAFF
WASHINGTON, D. C.
OFFICIAL BUSINESS

1
PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, \$300
1942 JUL 23 PM 12 27
OFFICE
SECRETARY OF TREASURY
U. S. GOVERNMENT PRINTING OFFICE: 1942

7-1-42

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Handwritten notes on the right edge of the page, including the word "Home" and other illegible scribbles.

Fighting DOLLARS

OFFICE OF THE SECRETARY OF THE NAVY
Coordinator for War Savings Bonds



"Don't give me any of that paper stuff--
I want mine tattooed across my chest!"

JUNE
1942

NAVY BOND SALES FOR MAY JUMP 35.77 PER CENT TO SET NEW HIGH

TOTAL SALES REACH \$6,472,257 AS
NEARLY ALL ACTIVITIES
STEP UP CAMPAIGN

EMPLOYEE PARTICIPATION GAINS

Philadelphia Yard And 4th District
Pass Million Dollar Mark
To Set New Record

The Secretary of the Navy's War Bond Competition really got to rolling in May, with several activities drawing close to the standard of excellence necessary to win the coveted honor flag and certificate.

Sales for the month totaled \$6,472,257, a new all-time high and 35.77 per cent above the April figure of \$4,766,606.25.

The number of civilian employees participating under the Payroll Savings plan also showed a healthy increase, the total for May being 207,632. That was an increase of 30,410 members, or 17.15 per cent, above April.

Still Short of Goal

Shore establishments as a whole, however, still are considerably short of the standard of excellence set by the Secretary, 90 per cent of civilian employees participating in the payroll plan, and 10 per cent of total civilian payroll being invested in War bonds.

Among all shore establishments participating in the contest in May, the average of employee participation was 53.7 per cent, and the percentage of payroll participation was 7.49.

Payroll Participation In Basis

In accordance with the Coordinator's directive of April 30, standing of the various districts, yards and stations for May was determined by the percentage of payroll participation.

(Continued)

Beginning in June, however, standings will be determined by the efficiency index described in the Coordinator's directive of June 1.

Based upon the present method of determining standings, Philadelphia placed first among the yards, with Norfolk second and Charleston third. The Ninth, Fourteenth and Fourth placed one, two, three among the districts, and Jacksonville took first place among the air stations, with Pensacola second and Corpus Christi third.

HOW THEY RAN IN MAY

ACTIVITY	MAY SALES "E" BONDS
<u>Navy Yards</u>	
1 Philadelphia	\$ 915,825.00
2 Norfolk	609,731.25
3 Charleston	267,093.75
4 Puget Sound	402,663.75
5 Brooklyn	595,500.00
6 Mare Island	429,063.75
7 Washington	254,925.00
8 Portsmouth	178,031.25
9 Boston	184,351.25
<u>Naval Districts</u>	
1 Ninth	325,143.75
2 Fourteenth	872,532.00
3 Fourth	142,762.50
4 Newport, R.I., NDE	242,925.00
5 Eleventh	180,506.25
6 Twelfth	128,134.25
7 Fifth	165,450.00
8 Thirteenth	34,275.00
9 Third	125,662.50
10 Navy Dept. & vicinity	267,862.50
11 Eighth	13,500.00
12 First	7,050.00
13 Seventh	2,793.75
<u>Air Stations</u>	
1 Jacksonville	45,125.00
2 Pensacola	57,525.00
3 Corpus Christi	22,762.50
MAY SALES	\$ 6,472,257.00
PREVIOUSLY REPORTED	4,766,606.10
TOTAL SALES TO JUNE 1	\$ 22,971,317.10

WHAT ADMIRAL YOUNG SAYS ABOUT WAR BOND PURCHASES



"The closest those on the home front can come to meeting the challenge of heroism is through the systematic purchase of War Savings bonds. Ten per cent of the income of the wage earners of America is being sought...not as a donation, but as an investment in Victory, Freedom and in the future of our Nation. The little enough sacrifice, when we remember the hardships being made, the hardships being endured, by the men who form our first line of defense in all parts of the world. And when war is won, the investment in Victory that we make today will be returned to us with interest, for enjoyment in the days of peace will follow."

---Rear Admiral W. B. Young, SC USN, Paymaster General and Chief of Bureau of Supplies and Accounts.

WHAT COMMANDER CARTER SAYS ABOUT WAR BOND PURCHASES

"War Savings bonds supply the funds to purchase the ships, the guns and the planes needed by our fighting men. There is no finer way to back up the fleet than through the regular purchase of bonds. Every dollar invested in War bonds does double duty, since it not only helps to finance the war, but also becomes a nest egg when the war is won."

---Commander W. J. Carter, SC USN, Assistant Chief of the Bureau of Supplies and Accounts.



Fighting DOLLARS



Issued monthly by the Office of Coordinator,
War Savings Bonds, Navy Department.

Captain Gerald A. Eubank, SC, USNR
Coordinator

Lt. Comdr. Eugene C. Zachman, USNR
Public Relations Officer, OWSB
Editor

Address all communications to the Editor,
Fighting Dollars, Room 0133 Navy Building,
Washington, D. C.

WAKEFIELD APPOINTED AS DEPUTY COORDINATOR IN WAR BOND DRIVE

Appointment of Lieut. Comdr. Wallace W. Wakefield, SC USNR, as Deputy Coordinator for War Savings Bonds has been announced by Captain Gerald A. Eubank, SC USNR, the Coordinator.

Commander Wakefield has been Coordinator for the Fourth Naval District and the Philadelphia Navy Yard, and has made an outstanding record there. Philadelphia was one of the pioneers in the payroll savings plan and last month the yard and the district sold War bonds totalling \$1,058,587.50, a new high for any government agency in a similar period.

The new Deputy Coordinator will report for duty in Washington on July 1. He will be succeeded at Philadelphia by Lieut. Harold Gilmore, SC USNR.

CORPUS CHRISTI BOND OFFICE MOVES

The War Savings Bond office at the Naval Air station, Corpus Christi, Tex., recently moved into the former quarters of the Public Relations office. Ensign Nancy Hartman, SC USNR, is in charge.

COORDINATOR'S C O L U M N

In this column last month we mentioned that "pats on the back" would be given when they were deserved. At this time we have three to distribute.

One goes to Rear Admiral H. V. Butler, USN, Ret., Administrative Officer in the office of the Secretary of the Navy, for his cooperation with this office, and his understanding of its problems. Another goes to Captain F. E. Beatty, USN, Aide to the Secretary, for the same reasons.

And the third goes to Rear Admiral W. D. Young, SC USN, new Chief of the Bureau of Supplies and Accounts and Paymaster General, for his deep interest in the War Bond campaign and his desire to see it become an outstanding success.

"Your Navy Reports," the monthly tabulation of War Bond sales, will reach you earlier next month. A new reporting form has been distributed to Issuing Agents, and they are required to submit it to the Coordinator's Office within five days after the close of each month. This will speed up preparation of our tabulation by several days.

And since "Your Navy Reports" has been mentioned, the current issue is worth your study, particularly the percentage figures on number of employees participating in the Payroll Savings Plan and on payroll participation. Activities where the bond campaign is properly organized and where sound and constant promotional activity is underway show healthy increases in these percentages.

Notice that the "little guy" on the front cover cartoon now has his bond. He'll occupy the center of the stage next month. And we're still looking for a good name.

Finally, don't forget to send in your news for "Fighting Dollars." Without stories of your successful selling campaigns, your new promotional ideas and other news of interest, we'll have nothing to publish. And what works for you will work elsewhere.

A BOND OFFICE ON WHEELS



Lieut. Irving E. Campbell, vice chairman of the War Bond committee of the Naval Air station, Alameda, Calif., greets workers as they line up to buy bonds at the entrance to the mobile Bond Sales office operated by the Twelfth Naval district. The bond caravan, designed to reach construction employees in the field, consists of a contractor's pay truck, a bus which serves as the Issuing Agent's office, and a sound truck.

MOBILE BOND OFFICE GETS RESULTS

When they can't come to you, go and get them!

That's the plan worked out in the Twelfth Naval District, and through the use of a mobile bond sales office, it has been successful in selling bonds to 85 percent of the employees of construction projects scattered throughout the district.

But read the story, as told in a letter from Captain J. W. Gates, USN Ret., Vice Chairman of the War Bonds Committee in the district, to Captain Gerald A. Eubank, SC USNR, Coordinator:

"You will be interested, we feel sure, in a little experiment we conducted last week which turned out to be quite successful.

"One difficulty we have been experiencing is that of promoting War Bond purchases among the employees of the various construction projects of which there are many now under way, and widely scattered throughout the District. These employees are, for the most part, paid by the contractor, and as many of them are on a per diem

basis, voluntary payroll reservation plans have not been satisfactory.

"Lieutenant Irving E. Campbell, Vice-Chairman of the War Bonds Committee for the Naval Air Station, Alameda, originated the idea of asking the contractor to pay his employees in two checks instead of one -- one check in the amount of \$18.75 and the other check for the remainder of the amount due for work during the preceding week. The contractor readily agreed to do so.

"Early Friday morning, May 15th, a small caravan set out to make the rounds of the various construction projects going on at the Air Station. This caravan consisted of the Paymaster's truck, a large bus turned into a temporary Mobile War Bonds Sales Office, and a sound truck equipped with appropriate music.

"As each of the projects was reached, the workers contacted the Paymaster's truck, received their checks and then, with surprisingly few exceptions and very little urging, filed into the Mobile Sales Office and purchased War Bonds with their \$18.75 checks. (Continued on following page)

MOBILE BOND OFFICE--Cont'd

"The exact figures on results were not available, but we estimate that approximately 855 of the employees receiving checks purchased Bonds that day. All of the Bonds purchased were, of course, of \$25.00 denomination with the exception of two \$100.00 Bonds.

"We are continuing this experiment further and trying to iron out some of the difficulties, for the most part minor ones. The issuance of the Bonds was handled expeditiously, but the physical problem of accommodating the necessary secretarial force and the purchasers in an ordinary transportation bus was the most pressing one encountered. This of course, caused some delay and the Paymaster was not able to complete the round of the construction projects in the usual time.

"The most striking feature of the whole operation was the enthusiastic reception by the workers themselves. Practically everyone who purchased a Bond was interviewed either before or after, and we feel sure that we are not being over-optimistic in making this statement.

"We believe, of course, that this is not a satisfactory substitution for the Voluntary Payroll Savings Plan, but when this Plan is not feasible it would certainly seem that some such operation as we conducted would be very worthwhile as a substitute."

GOT A MESSAGE FOR HITLER OR HIROHITO?
SAY IT WITH WAR BONDSNAVY PAYROLL PLAN STICKERS TO BE
READY FOR DISTRIBUTION SOON

Window stickers announcing membership in the Navy's Payroll Savings plan soon will be ready for distribution. They had been expected early this month, but there was a slight delay because of the volume of work being turned out by the Government Printing Office.

Several districts and yards already have requested shipments of the stickers. They will be distributed on the basis of the number of employees participating in the plan, as shown in the May reports of issuing agents.

It should be remembered that the stickers are for use in the windows of the homes of members. They should not be used on motor car windshields, as many states have laws against that practice.

PHILADELPHIA PASSES MILLION MARK
TO ESTABLISH NEW WAR BOND RECORD

The Philadelphia Navy Yard and the Fourth Naval District last month paid in the largest single amount for War Savings Bonds ever purchased in one month by the employees of any unit or department of the government, with the purchase of over a million dollars in War Savings Bonds during May.

The checks, reproduced on Page 6 of this paper, represent bonds issued for the month, and indicate that almost one and one-half \$25 bonds were purchased by every man and woman in the yard.

The Yard's check for \$915,825 exceeded by almost \$100,000 the largest amount received from any Navy Yard up to this month, while the District total of \$142,762.50, added to the Yard's makes the combined total the largest amount ever contributed by any unit of the Federal Government during any one month, including the Navy, the Army or any of the other branches of the United States Government.

The Commandant of the District and the Philadelphia Navy Yard, Admiral A. E. Watson, expressed great pleasure and satisfaction that his commands had thus distinguished themselves.

Captain G. A. Eubank, Coordinator of War Bonds Sales for the Navy, congratulated the Commandant and officials of the local campaign for the splendid showing and expressed confidence that this amount would be often exceeded in future months.

Officials of the Navy Yard and District, while being extremely pleased with the splendid showing in the campaign thus far, were determined not to let the Yard and District rest on their laurels, but to push on until the Yard payroll deductions reached over a million dollars and the District total was correspondingly large.

At the present time, agents in the various shops and departments in the Yard and District are re-canvassing their jurisdictions in an effort to sign everybody up for the volunteer payroll deduction plan with a minimum of 10 per cent of each week's pay.

If this goal is accomplished, the Navy Yard and District will soon be flying the Secretary of the Navy's special flag issued only to activities which have more than 90 per cent of their total employees pledged and more than 10 per cent of the gross payroll turned into War Savings Bonds.

—Philadelphia Navy Yard "Beacon"

WHAT ADMIRAL TOWERS SAYS
ABOUT WAR BOND PURCHASES

"Reports from the various Air Stations in recent weeks indicate gratifying results in connection with the participation of personnel in the Navy Payroll Savings Plan. However, we are a long way from our goal. The soundness of this plan surely needs no further recommendation. Keep up the good work."

----From a statement by Rear Admiral John B. Towers, Chief of the Bureau of Aeronautics and Assistant Chief of Naval Operations (Air).

FOURTEENTH DISTRICT SETS PACE IN
HONOLULU LEI DAY CAMPAIGN

Personnel of the Fourteenth Naval District joined enthusiastically with the citizens of Honolulu in the observance of Lei Day, a semi-holiday which is observed annually on May Day by the people of Hawaii.

Because of the war, Lei Day this year was designated as War Bond Sales day. A quota of \$250,000 was set for the Island of Oahu, but when the day was over and totals were figured, it was discovered that sales actually had been \$1,017,755.

At the War Bonds office of the Fourteenth district, in charge of Ensign B. L. Rainey, SC USNR, navy personnel purchased bonds with issue value of \$110,456.25 during the day.

"DESTROYER" TAKES OVER LAWN OF
TREASURY BUILDING IN WASHINGTON

The lawn of the dignified old Treasury building in Washington has been brightened this month by the appearance of a United States Destroyer.

Not a real one, of course, but a billboard replica that is sufficiently realistic to attract the attention of blasé Washingtonians.

It is being used to stimulate interest in the War Bond campaign, and the promotion was conceived with the idea that Washington's bond quota for June, \$8,000,000, would be sufficient to build a real destroyer.

If the quota is reached, officials of Treasury's War Savings staff plan a ceremony on the lawn in front of the destroyer to which high Navy and Treasury officials will be invited.

MARE ISLAND N. Y. BOND CAMPAIGN
MANAGER ASSIGNED TO NEW DUTIES

Lieut. Comdr. R. B. England, USN Ret., who has done an outstanding job as War Bond campaign manager at the Mare Island Navy yard, has been assigned to other duty.

The campaign office at the yard now is in charge of Ensign D. E. Clark, who also is Public Relations officer.

In acknowledging notice from Commander English of his detachment, Captain Gerald A. Eubank, Coordinator, wrote in reply:

"You have done a splendid job at Mare Island and the War Bond organization is going to miss you greatly."



POSTAL TELEGRAPH COMPANY WILL BOOST NAVY PAYROLL SAVINGS PLAN

The Navy Payroll Savings plan soon will be publicized throughout the United States by the Postal Telegraph company.

A telegram from Secretary of the Navy Frank Knox to E.F. Chislund, president of the Postal Telegraph company, telling of the Navy plan and congratulating the company on its own bond program, which will make War Bonds available in all telegraph offices, is to be enlarged to jumbo size and displayed, with appropriate illustrations, in the windows of all Postal offices.

The telegram follows:

NAVY PERSONNEL HAS ALREADY INVESTED NEARLY SEVENTEEN MILLION DOLLARS IN WAR SAVINGS BONDS, PROVING OUR SLOGAN "NAVY DOLLARS ARE FIGHTING DOLLARS" X CONGRATULATIONS TO POSTAL TELEGRAPH COMPANY ON ITS PLAN TO SELL BONDS AND STAMPS IN ALL ITS OFFICES X

FRANK KNOX
SECRETARY OF THE NAVY

In reply Mr. Chislund sent the following message to Secretary Knox:

MANY THANKS YOUR NICE TELEGRAPH ON OUR SALE OF BONDS X OUR ONLY WISH IS THAT WE COULD DO MUCH MORE THAN WE ARE DOING X THE RECORD OF INVESTMENT IN WAR SAVINGS BONDS BY NAVY DEPARTMENT PERSONNEL IS VERY STIMULATING X

"MY NEIGHBOR'S BOY" TO RECEIVE NATIONAL NEWSPAPER DISTRIBUTION

"My Neighbor's Boy," the poem by Gene Chloupek, Washington business man, which appeared in the May issue of Fighting Dollars, proved an instantaneous hit.

The War Savings staff of the Treasury department, following publication of the poem, obtained permission for its distribution on a national scale. It already has been sent to 17,000 newspapers in all parts of the United States, with permission for publication.

Mr. Chloupek dedicated his poem to the memory of his own neighbor's boy, Ensign Burton N. Hansen, USN, Class of 1940, U. S. Naval Academy, who was on the USS Jacob Jones.

EACH BUCK YOU RELEASE
BUYS A SHARE IN PEACE



To Pedro B. Lomibao, a Filipino worker at the Mars Island Navy Yard, went the honor of purchasing the \$50 War Savings bond which put the total sales at the yard past the \$2,000,000 mark. He is shown making his purchase from Lt. Condr. E. B. England, USN, the yard's bond campaign manager. Filipinos at Mars Island have been among the most consistent bond buyers at Mars Island.

NAVAL EQUIPMENT DRAMATIZES BOND DRIVE OF U. S. TREASURY DEPARTMENT

With the cooperation of the Navy War Bond office, the United States Treasury department this month launched a promotional campaign in which items of naval equipment will be used to dramatize the bond quotas of cities and counties in all parts of the United States.

Billboards will be erected in each town and city with the naval item outlined, and a statement of how many can be built with the city's quota.

This month's display is a torpedo. On each billboard the torpedo will be painted in to show the progress of the city toward its quota. Next month an amphibian tractor will be used on the boards.

The Outdoor Advertising Association, which is handling the displays for the Treasury department, has volunteered to cooperate similarly with the bond office of any Navy yard or district which desires to use the same type of quota boards in its own campaign.

SECRETARY'S BOND FLAGS ARE READY



One of the flags to be awarded by the Secretary of the Navy to Naval districts, Navy yards and Naval stations which meet the standard of excellence established in the War Bond campaign is examined with interest by Lieut. Condr. C. C. Morgan, USNR, and Lieut. H. W. Strecker, SC USNR, who are attached in the office of the Coordinator for War Savings Bonds. To win one of the coveted flags a district or activity must have 90 per cent of its civilian employees enrolled under the payroll savings plan, and bonds representing at least 10 per cent of its civilian payroll for two consecutive months.

PROMPT ENROLLMENT OF NEW WORKERS BRINGS RESULTS IN TWO DISTRICTS

Plans to enroll new employees under the payroll savings plan immediately after they report for duty have been undertaken successfully by two Navy districts in accordance with the Coordinator's directive of May 6.

Other districts and activities also are working out similar plans, but no reports on their progress have as yet been received.

In his directive, Captain Gerald A. Rubank, Coordinator, pointed out the importance of signing up new employees immediately upon enrollment to abolish an existing lag, to save time of the group agents, and to start the new employees as quickly as possible on a savings program.

Personnel Office Helps

In a report made on June 2, Captain J. W. Gates, USN Ret., vice chairman of the War Bonds committee of the Twelfth Naval (Continued)

(Continued)

district, stated that arrangements had been made with the District Civilian Personnel Office to provide each new employee with a bond message from Rear Admiral J. W. Greenlade, and to attempt to enroll each employee in the payroll savings plan at the time final employment papers are issued.

"We anticipate that this procedure should be extremely helpful," Captain Gates reported, "and we are particularly appreciative of the enthusiastic cooperation offered by the District Civilian Personnel Office."

Commandant Gives Boost

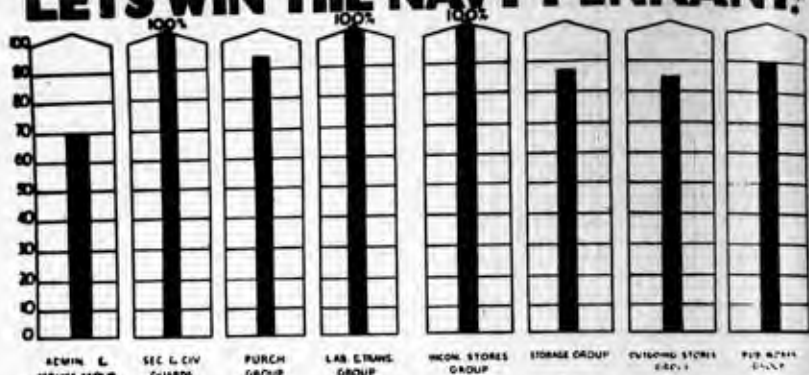
In the Third Naval district, Ensign F. E. Davis, SC USNR, Issuing Agent, reported, the new-employee campaign was launched with a directive from the Commandant to all activities.

"It is felt," the directive stated, "that participation in the payroll reservation plan will be helped materially if steps are taken to encourage participation of all new employees as they are hired."

EVERYBODY - EVERY PAYDAY - TEN PER CENT

SUPPLY DEPOT USES BULLETIN BOARD

LET'S WIN THE NAVY PENNANT!



Help your group get the highest percentage of authorized payroll deductions for the purchase of

★ ★ WAR SAVING BONDS ★ ★

MAKE IT *HOT* FOR THE JAPS

Employees of the Naval Supply Depot at Seattle, Washington, are showing a keen interest in the War Bond campaign, and are supporting it generously, as is indicated by the photograph above of one of the bulletin boards placed at key locations. The board indicates that several activities at the depot already have 100 per cent employee participation in the bond effort.

JOIN *the* FIGHT



Buy Bonds

BROOKLYN'S "TEN PER CENT CLUB" TO BE MODEL FOR NATIONAL ORGANIZATION

The Brooklyn Navy Yard's 10 Per Cent club, composed of employees who are investing at least 10 per cent of their wages in War Savings Bonds, leads by several months a similar promotion now being undertaken by the Treasury Department.

The story of the Brooklyn club appeared in the May issue of "Fighting Dollars." Membership buttons bearing the words "10 Per Cent" and pictures of a battleship and a Navy Yard worker are distributed to members.

The Treasury's club idea, developed by the Office of Facts and Figures, is being launched with a nationwide radio campaign. It also employs membership buttons and window stickers.

KEEP 'EM ROLLING

Roll out the Dollars, turn out the guns
Till Hirohito molters for help from Hitler's Hun.
Roll out the Dollars - (We'll even take your cheques)
To put a fleet of fighters on our aircraft carriers decks
Roll out the Cart-wheels - Give our boys the breaks;
Show the men of Hataan you've got what it takes;
Let them know you're with them every day and night,
And shell out the shekels to carry on the fight.

Empty that old stocking; dig up that buried crock;
Take that foldin' money from behind the kitchen clock;
Sway it off for Bonds and Stamps as wisdom has decreed it,
For if the Japs remake the maps you certainly won't need it.

So roll out the Dollars - Keep 'em rolling fast
Get old Glory flying on another cruiser's mast
Help our bombers speed along as eagerly they go
With Pearl Harbor's answer to the mugs in Tokyo.

Roll out the Dollars - Forget the "lifer" and "buter"
Show the boys in uniform that you've got the guts;
That you've earned the royal right, though over sixty-four
To think with pride of those who died on far Corregidor
Roll out the Iron Men - Turn 'em into tanks;
They'll be lots more useful there than in the home town banks.

For every little bond you buy, - yes, every little "V"
Is all you need to plant the seed of final Victory.

Wm. K. Parry,
Naval Air Station,
San Diego, California
April 18, 1942.



INTEGRATED DEPARTMENT

1942 JUL 1 PM 3 37

OFFICE OF THE
SECRETARY OF TREASURY

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE July 1, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: Shipment of Planes to British Forces

1. In the week ending June 23, 1942, a total of 135 planes of all types (124 combat planes) were shipped to British forces.

2. In this week, almost two-thirds of the planes turned over to the British reached their destination by air. For the first time in 1942, delivery of bombers to the Middle Eastern forces was made by air. Seven Ventura bombers moved in this way to the South African forces.

3. With this week's shipment of six Vultee Vengeance dive bombers to India, the United States has delivered a total of 25 dive bombers to the Royal Air Force - the only dive bombers the British have. It is to these deliveries that Lyttleton evidently referred during his recent interpellation in the House of Commons.

Table A - Shipments by Area

	Week Ending <u>June 23, 1942</u>	Total Shipped in 1942 <u>to date</u>	Total Shipped since <u>Jan. 1, 1941</u>
<u>To the United Kingdom</u>			
Light and medium bombers	56	421	1,582
Heavy bombers	9	84	188
Naval patrol bombers	0	8	110
Pursuit	0	775	1,086
Army Cooperation	0	71	102
Trainers	<u>0</u>	<u>0</u>	<u>24</u>
Total to the United Kingdom	65	1,359	3,092
<u>To the Middle East</u>			
Light and medium bombers	29	233	563
Heavy bombers	0	0	5
Pursuit	21	332	1,150
Army Cooperation	0	12	12
Trainers	<u>0</u>	<u>8</u>	<u>150</u>
Total to the Middle East	50	585	1,910
<u>To the Canadian Forces</u>			
Light and medium bombers	3	44	212
Heavy bombers	0	1	1
Naval patrol bombers	0	23	31
Pursuit	0	30	72
Trainers	<u>11</u>	<u>433</u>	<u>1,674</u>
Total to Canadian Forces	14	531	1,990
<u>To the British Pacific Forces</u>			
Light and medium bombers	0	141	241
Naval patrol bombers	0	0	27
Pursuit	0	200	363
Trainers	<u>0</u>	<u>0</u>	<u>105</u>
Total to Pacific Forces	0	341	736
<u>To the British Indian Forces</u>			
Light and medium bombers	6	20	20
Pursuit	<u>0</u>	<u>40</u>	<u>40</u>
Total to Indian Forces	6	60	60
<u>Totals</u>			
Light and medium bombers	94	859	2,618
Heavy bombers	9	85	194
Naval patrol bombers	0	31	168
Pursuit	21	1,377	2,741
Army Cooperation	0	83	114
Trainers	<u>11</u>	<u>441</u>	<u>1,953</u>
Grand Total	135	2,876	7,788

Table B - Shipments by Types

	Week Ending <u>June 23, 1942</u>	Total Shipped in 1942 <u>to date</u>	Total Shipped since <u>Jan. 1, 1941</u>
Bell Airacobra	0	314	468
Boeing B-17	3	16	36
Boston III	0	13	37
Brewster Buffalo	0	0	168
Cesena Crane I-A (AT-17)	0	65	65
T-50	0	86	700
Consolidated Catalina	0	31	168
Liberator	6	69	158
Curtiss Kittyhawk	21	563	945
Tomahawk	0	0	544
Douglas Boston I, II and III	0	0	492
Fairchild 24 R-9	0	73	95
Glenn Martin B-26A (Marauder)	1	2	2
Baltimore	22	229	297
Maryland	0	0	150
Grumman Martlet II	0	46	87
Lockheed Hudson	5	373	1,343
Lightning	0	3	3
Ventura I	0	12	12
Ventura Bomber	46	158	158
North American B-25	14	52	52
Harvard II	0	52	949
Mustang	0	446	526
Northrop Vengeance	0	5	5
Pitcairn Autogiro	0	0	5
Stearman PT-27	11	238	239
Vought-Sikorsky Chesapeake	0	0	50
Vultee-Stinson O-49	0	10	14
Vultee Vengeance	<u>6</u>	<u>20</u>	<u>20</u>
Grand Total-All Types	135	2,876	7,788

Table C - Plane Shipments to the British by Weeks

76

<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>Totals</u>
Weekly average of shipments in 1941	36	2	3	28	1	30	100
January 6, 1942	24	0	5	30	4	9	72
January 13, 1942	3	0	2	58	0	42	105
January 20, 1942	4	0	0	14	0	60	78
January 27, 1942	24	0	1	100	5	13	143
February 3, 1942	9	0	3	10	4	4	30
February 10, 1942	20	0	3	59	0	4	86
February 17, 1942	9	0	2	41	7	0	59
February 24, 1942	24	0	2	86	7	1	120
March 3, 1942	26	0	1	80	6	0	113
March 10, 1942	25	2	0	78	1	0	106
March 17, 1942	34	1	0	94	8	0	137
March 24, 1942	94	9	12	79	0	84	278
March 31, 1942	49	1	0	58	4	10	122
April 7, 1942	69	2	0	8	4	5	88
April 14, 1942	55	7	0	86	6	29	183
April 21, 1942	55	11	0	43	15	34	158
April 28, 1942	35	10	0	39	0	26	110
May 5, 1942	14	2	0	98	0	4	118
May 12, 1942	10	3	0	75	12	6	118
May 19, 1942	22	0	0	37	0	7	66
May 26, 1942	23	8	0	34	0	38	103
June 2, 1942	32	3	0	68	0	42	145
June 9, 1942	69	8	0	23	0	8	108
June 16, 1942	30	6	0	53	0	4	93
June 23, 1942	94	9	0	21	0	11	135
Total shipments since January 1, 1941 to date *	2,618	194	168	2,741	114	1,953	7,788

* Total includes planes shipped in 1942 prior to March 17 which are not included in the weekly totals up to that date.

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PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Chungking, China

DATE: July 1, 1942, 6 p.m.

NO.: 575

Reference is made to the Embassy's telegram no. 778, sent at noon on June 30, 1942.

The Treasury message which was sent to Dr. Kung today had already been drafted when the telegram under reference arrived. The Treasury telegram was sent at the request of the Treasury after the latter had seen your telegram.

HULL
(FL)

July 1, 1948

Mr. Livsey

Mr. White

Please send the attached message to the American Embassy, Chungking, China,
with instructions that it be delivered to Dr. Hsing.

RH:hj:7.1.48

July 1, 1942

To: Dr. H. H. Kung,
Minister of Finance,
Chungking, China.

From: Henry Morgenthau, Jr., Secretary of the Treasury.

The passing of Mr. Fox has deprived both China and the United States of a devoted and wise public servant. Until a permanent successor is appointed and in view of the fact that Mr. William Taylor, the American Alternate, is being held by the Japanese in Hong Kong, I would like to suggest that China appoint an Acting Alternate to perform the duties and obligations conferred on the American Member of the Stabilization Board by the April 1st Agreement.

If this procedure is satisfactory to you, I would like to recommend Mr. Solomon Adler, who is at present in Chungking and who was Acting American Member of the Stabilization Board during the late Mr. Fox's return to the United States. His long experience with the United States Treasury and his recent activities in China make him eminently qualified for the position.

I trust this cable finds you in good health.

ISF/grs
7/1/42

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TELEGRAM SENT

HEL

July 1, 1942

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

7 p.m.

AMEMBASSY,

CHUNGKING (CHINA)

576

For Dr. H. H. Kung, Minister of Finance from Henry Morgenthau, Jr., Secretary of the Treasury.

The passing of Mr. Fox has deprived both China and the United States of a devoted and wise public servant. Until a permanent successor is appointed and in view of the fact that Mr. William Taylor, the American Alternate, is being held by the Japanese in Hong Kong, I would like to suggest that China appoint an Acting Alternate to perform the duties and obligations conferred on the American Member of the Stabilization Board by the April 1st Agreement.

If this procedure is satisfactory to you, I would like to recommend Mr. Solomon Adler, who is at present in Chungking and who was Acting American Member of the Stabilization Board during the late Mr. Fox's return to the United States. His long experience with the United States Treasury and his recent activities in China make him eminently qualified for the position.

I trust this cable finds you in good health.

HULL
(TL)

FD:FL:RM FE PA/H

Copy:bj:7-3-42

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DEPARTMENT OF STATE

WASHINGTON

In reply refer to
FD 893.51/7505

July 1, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of a paraphrase of telegram no. 778, dated June 30, 1942, from the American Embassy, Chungking, China, requesting that someone be appointed to take Dr. Fox's place as the American member of the Stabilization Board and suggesting Mr. Adler as that person.

Enclosure:

From Embassy, Chungking,
no. 778, June 30, 1942.

eh: copy
7-1-42

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: June 30, 1942, noon

NO. : 778

There is at present no American member of the Stabilization Board because of the death of Dr. Fox, since Mr. Adler who served only as an alternate for Mr. Fox has no legal status with the Board now. Although at the present time the Board is not very active, the Embassy believes it would be desirable for the Secretary of the Treasury to act as soon as possible to provide an American member since the Board is confronted with problems in which the American people should have a voice. It is my suggestion that Mr. Adler, to whom the operations of the Board are completely familiar, be nominated at least as the interim American member, but retaining his Treasury status. Dr. Fox, I understand, was the only member of the Board who received compensation from it. Since the British member was an officer of the British Government he received no compensation from the Board, and nothing was ever done to provide for the Chinese members. It is my suggestion, therefore, that the Treasury Department continue to pay Mr. Adler so that it would not be necessary to ask that the Board provide compensation for him.

GAUSS

eh:copy
7-1-42

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

Mexico City

Dated July 1, 1942

Rec'd 10 p.m.

Secretary of State,

Washington.

763, July 1, 6 p.m.

Reference last three paragraphs Department's
telegram 866, June 19, 9 p.m.

Effect on border area east of Ciudad Juarez
to gulf not serious as American currency circulation
small. Juarez and west to pacific present more
serious complications due ratio of 75% of American
currency to total circulating medium in those areas.
Consuls latter areas declare cessation import and
export United States currency would cause serious
economic disturbances. Firms in these western
areas clear their dollars through American banks in
Calxico, San Diego, Nogales, Douglas and El Paso.
This border question and general regulations on
American currency are being further discussed with
Finance Minister Suarez today and results will be
cabled.

MESSERSMITH

KLP

Copy:bj:7-3-42

COPY

84

TELEGRAM SENT

RCC

July 1, 1942

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

9 p.m.

AMERICAN LEGATION,
STOCKHOLM (SWEDEN)

559

FROM TREASURY;

QUOTE (1) The Treasury has delivered to the Department of State for transmission to the American Legation, Stockholm, Sweden, three packages of checks drawn on the Treasurer of the United States by G. F. Allen, Chief Disbursing Officer, dated January through May, 1942. These checks are for delivery to various beneficiaries of the United States in Sweden. Treasury understands difficulty previously encountered in negotiation of similar checks through banks in Sweden. To facilitate such negotiation the following procedure is suggested:

(2) Arrangements should be made with the Sveriges Riksbank, Stockholm, Sweden, to have the checks drawn on the Treasurer of the United States, mentioned in paragraph No. 1, after negotiation by banks in Sweden, cleared through the Sveriges Riksbank. The Sveriges Riksbank should then deliver such checks to the American Legation, Stockholm, Sweden, accompanied by lists, in triplicate, with complete description of each check as follows: name of drawer; symbol number; check number; amount; payee's name; date of check.

The American Legation will carefully verify checks against list and advise Treasury by wire through State Department aggregate amount of checks delivered by bank. Upon receipt of this advice Treasury will effect credit in corresponding amount to account of Sveriges Riksbank with Federal Reserve Bank of New York.

American Legation should request Sveriges Riksbank to instruct all cashing banks to use all possible diligence in identification of payee and determining validity of endorsements. The Sveriges Riksbank should endorse checks as follows: Quote Pay to the order of the Treasurer of the United States for credit of our account with Federal Reserve Bank of New York. Signed Sveriges Riksbank Unquote. Treasury will look to bank only for usual guaranty under laws applicable in Sweden.

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

(3) Legation should make no arrangements for insurance as shipments will be covered by Government Losses in Shipment Act.

- 2 -

(4) The Sveriges Riksbank, Stockholm, Sweden, is hereby designated a depository of public moneys of the United States in order to carry out the procedure outlined in this telegram. Unquote.

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

HULL
(AAB)

FD:FL:MLB

EU

DA

FA

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 224

Information received up to 7 A.M., 1st July, 1942.

1. NAVAL

One of H.M. submarine depot ships was torpedoed and sunk by submarine off ALEXANDRIA yesterday morning. 1,105 survivors were rescued.

2. AIR OPERATIONS

WESTERN FRONT. 29th/30th. BREMEN. 205 aircraft dropped about 400 tons of bombs in the approximate proportion 3 to 1 incendiary. Hurricane intruders damaged the locomotives of 5 railway trains in Northern FRANCE and other Hurricanes sank an E-boat.

EGYPT. 29th/30th. TOBRUK was bombed and hits with torpedoes were obtained on a 5,000 ton ship.

30th. Bostons and fighter bombers operated at maximum intensity against closely packed concentrations of enemy M.T. west of the ALAMEIN LINE.

3. BLACK SEA

The problem of supplying SEVASTOPOL from the sea is acute. Merchant ships can no longer be used and supply is only possible by submarine. A few Italian motor torpedo boats which have probably arrived by an overland route are reported to be operating in the BLACK SEA.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 1, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: Summary of Military Reports

Egypt

The situation appears dark. Our Military Attache believes that the Germans will be in Alexandria by tomorrow and in Cairo the day after. A large portion of the British fleet has already passed through the Suez Canal into the Red Sea and the rest is on its way. The French warships at Alexandria will probably be scuttled. Arrangements for the demolition of the naval installations at Alexandria have already been made.

The line the British now hold in the Desert between the Quattra Depression and the Sea is the last suitable defensive position before the Delta is reached. The defenders of the line are composed of men from five divisions. Some of these divisions have been run over already by the Axis armored troops. For example, two of the divisions lost fifty percent of their strength at Matruh. Most of the soldiers are tired and worn-out.

The Axis has approximately ten divisions. Of these, four are armored divisions. The British armored strength is believed to total now no more than a division. The Axis may still be held, but it would appear that the odds are against it.

(Military Intelligence, July 1, 1942)

Pacific

There appear to be no major Japanese naval concentrations outside of the main Japanese Islands. The large task force in the north Pacific is returning home. From a naval standpoint, it appears that for the present, the Japanese have taken up defensive dispositions.

(Military Intelligence, July 1, 1942)

Russia

British Military Intelligence is of the opinion that Sevastopol has delayed the start of the German offensive by at least two weeks. The defenders of Sevastopol have kept a force of eight German divisions busy. The losses inflicted by the Russians are such that the strength of the German troops available for the main attack will be reduced materially.

(Our Military Intelligence states that the British Army is coming to the conclusion that compared to last year, the proportion of German to Russian losses is becoming more favorable to the Russians.)

Russian submarines are now operating in the Baltic. The projected German transport movements to the Finnish and Estonian Coasts are reported delayed. All German shipping to the Gulf of Bothnia and the Gulf of Finland is now routed through Swedish territorial waters.

(U.K. Operations Report, June 18 - 25, 1942)

Air Activity in Western Europe

The Royal Air Force operated two squadrons of "Typhoons" for the first time last week in a fighter sweep. (The Typhoon is a new British fighter designed to be a successor to the Hurricane, which is now definitely out-moded. Very little data is available on the Typhoon.)

One of the new German fighters, the Focke-Wulf 190, recently landed intact on a British airdrome after a fight with Spitfires.

(U.K. Operations Report, June 18 - 25, 1942)

approx 7-1-42

The Unconquered People



Only the ignoble, the shameful, and the base can be suppressed—never the heroic truth. Men everywhere, of whatever race, despise themselves when they are ignoble and they do not talk about it. Men everywhere are proud of the heroism of their fellow men and will tell of it, even though they die in the telling.

And so on the winds of freedom, those winds which never cease to blow, are borne today the stories of heroism in the conquered countries. Conquered? The stories which the winds of freedom bear prove once again that free men cannot be conquered. The treachery and the armed might of tyranny may crush them for a time, but those who live will speak out and speak out again until freedom is restored. Thus come the voices from the countries which the Axis has sought to enslave:

They reach the United Nations, which must fight to free them, through smuggled letters.

Men and women who have escaped tell of the fight which does not cease.

Short-wave broadcasts from secret stations, operated under penalty of torture and death, pierce the mysterious ether until they are heard by alert listeners.

Underground newspapers pass from hand to hand until they reach a free border.

Agents of the governments-in-exile obtain confidential reports which they release to an anxiously waiting world.

But these are not the only ways in which the world learns that Norway does not falter, that Holland is not crushed, that men still walk erect in Belgium, in Occupied France, in Czechoslovakia, Greece, and Poland, among the brave Yugoslavs—that everywhere the "New Order" is scorned and being undermined. The story is revealed, too, by the Quislings and other hirelings of the "New Order." The hirelings, from time to time, publish in their controlled journals new orders against sabotage and new decrees against resistance. They must impose new penalties and new tortures upon the men and women who will not stop their struggle for freedom and who continue, somehow, to tell their brave story.

OFFICE OF WAR INFORMATION
Washington, D. C.

The Unconquered People . . .

Europe is fighting back. From the Continent comes word of resistance to Hitler in occupied countries. But the voices reaching the outside world tell more than stories of heroism. They carry a warning which says: "We cannot do this job alone. We will keep the fires of resistance burning to show you—in the lands still free—that our mutual cause is just, our courage high, our faith unflinching."

Not until the ultimate victory of the United Nations has been achieved can the full story of this heroic resistance be told. The black curtain of tyranny is now drawn across Europe. But occasionally the curtain blows back for an instant and we see a continent struggling in its chains. For an instant we see the streets and shuttered houses of an occupied town. We sense the cold relentless fury that peaceful citizens feel toward those who bombed their homes and destroyed their liberty. We see the dull expressionless faces of the occupying troops—men surrounded by an invisible wall of contempt, forever on guard and forever marching through streets whose very stones are hostile. We sense, too, the strength of people united in a cause that knows no boundary—the individual Norwegian nodding to the Pole, the Dutchman to the Czech, all the occupied people nodding silently one to the other, and meaning, "The invader must go." We sense, too, that out of the misery that Hitler has inflicted on Europe there has risen a new brotherhood of man, that any act of resistance to Hitler, however feeble, is part of that new unity. Out of the misery, the united people of Europe are writing a noble page in the history of human freedom.

Hitler's victories came so suddenly that for a time the people in the occupied countries were stunned beyond measure. The main problem was to keep alive, eat, and find a place to sleep. Moreover, the policy of the German Army in countries such as France, Belgium, and Norway was to appear as "correct" as possible. Part of Hitler's strategy of plunder was for his army to seem good-natured and mannerly. The Nazis believed, or pretended to believe, that people whose homes had just been bombed and whose cities had just been destroyed would take the invader to their hearts. But by its very nature the "New Order" could not for long hide its true purpose: wholesale plunder of the occupied countries, scrapping of every vestige of personal freedom, complete Nazification. The occupied countries soon realized that they had been defeated not by an honorable military foe but by a savage enemy who intended to enslave them and make them forever subject to his will.

Smoke Signals

Gradually small fires of resistance were lighted on the Continent. Resistance at first took simple forms, expressive of the deep hatred and contempt felt toward the conqueror. Forbidden to boo when Nazi officials appeared on the screen, those Parisians who went to the movies took to clearing their throats and coughing loudly. One theater audience coughed so long and so loudly that the auditorium lights were flashed on, and a Nazi officer strode across the stage. "Who coughed?" he demanded. There was no answer until an old man rose in the rear of the theater and called out, "Nobody here coughed." "Who coughed?" again de-

manded the Nazi. "The Unknown Soldier," quietly replied the old man.

In Norway, when Nazi columns swung down the street, the Norwegians turned their backs and faced store windows and doorways. Although German was taught in practically all Norwegian schools, Norwegians suddenly were unable to speak a word of German or understand any command issued by the occupying forces. "Prepare for the day to come," read one appeal circulated to Norwegians. "And in the meantime treat Germans and Quislings as if they were nonexistent. . . . Do not speak a single word and do not perform a single act that may be useful to the Germans." The Norwegian Supreme Court resigned in a body during December, 1940. When the Nazis seized control of the Norwegian medical association, more than 2,000 of its 2,339 members resigned. When Miss Berta Holgestad, the head of the Norwegian nurses association, was removed from office by the Nazis, the office staff and practically the entire membership of 3,700 immediately resigned in protest. A Nazi president replaced Miss Holgestad, but Norwegian nurses could not be obtained. More than 12,000 of Norway's 14,000-odd teachers quit the Nazi-dominated teachers union. In February, 1942, when the Quisling government tried to block a church service at Trondheim Cathedral and required all children between the ages of 10 and 18 to enroll in the Nazi youth organization (*Ungdomsfylking*), all seven bishops of the Norwegian State Church resigned, sending individual letters of resignation to the government. In their letters, the bishops wrote that "the spiritual duties which were given to me by ordination at the Lord's altar are still mine with God and with right." Eleven hundred clergymen followed suit, retiring from their pulpits. More than 10,000 persons have escaped

from Norway since the occupation, risking their lives in small boats across the perilous waters of the North Sea, or crossing from Sweden into Russia and making the long trek east to our Pacific Coast. Many of those who escaped have received air training in Canada under the auspices of the Royal Norwegian Government-in-Exile and fly or will soon fly with the United Nations against the Axis.

On Armistice Day last year mimeographed handbills were circulated throughout Brussels signed "Vive la Belgique Indépendante." Risking their lives, the people of Brussels demonstrated before the tomb of the Unknown Soldier, great crowds swirling through the streets to lay flowers on the tomb. German staff cars had difficulty plowing through the clogged traffic. Feeling that sense of unity and strength of numbers which often sweeps through a crowd, Belgians shouted insults at the Germans, arousing a group of stiff-necked officers to the point where one among them reached for his revolver and shot at the people.

"Hurry Up, Fritz!"

Back in England after a raid over the Continent, a young British bomber sergeant reported that Dutch tulip fields had been planted to resemble huge Dutch flags. People stood in the fields, he said, and waved to him. In Brittany, when R. A. F. planes flew overhead, the Bretons did not make for cover. "Hurry up, Fritz!" they cried to the disciplined German soldiers who dashed for shelter. "Hurry up, the R. A. F. is on your heels!" Breton sailors, forced to take German soldiers aboard their fishing boats as observers when they sailed into the English Channel, became conveniently lost in fog and mist and landed at ports in the south of England. The German soldiers were turned over to the British. When captured British pilots who made forced



landings over Holland were led off to Nazi prisons, the Dutch held demonstrations at the railroad stations, applauding and cheering them.

Anti-Nazi demonstrations spread to

such an extent in Holland that the Nazi-controlled daily, *Nieuwsblad van het Noorden*, of Groningen, published an appeal directed against spreading the slogan, "The greater the chaos the bet-

ter." When 4,000 workers at the Philips electrical company in the Dutch city of Eindhoven were granted permission to hold a parade in celebration of the plant's fiftieth anniversary, it suddenly and mysteriously became a giant procession—more than 20,000 persons joined the line of march, many of them wearing orange flowers, representing the royal House of Orange. At the head of the procession was a huge model of a radio, its front shielded by a curtain. When the wind blew back the curtain, onlookers caught a glimpse of a portrait of Wilhelmina, their exiled Queen.

Leading Dutch newspapers were compelled to print obituary notices of Dutch Nazis killed on the Russian front, the notices reading that these men had fallen "in the struggle against Bolshevism, for Leader, People, and Fatherland." Many people cut out these notices and returned them to the newspaper offices labeled, "Splendid," "Hearty congratulations," or "A thousand more like him should be killed."

He Who Laughs—Laughs

Out of the misery of the occupation a new body of humor has arisen—the resistance joke. Like the songs once sung by the troubadours, these stories spread from the top of Norway to the tip of Greece, varying in content but similar in framework, - and always reflecting a sense of humor that manages somehow to function under adversity and make a butt of the oppressor. For example, there's the one about the Nazi soldiers who got drunk in a Norwegian coastal village, commandeered a car, and drove wildly through the streets. Finally they careened down a dark pier and into the sea, promptly sinking. The Gestapo hurried to the scene and questioned an old fisherwoman at the end of the pier. "Did you see the car coming?" they asked her.

"Yes," she said. "Well, why didn't you stop it?" they demanded. "Why should I?" said the old lady, shrugging her shoulders. "I thought they were on their way to England!"

On the sides of buildings in Occupied France portraits of pigs have appeared, with the caption:

BORN IN GERMANY
FATTENED IN FRANCE
SALTED IN THE CHANNEL
AND ROASTED IN ENGLAND

Hundreds of clandestine printing presses hidden throughout occupied Europe turn out secret newspapers, bringing to their readers news of the outside world and stories forbidden by the Nazi press. Belgium has 40 such underground papers, and their titles reveal their purpose: *La Libre Belgique* (Free Belgium), *Vers La Victoire* (Onward to Victory), *Bec et Ongles* (Tooth and Nail), *Le Front de Résistance* (Front Line of Resistance), *Tenir* (Hold Out), etc. Both mimeographed and printed, smaller in size than our tabloids, these papers warn of neighbors who are Nazi spies and Quislings, tell where the British short wave can be located on radio dials, and print pictures of allied leaders smuggled from abroad. They anxiously follow public opinion in America, occasionally reprinting the Gallup Poll. More than 100 underground papers are printed in Poland, both dailies and weeklies. They gather their news by secretly listening to allied short-wave broadcasts. Paper, ink, photographs, even small hand-operated printing presses are dropped to them by parachute. Under Nazi law the penalty is death or torture for reporting, publishing, distributing, or reading the underground papers. And still most of the papers carry the message: "Po przyczynieniu oddaj drugiemu" ("After having read the paper give it to another").

Radios Verboten

Regardless of consequences, people of the occupied countries continue to listen to short-wave broadcasts from the allies. A deep hunger for truth draws them to these voices from the free world. This is a struggle of ears—on the one side, the ears of the people pressed tightly against their radio sets, strained to catch every syllable of hope from the lands still free; on the other, the ever-alert ears of the Gestapo cocked to catch the slightest sound of a forbidden radio. Isolated items in the European press occasionally reveal this mighty drama. "Cases are continually coming before the law courts in Warthegau concerning Poles who listen to foreign broadcasts and spread the news that they hear, despite the fact that they are not allowed to own radios," said the *Ostdeutsche Beobachter* (a paper published for Germans in Poland) on December 28, 1941. "Ten Poles were prosecuted by the special court of Poznań recently. One of the accused was Josef X, who was the owner of a motor repair shop in Poznań; a car radio was brought to him for repair, and he informed several employees of the firm that the radio was there so that they could listen to broadcasts at night. X was sentenced to 10 years' penal servitude. The other employees who collaborated with X were sentenced to 7 years' penal servitude."

The Poles have answered. Thousands of Poles have escaped and now fight with the United Nations against the Axis: in the Polish Corps in Scotland, the Polish Highland Brigade, the R. A. F., and throughout the Near East. Representatives of 2,000 underground groups have met secretly "somewhere in Poland" and issued a Manifesto to the Peoples of the World, reading in part: "We have been driven underground. Every day a blood-thirsty terrorism takes its toll of victims

from among us . . . yet free life has been born and is developing in the darkness of conspiracy, swelling into a powerful, unconquerable tide which will sweep over the occupying Powers, who are surrounded by the merciless hatred of all Poles, and prevent the enemy from settling down and strengthening his hold on our country."

The morale of the German occupying forces suffers severe blows as a result of the constant and extreme hostility of the occupied peoples. Nobody can survive being hated day after day, being considered as something apart from the human race. Many of the Nazi garrisons in occupied lands are staffed by older men—the young and best fighters having been sent to the Russian front. These older soldiers, often more concerned with getting home to their families than performing police duty in occupied countries, sense that the deep hatred surrounding them might some day spend itself in a terrible vengeance upon their fatherland.

Slower and Slower

As the initial stupor wore off and the occupation became unbearable, the people resorted to aggressive acts of resistance and sabotage. Sabotage in France has resulted in transportation delays, poor work in factories turning out implements of war, inefficient tightening of screws and bolts on trucks and tractors, and damage to plants. Sabotage of switches on French railroads has caused numerous wrecks of trains carrying arms and ammunition. Pierre Laval's return to power in the Vichy government was followed by a fresh wave of unrest and sabotage—symbolic of freedom-loving Frenchmen's hatred of collaboration with the enemy. Troop trains were mysteriously assaulted; loaded with German soldiers, one of them was blown up near Caen in Normandy, 10 miles from the

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English Channel. Fifteen Nazis were killed.

Small, individual acts of sabotage may seem futile. But their true power can be understood if they are seen as one ripple in a mighty ground swell of resistance. Sacks containing wheat have been slashed so that when the much-needed grain has arrived in Germany it is spilled across the floor of the train. Cables have been cut, railroad bridges dynamited. Railroad and telephone lines near Lyon, for one, have been destroyed. Wire attachments have been poorly made, pipe joints not securely fastened. Skillful industrial sabotage, especially of complicated machinery, has been difficult to detect during inspection. Inferior assembly work on mobile units manufactured in French factories for use by the German military often has not revealed itself until the truck or tractor has taken to the road, causing break-downs and crucial delays in transportation.

In addition to the countless V signs that sprang up magically on sidewalks, signboards, posters, and sides of buildings everywhere, the Czechs have drawn pictures of turtles, symbolizing the industrial slowdown in their factories. The Czechs have mastered the art of industrial sabotage. Oil wagons have been punctured, troop trains sent crashing into each other, ammunition incorrectly sorted. One shipment of 20 million pieces of tampered-with ammunition had to be returned to a Czechoslovakian factory because if German retouch workers had attempted to attach time fuses they would have been blown sky high. One factory conveniently lost a cancellation slip and worked for several weeks on an order the Germans did not want, thus wasting invaluable raw materials. In a factory at Letovice, important casts for urgent work were discovered hidden in a warehouse after 2 weeks of diligent search. Tiny

defects have been uncovered on airplane parts. Occasionally, machines have been run so fast that they have caught fire, or been worn out long before their normal life spans.

Strikes have been called in factories using huge furnaces just before the furnaces must be stoked. Once they go out, it takes at least 48 hours to fire them again, and precious time has been lost to the German war machine. Finished war materials, desperately needed on the Russian front, have been misdirected to Berlin, while trainloads of useless scrap iron have been sent to the Russian front. The Czechoslovakian Government-in-Exile, located in London, has estimated that Czech industrial production has been lowered 35 percent as a result of persistent slowdowns. By means of short wave from London, Jan Masaryk (Czech Foreign Minister) has cautioned fellow Czechs to refrain from violence because of the tremendous risks involved. He advises them, though, to slow down their work, take more time turning each bolt and nut, stay longer in the washrooms, and delay at lunch time. In a Skoda plant with 40,000 workers, Masaryk estimates that "if every one of these men dawdles and takes an extra 2 minutes when he goes to the washroom, the Germans lose 80,000 minutes of production a day."

Armed Revolt

Yugoslavs are in open armed revolt against Hitler. Thousands strong, they are led by General Draja Mikhailovitch, a fiery Serb who retired to the mountainous regions near Albania last spring after the German invasion. General Mikhailovitch took with him light artillery, motorcycles, a few planes, armored cars, and light tanks. His men are Yugoslav regulars by-passed by the German Army, *Chetnik* guerrilla fighters, Serbs and

Croats and Slovenes. Mikhailovitch's forces fight in small separated groups, sweeping from their mountain fastnesses to destroy Axis troop concentrations, burn storehouses of Axis equipment, and wreck transportation facilities bearing Axis supplies. They have behind them centuries of bold guerrilla tradition, and the silent aid of thousands of peasants.

Aftonbladet, a Swedish paper, noted on January 14, 1942, that "ten-year-old boys have recently fought with the *Chetnik* troops. The insurgents have an excellent news service, and are always well-informed of the activities of the enemy. . . . Captured prisoners are released against ransom: a colonel costs a certain amount of food and ammunition, a major is cheaper, and an ordinary soldier can be rescued for a rifle!" They fight within 50 miles of Belgrade, and have ventured into the city itself. Mikhailovitch

continues his fight for liberation in the mountainous regions of southern Serbia, parts of Croatia, and across perhaps 20,000 of the 96,000 square miles of Yugoslavia that Hitler thought he had conquered last year. Mikhailovitch is said to control three-fourths of old Serbia and parts of Herzegovina, Bosnia, and Montenegro.

When the resistance first made itself felt, the Axis referred to Mikhailovitch and his forces as merely a band of "communists and criminals emptied from prisons when the war began." But to meet the threat of this "mere band" the Axis must keep numerous Italian, Hungarian, Bulgarian, and Rumanian divisions in the Balkans. Unless heavily armed and in great numbers, Axis troops are unsafe outside their barracks. They are suddenly surprised from behind and annihilated. Main railroad lines cannot



be safely traveled. The countryside is alive with revolt.

Greek guerrilla bands, living in the hills, strike at German and Italian encampments and supply lines in Greece and Crete. Coordinating their efforts with those of General Mikhailovitch, 5,000 Greek guerrillas, banding together along the Bulgarian border, swung into action in April, 1942; several hundred Nazi soldiers were killed, and a troop train wrecked east of Salonika.

"Fifty Persons Hanged"

And what is Hitler's answer to those who resist? Canceled food cards, slow starvation, exile, concentration camps, torture, and death. One cannot hope to list accurately the thousands upon thousands of people—fathers, mothers, children, corner grocers, doctors, postmen—who have been slain by the Nazis. Isolated examples give the general picture. In Yugoslavia, the Nazis resort to mass executions of from 30 to 120 innocent villagers at a time. The Nazi-controlled *Opisinski Noviny* (in Belgrade) published on June 23, 1941, an order by the German military commander: "Two German soldiers were assassinated during the night by a group of unknown Serbs. One hundred men from the local population were shot in the morning in accordance with my instructions. . . . In future, 100 Serbs will be shot for every assassinated German soldier." On October 20, the *Dagens Nyheter* reported that Skela village had been burned in reprisal for shots fired at a German military car. The German chief commandant stated that inhabitants of the village knew of the shooting but did not inform the authorities. "Male accomplices were shot," said the newspaper, "50 persons hanged."

When 2,000 workers in the Akers ship-building yards in Oslo went on strike, Oslo was placed under martial law. In

addition, as added punishment to the city, the Nazis shot Viggo Hansteen, chief legal adviser to Norwegian trade unions, and Rolf Vicstroem, labor leader. In April, 1942, two dozen Gestapo men, on a manhunt for two young Norwegians who had slipped back from England on a secret mission, came upon them asleep in the fishing village of Televaag, on Sotra Island, near Bergen. One was shot in his sleep. The other awakened in time to kill two Germans before being killed himself. The Nazis took swift reprisal. Eighteen innocent hostages were executed. The entire male population of Televaag (about 60) was sent to a concentration camp, and later shipped to Germany. All women and children were ordered out of town. Even animals were not spared the Nazi fury: cows, pigs, and sheep were sent to Bergen to be slaughtered. In a final frenzy of hate, the Nazis burned to the ground every house in the village. Televaag had been wiped off the face of the earth.

When Frenchmen shot down German officers and soldiers, the Nazis surrounded the XIth Arrondissement of Paris, a working-class district, and in a house-to-house canvass dragged 6,000 persons to concentration camps. When 3 German soldiers were wounded in Paris, the Germans shot 10 French hostages. Ten hostages were shot the next day, 12 the day after. During one week in September, 1941, the Nazis admitted having shot 117 persons in Yugoslavia, 18 in Poland, 5 in Belgium. German and Vichy sources admit that 250 persons were executed in France between August 13 and October 23, 1941, including 145 hostages. During the first weeks of October the Nazis admitted having killed 1,000 persons in all Europe.

To cope with renewed French resistance during the spring of 1942 (after Laval's return), the Nazis slew more than

400 hostages—as reprisal, they said, for the assassination of 2 German soldiers. Seventy-two Netherlanders were shot and 7 sentenced to life imprisonment in May for possessing arms and explosives. German authorities were outraged, complaining that Dutch officers had "broken their word" by taking up arms against the invader, after having promised, in 1940, not to resist. Twenty-three hundred Yugoslav hostages were put to death in 2 weeks in November for the killing of 26 German soldiers. In Czechoslovakia, Hangman Reinhard Heydrich, the Gestapo man chosen to stamp out rebellion in Europe, had lost track of the exact number of persons who had swung from his nooses and been shot against his walls—when bullets fired in the cause of freedom whistled into his spine. Resistance to Hitler in occupied Europe requires courage that passes understanding.

These are merely fragments of the story that will one day be told, frag-

ments that have reached the outside world little by little and often at great cost. They are not rumors. They are not inventions. But until the whole story can be told, their sources cannot, for obvious reasons, be disclosed.

Some day the full story will be written for all to read—with names and dates and places. How soon? The patriots in occupied lands now resist against all odds. But fearless spirit and fiery determination and the willingness to die so that freedom shall live are not enough. The full story will not be told until the United Nations, by military action, have joined hands with the patriots in final battle for the ultimate victory.

When British Commandos landed recently in France, local Frenchmen mistook them for a full-scale army of liberation. Swiftly turning upon the Nazis, they seized German arms and produced hidden weapons.

This is the shape of things to come.



Edmund Duffy of the Baltimore Sun illustrated this pamphlet as a contribution to the war. Text and illustrations of *The Unconquered People* may be reproduced without permission.

July 2, 1942
9:00 a.m.

STABILIZATION FUND

Present: Secretary Jones
Mr. Bell
Mr. Acheson
Mr. Currie
Mr. Foley
Mr. Eccles
Mr. White
Mr. Goldenweiser
Mr. Pasvolsky
Mr. Coe
Mr. Feis
Mr. Bean
Mr. Willis
Mr. Southard

H.M.JR: Well, supposing we start. Mr. White, proceed.

MR. WHITE: We had a couple of meetings at which there were some fifteen or sixteen men, most of whom, I think, would qualify as experts in the field. We discussed in some detail the general proposal of the desirability of going ahead with the examination of the possibilities of establishing some kind of international agency or agencies which would perform the functions of an international stabilization fund and a credit institution.

There seemed to be general agreement that the objectives were desirable, although there were some qualifications with respect to understanding the specific objectives. I think Mr. Goldenweiser felt that the objectives were not sufficiently canvassed to obtain agreement.

Having decided that in the main the objectives were desirable or that the establishment of such agencies

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were desirable, most of the discussion centered around the questions as to what the procedure would be; and I think toward the end of the discussions there was general agreement, with the exception of the representatives of the State Department, who stated they had no instructions to indicate a position. Although they participated in the discussion, they didn't pass judgment on the conclusions.

The conclusions, I think, can best be set forth in a brief memorandum which I might read. It is very short. I will pass around copies.

H.M.JR: Have you got any instructions now?

MR. FEIS: Not so much instructions - we had a meeting on it yesterday.

H.M.JR: With Mr. Hull?

MR. FEIS: Yes, and I can give you some indication of what he has in mind. Dean Acheson can give it more clearly. I think he will be here any minute.

MR. WHITE: If I may read - and then I will stop at certain points for further elaboration.

"At the meeting called by the Secretary of the Treasury in May and at two meetings thereafter of an interdepartmental committee, the objective of canvassing through international discussions the possibility of establishing an international stabilization fund and bank for the United and Associated Nations was approved. The next question of policy relates to the best procedure to be followed in obtaining international consideration of this proposal and to the proper time for initiating international discussion."

The next paragraph relates to what I think was the State Department's position, but it is a tentative one, and I will be glad to change it in any way if you don't regard it as a fair statement of the position.

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(Secretary Jones entered the conference.)

"The State Department participants in the meetings seemed to feel that no formal international conference to establish either the stabilization fund or the bank should be convened until the main elements in the post-war settlement are determined upon, and that preliminary conversations should be confined to a few major powers. The others, however, were of the opinion that international institutions fulfilling the functions of those proposed should be set up and in operation before the armistice is signed and that, therefore, preliminary international discussions inquiring into the feasibility of their establishment should be initiated at once, with the participation of all friendly powers." I might pause there to see whether that is - would you regard that as your position?

MR. FEIS: Yes.

MR. GOLDENWEISER: If I may just bust in a minute - we didn't have any kind of a definite vote on it; it was sort of a very informal discussion.

MR. WHITE: I don't agree with that. I think we had a very definite vote. The Board of Economic Warfare approved this. Am I correct, Mr. Coe?

MR. COE: Yes.

MR. WHITE: Mr. Clayton, who represented Mr. Jones, was quite enthusiastic about this; and as he said, those are the - I think that it is true that your support may have been qualified, although it was not clear to what extent it was qualified.

Mr. Hansen, who was there, not representing any department, gave his full support and endorsement. Mr. Ben Cohen did likewise. Mr. Currie did - am I correct, Mr. Currie?

MR. CURRIE: Yes.

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MR. WHITE: Dr. Silverman did.

(Mr. Acheson entered the conference.)

MR. WHITE: There were several others I don't remember, so I think we did get a very definite expression of opinion. The opinion of the State Department, I think, was expressed, though they didn't wish to go on record, and your view was - you can state it yourself. I thought that you were in general agreement, though a bit cloudy on specific objectives. Shall I go ahead?

H.M.JR: Let me just ask a minute - let's wait one minute. Mr. Jones, would you like to go through the whole memorandum, or would you like to take it up point by point? Which way would you like to go ahead?

MR. JONES: You mean start here?

H.M.JR: I mean, as we go along do you want to discuss each point, or have it all read?

MR. JONES: I think just read it all.

MR. ECCLES: I think it is best to read it all. It will be easier to come back and discuss sections of it after you are acquainted with the entire contents.

MR. ACHESON: That would be much better.

H.M.JR: Is there anybody who would rather take it up section by section? Then supposing you read it all.

MR. WHITE: "It is therefore proposed that the Finance Ministers of all friendly countries be invited to send technical experts to an informal meeting in Washington, which would consider any proposals for the establishment of an international stabilization fund and a world bank and would discuss the desirability

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of preparing an agenda for a possible international conference. This procedure can be expected to obtain three results:

"The meeting would consider the feasibility of convening an international conference on the stabilization fund and a world bank and, if such conference were found to be feasible, the meeting could provide both the agenda and the technical documents which would form the basis for the discussions at such a conference" - to be called later.

"Should the meeting reveal differences of opinion too basic to be bridged, the experts could adjourn for continued study in their respective countries and the convening of the international conference could be postponed indefinitely.

"The meeting of experts would provide an invaluable exchange of views at the technical level and a clear indication of the degree of agreement existing among the technical advisers of the various governments and hence would give important guidance to our own plans for the post-war period in the field of international financial and monetary problems.

"At the time of inviting the Finance Ministers of all friendly countries to send technical experts to the meeting proposed above, a tentative agenda of the meeting should be forwarded to each country, accompanied by a series of brief technical memoranda designed to provide a background of economic reasoning for each subject listed on the agenda. These memoranda could be prepared at once by the group of experts already assembled within the Government and by others to whom that group has access. At the same time, similar memoranda could be solicited from the various participating countries for distribution at the meeting of technical advisers."

I might pause there to interpolate that it was the feeling of, I think, all the men at these meetings that we should not present anything even approaching

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a formal plan, but what we should have would be discussions of various points that are in the minds of most technical men.

The discussions would be pros and cons and would not contain any recommendations, so that the experts would come to the meeting with plans, if they had their own, but they would not come to discuss any particular plan proposed by any person. They would come with the intent of exploring the situation, at the same time being equipped with some discussions on the various significant points which would be involved. That would also give them an opportunity to converse with people at home so that they would represent, possibly, more than their own particular view and yet would not come representing an official view, necessarily.

"State Department representatives at the inter-departmental meetings pointed out the political and diplomatic risks of calling a full-dress international conference on a Stabilization Fund and World Bank at this time - that is, should the conference fail of its objective the international repercussions would be of an undesirable sort. It was to avoid this risk that it is proposed, as described above, to convene an informal meeting of technical experts representing the Finance Ministers of all friendly countries. There could be no adverse international repercussions should such a meeting of technical experts fail to recommend the convening of a formal international conference.

"It has been urged by the State Department representatives that preliminary conversations should be held with two or three major powers. The representatives of the other agencies, however, felt that this procedure, while having some advantages, is an unwise one for several reasons: (a) an adverse reaction from even one of the powers so consulted might cause abandonment of the project even though there would be reason to anticipate a very favorable reaction from the majority of countries; (b) the countries excluded from such preliminary conversations could be expected to be suspicious of any prearranged plan; (c) the American Republics have already expressed their desire to participate in the planning of an International Stabilization Fund."

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H.M.JR: I will start with the gentleman on my left.

MR. JONES: Would you think it well now to read the paragraphs and consider it paragraph by paragraph?

H.M.JR: All right, let's start over again.

MR. WHITE: Shall we start with one or the preliminary two paragraphs?

H.M.JR: Start with one.

MR. JONES: My thought is, if possible, to meet the objections of the State Department as far as possible.

MR. WHITE: I see. Well then, I shall read from the beginning very quickly. I will stop at each paragraph. "At the meeting called by the Secretary of the Treasury in May and at two meetings thereafter of an interdepartmental committee, the objective of canvassing through international discussions the possibility of establishing an international stabilization fund and bank for the United and Associated Nations was approved. The next question of policy relates to the best procedure to be followed in obtaining international consideration of this proposal and to the proper time for initiating international discussion."

MR. JONES: That is to establish this after the war - I mean, to establish your international?

MR. WHITE: No, to establish as soon as possible, although we felt at the time - I think there is general agreement that even if you were to start discussions now and if everything were favorable, it would probably be anywhere from eight months to a year or more before you would get sufficient agreement, legislative agreement, in various countries to start. It might even take two years.

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MR. JONES: But you would start as soon as you were ready regardless of the war, whether it is over or not?

MR. WHITE: Unless you decided you wouldn't at a later stage, but you would start the discussions now.

H.M.JR: If I understand it right, Jesse, what they are proposing is this: They are talking about an international bank. I mean, what they are starting is calling an informal meeting of technicians of other governments to meet and to talk the thing out on an informal basis. Then if they can come to an agreement, they will call in the bosses. Is that about right?

MR. WHITE: That is right. If they come to an agreement that there is enough chance for success, then they will call in the policy-making representatives.

H.M.JR: Is that it?

MR. SOUTHARD: And agreement as to timing.

MR. WHITE: That they would also agree that it was an appropriate time to do that.

H.M.JR: I just would like to say now, before we get into a heated argument where the Treasury is getting the worst of it, that I will have to stop at ten o'clock. I didn't want to stop at ten o'clock and run if we were having a losing fight. Win or lose, I have got to stop at ten.

MR. JONES: I think I understand now. You will set it up when everybody agrees that it should be set up.

MR. WHITE: That is right, but the discussions would be initiated as soon as possible. I think it was the general feeling that it would take a month,

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probably, or a little more, to prepare enough appropriate memoranda to send around. They would come possibly several weeks after that, and then the discussions would take some time, and the subsequent meeting to be called would depend upon the results of that conference.

MR. WHITE: "The State Department participants in the meetings seemed to feel that no formal international conference to establish either the stabilization fund or the bank should be convened until the main elements in the post-war settlement are determined upon, and that preliminary conversations should be confined to a few major powers." I don't know whether the State Department would like to expand on that.

MR. JONES: Where were you reading?

MR. WHITE: I was reading the second paragraph. I just got through with the first sentence. The rest of the paragraph is:

"The others, however, were of the opinion that international institutions fulfilling the functions of those proposed should be set up and in operation before the armistice is signed and that, therefore, preliminary international discussions inquiring into the feasibility of their establishment should be initiated at once, with the participation of all friendly powers."

That needs to be supplemented by the statement that they assumed that the meeting of technical experts would find it feasible to go forward. If they found it was feasible not to go forward, then remain at that level until the Government wished to take it up again.

MR. JONES: Then the first meeting would be entirely informal?

MR. WHITE: Informal, and technicians--

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MR. JONES: Of technicians?

MR. WHITE: Of technicians.

H.M.JR: You and I couldn't attend.

MR. JONES: That would eliminate me.

H.M.JR: It would eliminate me. (Laughter)

MR. WHITE: It is so that--

MR. JONES: Would that meet the views of the State Department?

MR. ACHESON: Well, I think the view of the State Department has been that at the start of this we ought to take up these matters separately with each one of the major powers. We probably ought to start with the British because they have at the present time a larger stake in this matter, and either simultaneously or right after that with the Russians. That is primarily on account of the effect on both of those countries so far as the war is concerned, and the effect on their plans for after the war.

We have had a great many discussions with the British, some with the Russians, and some with some of the smaller powers. I think the feeling on all sides is that they want to have bilateral discussions first before they get into a large meeting. Each one of them would rather talk with us privately about plans as far-reaching as this.

I think that is very peculiarly true about the British. They are very nervous that we will produce a large meeting, have some plan which we will put before that meeting, and that they will not have an opportunity to go over the whole thing with us freely, privately, and frankly before the thing starts.

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H.M.JR: In other words, they want to do just what they did at the League of Nations - anything that they don't like they just want to be able to kill it.

MR. ACHESON: No, I don't think that is it, Henry. I think the British are tremendously anxious to do almost anything that we want, but they want a chance to talk the matter over with us before the thing is crystallized, or before it is put into a general meeting. I don't think that they have the slightest intention of intending to block anything.

I think there is a rather pathetic feeling on the part of the British that we really are going to write the ticket, and all they want is a chance to go over it with us, point out their views, and to be allowed to come in on the formulation at the start.

We went over this yesterday in the Department, and we felt that there really would be most serious repercussions if we start out by a large meeting of a great many experts without taking it up, first of all, with the British, and the Russians, and then with the Dutch and Belgians, and others, before we get into a large meeting.

Now, in any event, that really is the way that you have to do it. You can't start out perfectly cold by discussions in a broad meeting of experts. I think it is even contemplated in this document that there have got to be preliminary changes first, and the view of the Department is that we will get further faster if we take it up with these major powers and one or two of the smaller powers before we convene in a general meeting.

I don't think it is in any sense the view of the State Department that any major project has to wait until all projects are finished. That would very

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greatly delay everything. I don't think that is the view of the Department at all.

MR. WHITE: We will make that change. I was not sure--

MR. JONES: What would you think of having this preliminary meeting without any agenda, without any prediscussions where we are all going to meet together to discuss the question and have no plan, no formula, no agenda, but discuss the advisability of whether we should do this thing or not?

MR. ACHESON: I think that would be unfortunate. I think if we have a plan which has had as much thought and work put on it as these plans have that the thing to do is to take them up, go over the thing very quietly and very informally with the British, with the Russians, talk to the Dutch, and see whether their views require any modification. If not, then go ahead with broader meetings.

MR. JONES: Would it be feasible, among ourselves, if we could agree upon an agenda for discussion and to send that agenda to all the people at the same time, to avoid this question of calling the boys in to ratify what the big fellows have already agreed to?

MR. ACHESON: I do not think we ought to call the people in to ratify what the people have done, but I think we ought to talk with at least four or five of the countries first so that the proposal, if, as and when we call everybody in, will be one which they have had a chance to go over. That may also involve talking with some of the South American countries, Brazil, for instance.

H.M.JR: Well, I would like to ask a question. I would like a straightforward answer from the State Department. Does Mr. Hull feel sympathetic towards the world bank, or doesn't he?

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MR. ACHESON: I haven't talked with Mr. Hull about the merits of this thing at all, Mr. Secretary. I just don't know.

H.M.JR: I would like to know before I go any further. I don't want a lot of shadow-boxing. I would like to know, is he sympathetic towards us or isn't he. I think that we are entitled to know that.

MR. ACHESON: As I say, I can't speak for Mr. Hull because I have never talked about the merits of the proposal with him in any way. I should think Mr. Hull would be clearly of the view that these proposals are among the most essential proposals which are to be discussed in connection with any future settlement. Now, whether this proposal is the one that he would favor or not, I just can't say.

MR. PASVOLSKI: Dean, I think we can say that Mr. Hull is very anxious to explore any possibility that offers hope of improvement, and Mr. Hull is certainly interested in this proposal, as he is interested in many other proposals.

H.M.JR: Hasn't anybody brought this to his attention?

MR. PASVOLSKI: Oh, yes, it has been discussed with him.

H.M.JR: It has been discussed with him?

MR. PASVOLSKI: I mean, he has read the document. He knows all about this. This proposal has been - of course a great deal of work has been put on it. Now, it is perfectly obvious that a great deal - I am sure Harry White will agree that a great deal more work needs to be put on it. A great many of these problems involved need to be studied from the point of view of whether or not in our opinion they would be acceptable to the other countries.

H.M.JR: Do you mind if I interrupt you?

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MR. PASVOLSKI: Surely.

H.M.JR: Before we take it up with one country or twenty countries, I think it is a perfectly reasonable request - I think I sent this document to Mr. Hull myself, and I think before we take it up with any other countries we had better find out what our own official family thinks.

MR. JONES: I think we have got to be in agreement.

H.M.JR: Before we get into an argument about taking it up with the experts of the various countries or whether we take it up individually, I think the first thing is to find out where the Secretary of State stands. I take it that you know.

MR. PASVOLSKI: Well, I know that the Secretary of State is very much interested in this proposal, and the Secretary of State would welcome a very careful study of what it is that we are prepared to do in this connection, how far we ourselves are prepared to go, and what it is, specifically, that we want to put before the other countries.

It seems to me that there is a great deal more technical work that needs to be done here in this country, and I think Harry's committee can very usefully pursue the subject of the substance of the proposal in order to determine whether or not this Government - the most important thing, I think, is going to be whether or not this Government is prepared to back a certain proposal because everybody is going to look to us for leadership. That seems to me so important that there seems to be every reason why as good a technical committee as Harry White has should proceed vigorously with a very careful study of this proposal from the point of view I have indicated. I am sure that you have that in mind.

MR. WHITE: There is a definite misunderstanding,

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Mr. Secretary.

H.M.JR: Just a second. I take it you have sat on this committee. Where has this committee fallen down? Where haven't they got a well-rounded plan, in your opinion?

MR. PASVOLSKI: Well, the committee - unfortunately I have not been able to be present.

The discussion, Mr. Secretary, there, has been on the subject of procedure, and we are on the subject of procedure today; that is, the procedure as to how best to bring about an international discussion of these two projects which everybody recognizes are a very great stimulant. The question of currency, question of currency stabilization, investment development - those are of the greatest importance.

H.M.JR: Well, I thought when this meeting was called that this committee had studied far enough and gone far enough along that they knew what they were doing.

Now, two things come up. One is you don't feel that they have gone far enough in their studies.

MR. PASVOLSKI: My feeling is that - I think Harry would agree with this - my feeling is that in addition to setting up a plan we have to make up our minds how far we, ourselves, are prepared to go. Are we prepared to go all the way? What sort of action will be needed in this country in order to make it possible for us to play our role in an enterprise of this sort?

MR. WHITE: I think there are some fundamental--

MR. PASVOLSKI: Political problem.

MR. WHITE: ...misunderstandings. One could study

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this problem indefinitely, and you know and I know never reach the kind of final agreement that you would hope would be reached around a conference table among the powers. There was no intent to present a plan which would be sufficiently satisfactory to expect the governments to take it in anything like a modified - or even this Government to take it.

The idea was to examine the proposal to see whether or not it looked sufficiently feasible in its significant elements to justify the calling of experts to formulate a plan. The proposal, I think we all recognize who have any familiarity with it, covers so important an area, raises so many complex, technical problems that it will require the best minds of most of the friendly countries to achieve a document which will be satisfactory to everybody.

We wanted to avoid the very thing which I think Dean is talking about and you (Pasvolksi) are talking about, of trying among ourselves to develop a plan which you think they will accept.

We wanted the plan to be truly international in character in the sense that it would be a proposal, a structure that would be worked out by the technical men in several countries; and I think you certainly would agree with me that there are as good men in some other countries as you can find here on these problems, and we would want their help. What we wanted to examine, what I thought we did examine in the committee, was to make certain that there was enough assurance in the validity of the general idea to warrant going ahead.

Now, once you decided to call the technical experts, then you discuss the details informally with whatever representatives are available, and there are a number available. The British are only too eager to discuss it, and I am sure the French and Dutch would be eager to discuss it; but we cannot discuss it with them until it has been decided to call a conference, even at the technical level, and once you call the conference you don't submit a

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plan. I thought that the general agreement was that that is just what we don't want to do. What we do want to submit is certain suggestions in an agenda which don't take a position but point out the difficulties so they will come prepared to discuss the matter intelligently, so they will have had an opportunity to think about it and to discuss it among their colleagues. This differs very definitely from most of the political, international considerations that you are calling for.

You are saying, "What are we prepared to offer?" I don't think that is the spirit or the character of this whole document. It is one which pre-supposes that we all have benefits to gain if we can set up the right kind of organization, but the setting up of that organization must be a cooperative action requiring the best minds, not only of the people in Washington, but of London and other places. So that all we are asking for here is to get those people working on the problem, but we would not have asked that until the Secretary wanted to assure himself that there was enough possibility of success or that there was something in the plan, that we weren't going off on some half-baked idea that other people would laugh at.

Now, I think that the general agreement among the experts is that there very definitely is something worth while exploring in that, but it does require a good deal of exploration and it would probably require several months of the most intense kind of an effort of a large number of experts to whip out a document that would be presentable for consideration by each country.

MR. PASVOLSKI: There is no disagreement on that.

MR. WHITE: I didn't think there would be.

H.M.JR: Where - I mean, after all, I have been around Washington long enough so - I mean, in these things - what has Mr. Hull got in mind? Does he want us to go ahead with this thing? Does he want us to kind of let the thing peter out, or just what has he got in mind? I mean, that is what I would like to know.

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Dean, you are the ranking man here for the State Department.

MR. ACHESON: I think what I tried to bring out is that he does think that these discussions ought to begin by bilateral discussions. Now, that is as far as I know what the view of the Department is on the matter.

H.M.JR: That is what he would like?

MR. ACHESON: He would like this to begin with discussions between the principal powers; instead of getting everybody together at the same time, to start in with some of the principal powers and get what their ideas are.

H.M.JR: And who would he like to have do that? Who would he like to have begin to discuss this thing with the English?

MR. ACHESON: Like to begin the discussion with?

H.M.JR: For the United States Government - who would he like to have represent the United States Government to begin talking with England?

MR. ACHESON: I think he would like a committee of experts. Now, whether it would be the exact committee we have now or not I don't know because I don't know who is on the committee, but it would be that sort of a group.

H.M.JR: Would you find out whether it would be acceptable to him, this same committee, of which I think White is chairman, representing these various people, to begin to start talking with England and Russia and China, and so forth?

MR. ACHESON: Yes, sir. We can find that out at once.

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H.M.JR: And within a reasonable time let us know?

MR. ACHESON: Yes, sir, we can find out.

MR. SOUTHARD: Mr. Secretary, may I ask one question, to be sure that there isn't some possibility of doing, so to speak, both things at once? As I remember the long discussions in the committee, the idea was this, that once we had agreed that an international meeting of experts could at some stage be useful and that once then an invitation was extended with a brief agenda or some technical memoranda it would then, in the relatively long interval between the extending of that invitation and the convening of that meeting be possible to hold discussions with the British and the Chinese and the Russians without risking the affronting of a large number of countries for whom this is a vital problem.

I know from Mr. White's experience, and certainly the State Department's experience, in Rio that there is no one thing which brings a quicker reaction in this hemisphere than to talk about an international stabilization fund. They all have ideas. We don't quite see why there must be an advance clearance with the British when we haven't even got a clear-cut proposal.

H.M.JR: Well, I tell you, in this frame of mind I just haven't got - if those are Mr. Hull's wishes, I haven't got energy enough if I disagreed with him, and I don't say that I do, to get into an interdepartmental fight. I just haven't got energy enough to do that kind of thing.

This comes in the realm of foreign affairs. If after considering it and discussing it with his people that is the way he wants to do it - it may be the right way, it may not be, but it is his responsibility and if that is the way he wants to do it, why then I want to go along that way. But I just haven't got energy enough to raise four and a half billion dollars a month and to fight other departments at the same time. I can't do it, especially when it is - I mean, I haven't got

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energy enough. I am not saying that Mr. Hull may not be entirely right in this procedure, but if that is the way he wants to proceed, it is his responsibility and I will take my cue from him.

MR. WHITE: Just one suggestion, Mr. Secretary, which I am throwing out, in view of the fact that apparently so much depends on what Mr. Hull feels in this our next procedure, and in view of the importance of the matter in the minds of most of the people who have delved into it and the question of time, would it be possible to have a meeting, a very small meeting, at which Mr. Hull would be present, in which the various aspects would be presented to him?

H.M.JR: Sure. We could put it up and ask him.

MR. ACHESON: Surely, yes.

MR. WHITE: And merely some opportunity to talk it over.

H.M.JR: Well, this same group here - whether the next meeting, our early meeting, could take place in his office.

MR. ACHESON: I am sure that could be arranged, Mr. Secretary.

MR. WHITE: Would you arrange it for early next week?

MR. ACHESON: Yes.

H.M.JR: Just before - maybe I would just like to go - maybe Mr. Jones doesn't agree with the position I have just taken.

MR. JONES: I think your position is entirely right.

H.M.JR: Do you?

MR. JONES: I think it is entirely right.

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H.M.JR: How about you, Mr. Eccles?

MR. ECCLES: Well, it is perfectly obvious that we are not going to get anywhere on a program unless we can come to an agreement in the very beginning as to the procedure, not only as to how we should proceed, but I think in general we certainly should agree upon the program.

I have felt that it may be a little premature to call an international conference as suggested here. Certainly it would be premature to do it if it was beyond the level of merely a discussion among experts for the purpose of developing a program. I think if it is merely a case of getting together informally, without the publicity that so often goes with this sort of thing, of technicians for the purpose of us finding out what they are thinking about or for us finding out what they can contribute by way of ideas that might be of assistance in developing this thing - I think, after all, we have got to carry the ball in this thing, and whatever program is worked out in the picture in the final analysis we might have to furnish most of the soap.

So that, naturally, whatever program is worked out I can realize that from a diplomatic point of view we don't want the other countries of the world to think that we have written the ticket and "Here it is, take it or leave it." I mean, we can't get that sort of an idea, but at the same time I do think that we have got to pretty largely write the ticket, and the ticket has got to be written, I suppose, after getting the benefit of the technical advice of experts wherever they may be. With that being done, after we get such advice, through either the method that the State Department proposes or some other method - I am not enough of an expert to know which is the best procedure, but after getting the benefit of discussing it with other experts we should attempt, it seems to me, to draw up into a more detailed program the plan for the clearance with our own people here, with the departmental heads who are taking responsibility for this.

H.M.JR: Mr. Jones made a good suggestion, and that

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is this, that when the meeting takes place in Mr. Hull's office there is no reason why there shouldn't first be a preliminary meeting with White and the other experts and get a very short agenda and let them go over and explain it to Mr. Hull, or go over it once more--

MR. JONES: See how close they can get together.

H.M. JR: ...with the State Department people before they go over there, and have a meeting and then call on Mr. Hull and present it to him. There is no need for some of us to go over there - just give Mr. Hull a chance to listen to his own people and some of the Treasury people, Mr. Wallace's people, anybody from the Federal Reserve, but have a meeting beforehand.

MR. WHITE: See if I understand your suggestion, Mr. Secretary, that we have another meeting of the so-called technical men, and at that meeting we will attempt to draw up the kind of agenda that would shape - would be sent to the experts, with some discussions of what is expected of them. Is that what your thought is?

MR. JONES: My thought was to see how near this can be drawn to serve what you who have charge of it think is the procedure, how near you can make it fit the Secretary's idea.

MR. WHITE: I see, so that he will be able to go, "One, I don't think this," "I do this" - he would have a specific document before him.

MR. JONES: Yes, sit down and agree. Get something there that the Secretary will feel is all right.

MR. WHITE: All right, we will try that.

MR. JONES: And not have so many people in the conference. Two people can sometimes agree when twenty-two can't, or even three.

MR. BEAN: Mr. Secretary, may I point out that

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that procedure is still involved, the basic issue which is raised here which can't be resolved in the committee without checking with Secretary Hull, and that is whether in proceeding with the bilateral discussions you have a proposal to proceed. Now, it seems to me that is the basic issue here. Mr. White has emphasized the fact that he is not interested - this proposal here involves merely setting in motion discussions without having any finality about the proposal. Acheson proposes the State Department wants the proposal first before you start bilateral discussions, otherwise there is no basis for bilateral discussions. That can't be resolved by the committee without some previous clearing with Mr. Hull.

MR. ACHESON: I don't think that is what - I don't think we have been discussing whether or not we have a proposal first, but how we shall take up discussions.

MR. BELL: We have been discussing procedure. It seems to me that part of this group is in complete agreement. That is the part, according to Mr. Jones' suggestion, to state in one part; in the other part state on what you are in disagreement. Let Mr. Hull go over that procedure and decide the way he wants.

H.M.JR: I think Mr. Bean put his finger on the thing. As I gather from what White wants, we call an informal meeting of the various technicians of other countries and sit down with them and with them try to work out a proposal. Now, what Mr. Acheson said was that we should sit down first with the English, then the others, give them definite proposals and see whether they can like it, and we are pretty far apart on that.

MR. WHITE: That was not only my point of view. I thought that was the view of all the people there.

MR. ACHESON: If that is the impression I gave, it is not the impression I meant to give, Mr. Secretary. What I was talking about is the procedure, not the substance of this. If we are going to sit down with all of the nations and have a general discussion, what I am now proposing is that we do the same thing with these

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separate countries first. You don't need a proposal in one case any more than you do in the other case. You need a list of subjects on which you want to talk and find out, for instance, what their ideas are about calling a general meeting at this time. Secondly, take up with them exactly the type of question you take up with the general meeting and see what their ideas are on that, and out of those talks you might come to the conclusion that you do want a general meeting or you might come to the conclusion that you want to get up a tentative proposal for circulation. I don't know what conclusion you would come to.

H.M.JR: Let's take Mr. Jones' suggestion and have these people meet once more and see how closely they can get together on the agenda to bring to the attention of Mr. Hull, pointing out those points where we are together, those points where they are separate, go over it with him so he can say, "Go ahead on this" and "Don't go ahead on this."

MR. PASVOLSKI: That can be done.

H.M.JR: Is that all right? .

MR. PASVOLSKI: Surely.

H.M.JR: And then after he has had a chance to see that then we will know, but it is in the realm of foreign affairs and I not only want his guidance but I want - whatever we do I want his complete backing on the thing. I mean, I want him personally satisfied before we launch this, and that was the thing that the President said in the first place. I mean, that is what the President said in the first place.

MR. JONES: Without that you can't win, you can't succeed.

H.M.JR: There is no use, and, as I say, I haven't got energy enough - I forgot my tax bill, the tax bill and the four and a half billion and also to fight other

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departments, and I don't want to fight inside the Government. I don't want to fight anybody except our enemies.

MR. PASVOLSKI: No fight here.

H.M.JR: You are not going to get any fight out of me because I have got all I can do to do my own job, so I think if they could get this together and then find out what Mr. Hull wants or doesn't want, and then proceed from there, it would save a lot of time.

O.K.

SUGGESTED PROCEDURE FOR INTERNATIONAL CONSULTATION ON A
STABILIZATION FUND AND A BANK FOR THE UNITED AND ASSOCIATED
NATIONS

At the meeting called by the Secretary of the Treasury in May and at two meetings thereafter of an interdepartmental committee, the objective of canvassing through international discussions the possibility of establishing an international stabilization fund and bank for the United and Associated Nations was approved. The next question of policy relates to the best procedure to be followed in obtaining international consideration of this proposal and to the proper time for initiating international discussion.

The State Department participants in the meetings seemed to feel that no formal international conference to establish either the stabilization fund or the bank should be convened until the main elements in the post-war settlement are determined upon, and that preliminary conversations should be confined to a few major powers. The others, however, were of the opinion that international institutions fulfilling the functions of those proposed should be set up and in operation before the armistice is signed and that, therefore, preliminary international discussions inquiring into the feasibility of their establishment should be initiated at once, with the participation of all friendly powers.

1. It is therefore proposed that the Finance Ministers of all friendly countries be invited to send technical experts to an informal meeting in Washington, which would consider any proposals for the establishment of an international stabilization fund and a world bank and would discuss the desirability of preparing an agenda for a possible international conference. This procedure can be expected to obtain three results:

(a) The meeting would consider the feasibility of convening an international conference on the stabilization fund and a world bank and, if such conference were found to be feasible, the meeting could provide both the agenda and the technical documents which would form the basis for the discussions at such a conference.

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(b) Should the meeting reveal differences of opinion too basic to be bridged, the experts could adjourn for continued study in their respective countries and the convening of the international conference could be postponed indefinitely.

(c) The meeting of experts would provide an invaluable exchange of views at the technical level and a clear indication of the degree of agreement existing among the technical advisers of the various governments and hence would give important guidance to our own plans for the post-war period in the field of international financial and monetary problems.

2. At the time of inviting the Finance Ministers of all friendly countries to send technical experts to the meeting proposed above, a tentative agenda of the meeting should be forwarded to each country, accompanied by a series of brief technical memoranda designed to provide a background of economic reasoning for each subject listed on the agenda. These memoranda could be prepared at once by the group of experts already assembled within the Government and by others to whom that group has access. At the same time, similar memoranda could be solicited from the various participating countries for distribution at the meeting of technical advisers.

3. State Department representatives at the interdepartmental meetings pointed out the political and diplomatic risks of calling a full-dress international conference on a Stabilization Fund and World Bank at this time - that is, should the conference fail of its objective the international repercussions would be of an undesirable sort. It was to avoid this risk that it is proposed, as described above, to convene an informal

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meeting of technical experts representing the Finance Ministers of all friendly countries. There could be no adverse international repercussions should such a meeting of technical experts fail to recommend the convening of a formal international conference.

4. It has been urged by the State Department representatives that preliminary conversations should be held with two or three major powers. The representatives of the other agencies, however, felt that this procedure, while having some advantages, is an unwise one for several reasons: (a) an adverse reaction from even one of the powers so consulted might cause abandonment of the project even though there would be reason to anticipate a very favorable reaction from the majority of countries; (b) the countries excluded from such preliminary conversations could be expected to be suspicious of any prearranged plan; (c) the American Republics have already expressed their desire to participate in the planning of an International Stabilization Fund.

Initialed by:

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Mr. Paul:

Please speak to me about this.

H. Morgenthau, Jr.

July 2, 1942.
10:13 a.m.

HMJr: Hello.

Operator: McCarran.

HMJr: Hello.

Senator
McCarran: Hello, Mr. Secretary.

HMJr: How do you do, Senator.

M: Mr. Secretary, I wanted to enlist your attention - the Silver Committee of the Senate are sending a sub-committee to Denver, Colorado, Salt Lake City, and Reno, Nevada, to hold hearings with reference to two subjects both having to do with taxation. One is the subject of the excess profits tax provisions as regards silver mining, and the other is the rule of depreciation and depletion as carried out in the legislation in which you are interested.

HMJr: Yeah.

M: I am seeking to have Senator George send a representative of his committee, of the Finance Committee of the Senate, out to sit with us. I wondered if I could enlist your efforts to have you send a representative of your department to sit with us at the hearings at those three places.

HMJr: Well, might I ask a question and I suppose it's just my ignorance, why should the Silver Committee be going into those two subjects when Senator George's committee takes them up for the whole country?

M: Simply because this is a committee that would enlist the interest of the silver miners and it's primarily silver in connection with other mining, and because this is a committee that presumes to understand the mining industry as regards silver.

HMJr: Well, I mean does....

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- M: We then - we then would turn our findings and our recommendations over to the Finance Committee with our advocacy of whatever we found to be worthwhile.
- HMJr: Well - as far as your request is concerned - I'll - I'll be glad to send a man along.
- M: We - we'd like very much to have you send someone who is familiar with that particular line of business, that is, taxation, and so on and so forth.
- HMJr: But I do hope that your committee will work out some way that we can let these countries have silver that want to use it for subsidiary coins.
- M: Yeah, well, of course that is a side matter that we're working on. We had Donald Nelson up here yesterday - day before yesterday....
- HMJr: Uh huh.
- M:and we're trying to give it every possible study that we can to see how it can be done.
- HMJr: My own thought which I - if you'd care to have it, I'd like to give it to you....
- M: Yes.
- HMJr:and that is I think the easiest way to give - furnish silver to England and those countries would be to loan it to them....
- M: Yes, that might be true.
- HMJr:and then get it back on an ounce-for-ounce basis.
- M: Yes.
- HMJr: That would - that avoids a lot of questions which I'm sure you don't want raised.
- M: No, that's true.

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HMJr: But I really think we've got to act on that.
I mean, we've - we've got to give these countries
an answer.

M: Well, we'll try and get at that with you just as
soon as possible.

HMJr: Thank you so much.

M: All right, sir.

HMJr: And I'll be glad....

M: I'll let you know the dates of our meetings in
the West quite promptly.

HMJr: Will you do that, please?

M: Yes, indeed.

HMJr: Thank you.

M: Thank you.

July 2, 1942.
12:14 p.m.

HMJr: Hello.

Operator: Congressman Sabath has just gone on the Floor. It will take about five or ten minutes to get him.

HMJr: Well, I won't be here till ~~after~~ lunch.

Operator: Right.

2:45 p.m.

HMJr: Hello.

Operator: I have Congressman Sabath.

HMJr: All right.

Operator: Go ahead.

HMJr: Hello.

Congressman
Sabath: Hello.

HMJr: Morgenthau.

S: Mr. Secretary, I'm going to try to - do something to help the situation on the Revenue Act.

HMJr: On the what?

S: On the Revenue Act.

HMJr: Yes.

S: Now I'm not going to give them a closed rule. I want a prepared rule that will permit the opening of all those amendments or the things which you have recommended....

HMJr: Yes.

S:giving the membership the right to have a vote on it instead of that reactionary Ways and Means Committee.

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HMJr: Yeah.

S: Now I would like to have a statement of those things that you have recommended. I don't know who handles it....

HMJr: Yes....

S:but that isn't all. This is the thing I want to bring to your attention.

HMJr: Yeah.

S: I have talked to the President and I have pointed out how Great Britain is ordering and buying and getting, in many instances, twice and three times as much of stuff that they actually need, and....

HMJr: Who is doing this?

S: Great Britain.

HMJr: Yes.

S:through the various agencies. Now I had it with - up with McCabe and with others. Well, I think that's being locked into - it - and it's commencing to be stopped in ordering things that will last them for two or three years, especially on things where they have their own raw material and we're short of.

HMJr: Yeah.

S: But that isn't it all. This is the situation. Their aim is, as I get it, from the various....

HMJr: I can't hear you.

S: I say the thing is this. Their aim is to build themselves up so that after the war....

HMJr: Yeah.

S:they'll have the benefit and advantage. Not only that, they'll - they're commencing to do the same thing as Germany, taking over indirectly many of the plants and industries. Now I feel that where we advance some money for machinery....

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HMJr: Yes.

S:and for - for plants that we should not let them be the controlling party, but that we should reserve to ourself the control and to our agency, somehow or another, to retain control. Do you get my point?

HMJr: Yeah, I don't know whether you're right. I - I just - what you tell me surprises me.

S: Well, now that's - confidentially I talked with McIntyre and I wanted him to take it - give it to Mr. - to the President, and then I - and he said that....

HMJr: I don't know that you're right. It's the first complaint of that kind I've heard.

S: Well, on the first I am right. I - there's no question. I had the evidence and that's being straightened out. There's no question about that. But on the second, I know what's going on. I've been here during the war - first war.

HMJr: Yeah.

S: I know what they were doing then. We advanced some money. We made the loan to Great Britain - for the small nations, then they go to work and force the small nations to buy through them, not through us or from us, but through them charging them fifty percent more for what the things cost them.

HMJr: Yeah.

S: Now I know and I have it on reliable authority what the plan is now, how they go safeguard their interests after the war, and I want to lay it before you in a concise form some day in the near future.

HMJr: Yeah.

S: Now who is the best man that you can rely on, that I don't have to take up your time to give it to?

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HMJr: Well, you better give it to me.

S: All right. I think it's - it's of such importance - now some - I can't do it within the next couple of days but next week - I'm going to try to get fifteen minutes with you and lay the thing right into your lap.

HMJr: All right.

S: You - you understand what I mean?

HMJr: Well, I - I think I do - I - but I'd want to see the evidence.

S: Well, all right. You'll get it.

HMJr: Well....

S: You'll get it.

HMJr: I think the first thing to do is to win the war.

S: I agree. That's just what I said a little while ago. Now it's up to you about the post-war. We - first we've got to do is to win the war but at the same time we shouldn't lose sight of the things - things that are being done on the other side.

HMJr: Well, let me - let me see the evidence, and I'll be glad to look at it.

S: All right, now will you have someone to send me the....

HMJr: Yeah.

S:the other thing?

HMJr: Yes, I will.

S: All right.

HMJr: Thank you.

July 2, 1942.
2:52 p.m.

HMJr: Hello.

Operator: Mr. Mack.

HMJr: Hello.

Clifton
Mack: Yeah, hello.

HMJr: Cliff.

M: Yes, sir.

HMJr: Your letter doesn't begin to answer these complaints of Donald Nelson.

M: That's right. I - I sent that over to you so that you would know I was working on a reply today, a detailed reply.

HMJr: Well, all it does is to confuse me still more.

M: I see.

HMJr: I mean - course I - I think that Nelson - it's entirely uncalled for - to write the way he did, when I simply wrote him a courteous letter asking a question, but he evidently has filed a complaint. Now you people must have the answer.

M: Yes, and I'm getting the answer today. I've asked them to check up on each of these things that he's brought out in his letter.

HMJr: Well, when - well - when are you going to have that?

M: I'll - I'll have that - I should have that information up here a bit later on this afternoon, and I'll get the memorandum over to you just as quickly....

HMJr: Well, I....

M:as I can.

HMJr: Well, when you have it I want to - want you to see - see you with it.

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M: All right.

HMJr: Now what - can't you ask him what particular ship it was, the name of the ship that - that - that they missed?

M: I - I called him this morning and said that we had been trying to find out what the ship was but it was all so general we're having difficulty and asked if he would tell me the name of the ship....

HMJr: Yeah.

M:and Rhetts, who is Batt's assistant, is getting that information for me. I called him just before calling you to find out if he had it, and they're still working on it.

HMJr: Well, I'd like to know the name of this ship.

M: All right, we'll....

HMJr: And then what about this thing that - that they can't get the breakdown from you?

M: Well, I checked with our fellows over here, and they didn't understand that they were supposed to give a list to Nelson. Now if he wants it, of course, we'll - we'll give it to him because....

HMJr: Well, who are your fellows?

M:we give him most of our reports.

HMJr: Who are your fellows?

M: That is, Walsh and Loeb and fellows that work on this program.

HMJr: But how can they go along from May 6th until June 29th?

M: Well, I don't - I don't understand it because - I think that letter gives - gives the impression that they were constantly asking us for information and we constantly refused to give it to them - or were unable to give it to them.

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M: (cont.) And that isn't the picture. As a matter of fact, we give them reports of whatever they've asked for and so far as - well, he mentioned in his letter that - that he would like a full and detailed picture of the materials on hand July 1st. Well - we're - we're making up right now a physical inventory as of June 30th....

HMJr: Yes.

M:which is the end of the protocol period and - and just as quickly as we get that, of course, we'll - we'll give it to him if he wants - if he wants it. Of course he says he does want it.

HMJr: Yeah.

M: Now we've been giving those reports, of course, to Lend-Lease, and - and copies of certain reports to him. He really does have a point, I think, on this shipping. But he goes ahead and makes suggestions in his letter or whoever wrote it for him indicating what should be done about it.

HMJr: Yeah.

M: Well, as a matter of fact, we initiated....

HMJr: Well, all right, let's wait - wait until I see you.

M: Yes.

HMJr: But come over with the answers - whatever you can, because I - it's - I don't like his letter at all.

M: Yes, I know. I know, and I was surprised when I got it because the....

HMJr: All right. Well, now when you're ready let me know, will you? And try and find out what that ship was.

M: Yes, sir, I'll do that.

HMJr: Thank you.

M: Yes, sir.

July 2, 1942.
2:55 p.m.

HMJr: Hello.

Operator: Mr. Paul.

HMJr: Hello.

Randolph Paul: Yes.

HMJr: Paul.

P: Yes.

HMJr: I just had a long talk from Sabath.

P: Yes.

HMJr: Sabath says he's not going to give them a rule, and he wants us to send up to him the various Treasury proposals which are not in the bill.

P: Yes, sir. That's very easily done.

HMJr: Well, you've got....

P: We've got a summary, you know, that they gave us hell for - for releasing that does that very neatly.

HMJr: Well, you better take it up yourself, I think.

P: All right.

HMJr: And give it to him, will you?

P: Yeah, now you have an appointment tomorrow morning.

HMJr: Yeah.

P: This gentleman that you talked with didn't say anything to you about how he happened to....

HMJr: No.

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P: No, well, I guess you'll learn that tomorrow morning.

HMJr: Okay.

P: All right.

HMJr: Thank you.

Conference in Mr. White's office
July 2, 1942, 11:00 A.M.

Present: Mr. Hays
Mr. White
Mr. Hicks

Mr. Hays called upon Mr. White at his own request. He brought with him a letter addressed to Mr. White restating the plea of the motion picture industry for the release of its funds blocked in the United Kingdom.

He said that he had called upon Ambassador Halifax and had found him very receptive to the industry's argument that the return of its funds currently earned in the United Kingdom to finance the production of further pictures for the United Kingdom was inherently just. He said that Ambassador Halifax would not, of course, take any steps in the matter until it was raised with the British Government by the American State Department.

Mr. Hays then reported that he had had several conferences with Secretary Hull. Mr. Hays said that the State Department had hesitated to open negotiations with the British Government only because of its fear that the Treasury's province would be trod upon. Mr. Hays said that he would therefore appreciate a statement from the Treasury stating that it would not object to the State Department's negotiating an agreement.

Mr. White replied that the Secretary's position in the matter was that any negotiations on the point would have to be initiated by the State Department. Mr. White said that he believed Mr. Long of the State Department had understood clear the Secretary's position; that he had been present when the Secretary made his position clear to Mr. Long. Mr. Hays replied that apparently Mr. Long had been confused and urged Mr. White to call up Mr. Long to say that it was all right for the State Department to go ahead. Mr. White stated that he could not very well do that, nor did he feel it necessary since he was certain that Mr. Long understood. Mr. Hays pressed the matter and Mr. White suggested that Mr. Hays might write a letter to the Secretary stating that the State Department would like to have the Treasury call them up and tell them it was all right for them to go ahead. Mr. White said he could not predict what the Secretary's reply would be, but that he could not raise the matter with the Secretary again until Mr. Hays had made a formal request for Treasury action in a letter to the Secretary.

Mr. Hays complained that his previous letter to the Treasury had not been answered. Mr. White replied that the letter did not ask any question, and that he had thought that his several conferences with Mr. Hays constituted adequate replies to the letter.

Mr. Hays agreed to write the letter that Mr. White suggested.

J. E. Hicks

MOTION PICTURE PRODUCERS & DISTRIBUTORS OF AMERICA, INC.
28 WEST 44TH STREET
NEW YORK CITY

WILL H. HAYS
PRESIDENT
CARL E. MILLIKEN
SECRETARY

OFFICE OF THE PRESIDENT

Washington, D. C.
July 2, 1942

Dr. Harry D. White
Director of Monetary Research
Treasury Department
Washington, D. C.

Dear Dr. White:

Referring particularly to that phase of the British-American Film Exchange arrangements which concerns the question of whether or not the American Film Industry is in a different situation from other industries and is, indeed, a special case:-

In all of the discussions which are going on, over and over again the special phases are emphasized:

In this case there exists a contractual relation.

The Motion Picture Industry is required by the British Treasury by contract not to reduce the average number of pictures of previous years and is required not to raise the price of the pictures.

The impounded amount is money currently earned -- earnings of today, and only since November 1939, during 1940, 1941, all since the beginning of the war and from the time when the British Treasury required such limitation. It was a requirement to which the American Industry had to yield under all the circumstances.

The original agreement was based on the claim by the British Treasury that their exchange in this country was so scarce that part of the motion picture companies' share of their earnings in Britain should be retained there. The second agreement and the current agreement continued to be based on that assumption to which the American companies were required to subscribe.

The product is one which is not paid for in advance. Its principal value is determined after it



Dr. Harry D. White
July 2, 1942 - p. 2

is exhibited, and the total earnings depend on the worth of the picture as thus demonstrated. A picture is a leased product. The producers' share must go to the producer to maintain the quantity flow of quality pictures. A certain quota of the total producer expenditures must come from this area to maintain economic soundness and the certainty of carrying out the essential service involved. From the exhibitor's share he maintains his establishment. From all the earnings there was last year paid in taxes in Britain, according to high British authority, an amount of \$104,000,000. The employment of approximately 40,000 people in Britain is said to stem from the furnishing of these American pictures because of the 75% reduction of production during this same period.

This product is acknowledged as an essential service for the purpose of total defense. This need is indicated by the British Treasury in the contractual item that the American Industry cannot reduce the number of pictures nor raise the price.

There is no other industry of which we can learn which furnishes product thus necessary for defense which is not paid for by someone.

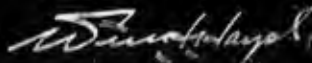
Also, and especially, it is to be remembered that the agreement provides that if credit conditions change during the agreement year the British Treasury will reconsider the matter; and that the British Treasury recognized this interpretation of the agreement last year when they agreed, because of changed conditions, to increase last year's agreed transfers by an amount equal to one-half of the money impounded from the beginning of the restrictions to October 25, 1941, which was done.

Under this item of the agreement, the present again and still greater change in conditions by the total pooling of everything warrants the reconsideration of the matter and the release of all impounded funds.

All these items, and other unique features, do, indeed, demonstrate the special status.

With kindest personal regards, I am

Sincerely yours,



MEMORANDUM

July 2, 1942.

TO: The Secretary
FROM: Mr. Sullivan

T L S

I attach hereto memorandum from Commissioner Helvering and break-down of Bureau employees by collection districts.

I wish to report that we were today given assurance of 238 secondhand typewriters to be delivered within a week.

I also attach memorandum from Director of Procurement Mack, showing that of 8,022 business machines contracted for by the United Kingdom, 6,845 have been delivered. The total amount of money value of \$2,067,153 relates to the number of machines contracted. I understand this number is exclusive of the machines bought by the United Kingdom for use in this country.

TREASURY DEPARTMENT
WASHINGTONOFFICE OF
COMMISSIONER OF INTERNAL REVENUEADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

July 2, 1942.

MEMORANDUM FOR
Assistant Secretary Sullivan:

Reference is made to your telephone call in which you indicated that the Secretary desired a breakdown by today of the collection districts in which we are having difficulty in filling vacancies. It is understood the Secretary refers to a statement made by me in a conference with him a few days ago, at which time I indicated that we had 989 vacancies in the collection districts as of May 1, 1942. It is my understanding also that the Secretary would like to be informed as to whether we have endeavored to secure employees to fill these vacancies from the Civil Service registers without success and if so just what the trouble is.

As of May 1, 1942, there were 989 vacancies in collectors' offices. If the collectors' forces were filled up to present authorized strength, the collection districts would have 14,775 employees -- 5,675 in the field and 9,100 assigned to administrative, clerical, and audit duties in collectors' offices. Of the 989 vacancies existing as of May 1st, 490 were in the office force and 499 in the field force. The attached statement shows the number of office and field vacancies that existed as of May 1st, June 1st, and June 30th in the 64 collection districts.

This office cannot consider a position filled until the person has been selected, the recommendation has been approved by the Treasury Department, and the person recommended enters upon duty. In other words we have recommendations at hand to fill many of the vacancies referred to but until such time as the necessary personnel action has been taken the positions must be treated as vacancies.



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Memorandum for Assistant Secretary Sullivan.

There are many reasons or circumstances which contribute to our difficulty in recruiting adequate personnel to fill our vacancies. The two major factors are:

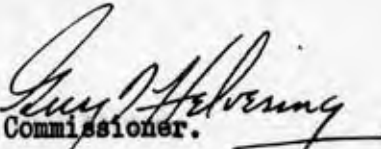
1. Collectors, immediately upon receipt of a resignation, secure from the Civil Service District Manager for their particular region registers from which they may select persons certified for appointment. It has been the experience of many collectors that after making a selection and contacting the prospective appointee for the purpose of securing an indication as to whether or not the selectee will accept appointment at the salary prescribed, they receive favorable response. In these instances the recommendations on Forms 981 are forwarded to the Bureau and upon review and approval of the recommendations, the necessary investigation by the Intelligence Unit is requested. Coincidental with this action the appropriate fanfold forms are prepared and sent to the Treasury Department for the approval of the head of the department. The total time consumed in making the prescribed character investigation as well as in securing the approval of the appointment runs from three to six weeks and in many instances before the selectee can be authorized to report for duty some other position has been offered the person recommended, resulting in his declination of the appointment, thereby making it necessary to repeat the process of making a new selection for the vacancy in question. Of course, many of our vacancies are caused by the induction of so many of our employees into the military service.

2. Because of the very favorable economic situation outside of the Government Service, many persons who during normal times would be interested

Memorandum for Assistant Secretary Sullivan

in Government positions find working conditions and the rate of compensation far more attractive in the commercial field than we can offer in the collection districts. We also find that many of our trained employees, particularly in the cities where large defense plants are located, are relinquishing their Government positions for the far more remunerative positions they can secure with the defense plants. After the vacancies are filled and the persons so appointed learn of a more attractive connection on the outside, we are confronted with the same difficulty with respect to resignations and the process of filling same.

It is not intended to give the impression that the 989 vacancies that existed on May 1st have not been filled, but with the rapid turnover and the difficulties in recruiting personnel we are hardly holding our own in view of the fact that as rapidly as we fill the vacancies that exist, a similar or greater number of vacancies occur. As an indication of this situation it will be noted that the number of vacancies as of May 1st, 1942, was 989. As of June 30th, 1942, the number of vacancies has increased to 1065.


Commissioner.

Attachment. .

FIELD COLLECTION SERVICE
 VACANCIES IN AUTHORIZED FORCE

COLLECTION DISTRICTS	As of May 1, 1942			As of June 1, 1942			As of June 30, 1942 (C.O.B.)		
	Office	Field	Total	Office	Field	Total	Office	Field	Total
Alabama	2	2	4	1	3	4	1	0	1
Alaska	2	1	3	2	1	3	2	1	3
Arizona	2	1	3	2	1	3	1	0	1
California	31	26	57	29	28	57	30	36	66
Colorado	6	11	17	6	11	17	5	9	14
Connecticut	6	2	8	5	4	12	10	6	16
Delaware	11	10	21	10	10	20	4	6	12
District of Columbia	2	4	6	2	4	6	2	4	6
Florida	3	2	5	2	1	3	3	5	8
Georgia	0	1	1	0	1	1	3	2	11
Idaho	1	1	2	0	1	1	0	2	2
Illinois	0	1	1	0	1	1	0	3	3
Indiana	22	25	47	17	34	51	11	32	43
Iowa	2	3	5	4	9	13	2	8	10
Kansas	36	40	76	35	41	76	36	39	75
Kentucky	6	6	12	4	5	9	4	7	11
Louisiana	16	9	27	6	11	19	8	10	18
Maine	1	3	4	0	2	2	1	0	1
Maryland	5	4	9	7	3	10	6	3	9
Massachusetts	0	3	3	0	1	1	1	1	2
Michigan	14	25	39	15	24	39	14	25	39
Minnesota	21	27	48	19	36	55	21	34	55
Mississippi	16	46	64	50	24	74	41	27	68
Missouri	4	6	10	5	4	9	4	7	11
Montana	1	1	2	1	1	2	1	1	2
Nebraska	6	10	16	5	10	15	6	11	17
Nevada	8	6	14	6	5	11	5	7	12
New Hampshire	3	0	3	2	0	2	2	0	2
New Jersey	1	2	3	0	1	1	0	5	5
New Mexico	3	2	5	2	2	4	2	5	7
New York	2	1	3	2	2	4	3	1	4
North Carolina	3	15	18	5	16	21	7	16	23
North Dakota	22	12	34	25	16	41	33	19	52
Ohio	2	0	2	1	2	3	1	2	3
Oklahoma	19	16	35	12	8	20	22	9	31
Oregon	14	11	25	9	10	19	15	5	18
Pennsylvania	22	9	31	25	7	32	27	7	34
Rhode Island	9	12	21	11	11	22	12	14	26
South Carolina	1	3	4	0	4	4	0	3	3
South Dakota	6	1	7	8	5	13	7	2	9
Tennessee	4	6	10	3	5	8	4	4	8
Texas	1	3	4	0	1	1	0	1	1
Utah	1	7	8	1	8	9	0	8	8
Vermont	11	3	14	11	4	15	11	5	16
Virginia	2	1	3	0	1	1	0	1	1
Washington	16	6	22	20	7	27	22	9	31
West Virginia	3	3	6	2	3	5	4	4	8
Wisconsin	2	7	9	3	7	10	6	6	12
Wyoming	21	9	30	21	9	30	29	4	33
Alaska	10	3	13	8	3	11	7	3	10
Arizona	13	24	37	3	27	30	3	27	30
California	3	5	8	2	3	5	2	2	4
Colorado	6	5	11	6	6	12	6	4	10
Connecticut	2	1	3	1	1	2	3	1	4
Delaware	2	1	3	1	1	2	3	5	8
District of Columbia	2	3	5	2	4	6	3	19	22
Florida	27	17	44	35	14	49	35	19	54
Georgia	18	3	21	18	2	20	21	3	24
Idaho	0	1	1	1	1	2	1	1	2
Illinois	0	1	1	0	2	2	1	1	2
Indiana	3	10	13	3	9	12	7	9	16
Iowa	2	7	9	1	6	7	2	9	11
Kansas	10	4	14	10	6	16	9	6	15
Kentucky	6	10	16	6	14	20	6	16	22
Louisiana	0	0	0	1	1	2	1	1	2
Maine	0	1	1	0	2	2	0	2	2
Maryland	3	10	13	3	9	12	7	9	16
Massachusetts	2	7	9	1	6	7	2	9	11
Michigan	10	4	14	10	6	16	9	6	15
Minnesota	6	10	16	6	14	20	6	16	22
Mississippi	0	0	0	1	1	2	1	1	2
Montana	0	0	0	0	0	0	0	0	0
Nebraska	0	0	0	0	0	0	0	0	0
Nevada	0	0	0	0	0	0	0	0	0
New Hampshire	0	0	0	0	0	0	0	0	0
New Jersey	0	0	0	0	0	0	0	0	0
New Mexico	0	0	0	0	0	0	0	0	0
New York	0	0	0	0	0	0	0	0	0
North Carolina	0	0	0	0	0	0	0	0	0
North Dakota	0	0	0	0	0	0	0	0	0
Ohio	0	0	0	0	0	0	0	0	0
Oklahoma	0	0	0	0	0	0	0	0	0
Oregon	0	0	0	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0	0	0	0
South Dakota	0	0	0	0	0	0	0	0	0
Tennessee	0	0	0	0	0	0	0	0	0
Texas	0	0	0	0	0	0	0	0	0
Utah	0	0	0	0	0	0	0	0	0
Vermont	0	0	0	0	0	0	0	0	0
Virginia	0	0	0	0	0	0	0	0	0
Washington	0	0	0	0	0	0	0	0	0
West Virginia	0	0	0	0	0	0	0	0	0
Wisconsin	0	0	0	0	0	0	0	0	0
Wyoming	0	0	0	0	0	0	0	0	0
Philippine Islands	0	0	0	0	0	0	0	0	0
Totals	490	499	989	499	505	1004	534	531	1065



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

July 2, 1942

MEMORANDUM TO MR. SULLIVAN:

Attached herewith is a list which you requested by telephone today showing office machinery and equipment purchased under Lend-Lease for the British since January 1, 1942.

Cliff Mack
Clifford E. Mack
Director of Procurement





IN REPLY
REFER TO FILE No.

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

STATUS OF
UNITED KINGDOM OFFICE EQUIPMENT REQUISITIONS
JANUARY 1, 1942 - JULY 1, 1942

No. of Machines Contracted	Kind of Machine	Amount	Number Transferred	Date Delivered
723	Calculating Machines	\$ 161,713.04	723	5/16/42
942	Accounting Machines	693,995.63	942	2/24/42
2145	Adding Machines	804,458.80	1004	5/25/42
3250	Typewriters	232,530.00	3250	6/23/42
123	Duplicating Machines	6,194.31	123	5/ 4/42
23	Cashiers, Automatic	6,269.13	23	5/12/42
50	Stencil Machines	6,315.23	50	4/ 2/42
100	Paper Fastening Machines	450.00	100	4/16/42
100	Addressographs	5,774.47	48	5/30/42
10	Billing & Fanfold Machines	14,562.00	10	1/15/42
525	Recorders	123,150.00	525	6/23/42
47	Dictaphone & Trans.	11,740.50	47	6/26/42
8022		\$2,067,153.11	6845	

U. S. Treasury Department
Procurement Division
Purchase Classification Section
July 2, 1942

FOR DEFENSE



TREASURY DEPARTMENT
Washington

141

FOR IMMEDIATE RELEASE,
Thursday, July 2, 1942

Press Service
No. 32 - 28

The following statement was made today by Secretary Morgenthau:

Total budgetary expenditures of the United States Government during the fiscal year ended June 30, 1942, were \$32,397,000,000, as reflected in the Daily Treasury Statement released today. Of these expenditures \$25,954,000,000, or 80 per cent, were for war activities.

The rate of expenditure for war purposes has risen rapidly, month by month, reflecting the steady expansion of our war production. In June, 1941, we spent on national defense \$832,000,000, or approximately ten per cent of the estimated national income for that month. In June, 1942, we had succeeded in increasing war production so that war expenditures had risen nearly fivefold to \$3,823,000,000, or about 40 per cent of that month's estimated national income. In the entire fiscal year just closed we expended approximately 25 per cent of the national income for the war effort. In 1943 the contemplated war expenditures will represent approximately 55 per cent of the national income.

Net revenue receipts of \$12,799,000,000 during the fiscal year were 68 per cent higher than those of the preceding fiscal year, which were the highest up to that time. Despite this rapid increase in revenue, the net deficit for the year amounted to \$19,598,000,000.

If only the receipts from taxes now on the statute books are taken into account, the deficit for the fiscal year which has just begun will be about \$56,223,000,000. The magnitude of this figure emphasizes the urgency of obtaining additional revenue.

This indicates clearly that the tax bill now before Congress should be the start, and not the conclusion, of the wartime revenue program. It is evident, however, that no matter how vigorous the tax policy, it will still be necessary to borrow many billions during the fiscal year 1943. It is of the utmost importance that as large a proportion of this money as possible be borrowed from the current savings of the people, and that the remainder be raised with a minimum of pressure upon price ceilings and of disturbance to the credit structure. It is also important, in order to minimize the post-war burden of the debt, that the necessary funds should be borrowed without departing from a policy of low-interest rates. As a matter of fact, the Government's market financing for this period has been carried out at rates no higher than $\frac{3}{8}$ of one per cent on the shortest term borrowings and $2\frac{1}{2}\%$ for long-term issues.

In order to achieve its objectives the Treasury has issued a series of obligations of a restricted character intended to appeal to the current savings of particular classes of investors. The sale of United States Savings Bonds, for example, has been consistently pressed and has been recently intensified. Thirty per cent of the deficit of the year just ended was financed from this source. These Savings Bonds are now held by millions of individuals, most of whom have never owned a Government security

before. While these bonds carry with them the right of redemption, the redemptions during the fiscal year amounted to only about 3-1/2 per cent of sales for that period.

A new instrument -- the Tax Savings Note -- was devised during the year. This security provides taxpayers with a convenient means of accumulating money in anticipation of taxes. Net sales of these notes provided for financing more than 15 per cent of the deficit during the fiscal year just ended.

Funds of a non-inflationary character are also provided by purchases of the regular forms of Government obligations by individuals and trust accounts and by insurance companies and other corporations from their current savings. A further source of such funds lies in uninvested depreciation and depletion reserves and in the funds accumulated in all classes of business enterprises by the diminution of inventories and by the postponement of capital expenditures. Sales of Government securities to commercial banks do not have an inflationary effect to the extent that they are offset by a diminution in the other assets of the banks, or by the accumulation of individual and corporate savings in the form of bank balances.

It has been the policy of the Treasury Department throughout the fiscal year to place a sufficient proportion of new issues of Government securities in long maturities to provide an ample outlet for all of the savings desired to be invested at the long-term interest rate. In May, the Treasury made a new departure in borrowing policy by offering a long-term registered 2-1/2 per cent security eligible for purchase only by non-banking investors. By means of this type of security, it is hoped to make the maximum appeal to savers of long-term funds, while avoiding the difficulties incident to the sale of long-term securities to the banks.

During the latter half of the fiscal year, an increasing proportion of short-term securities was offered by the Treasury. This was done for the twofold purpose of providing an attractive medium of investment for unabsorbed depreciation and depletion reserves and other business funds likely to be unemployed only for the duration of the war, and of providing a greater fluidity in the money market. The objective of fluidity also was furthered and the short-term rate of interest stabilized by the posting by the Federal Reserve Banks, on April 30, of a 3/8 of one per cent buying rate for Treasury bills.

The following tables show the net amount of public debt acquired during the fiscal year and in each half thereof by each of the principal classes of investors for which data are available, and the distribution of the ownership of the public debt at the beginning and at the end of the fiscal year. Figures for June, 1942, are estimated. As will be noted from the tables, reporting commercial banks (holding about 95 per cent of the Government securities held by all commercial banks) acquired 19 per cent of the increase in the total public debt during the first half of the fiscal year and 32 per cent during the second half. This is equal to 26 per cent of the increase for the entire year. In other words more than two-thirds of the Treasury securities issued during the fiscal year 1942 to finance the deficit were sold to investors outside of the commercial banks.

Absorption of the Increase of the United States Government Debt ^{1/}
During Fiscal Year Ended June 30, 1942, and Each Half of the Fiscal Year

Classified by Type of Investor

	Amount Absorbed			Percent Absorbed		
	Full year: July 1, 1941- Dec. 31, 1941		Jan. 1, 1942- June 30, 1942 ^{2/}	Full year: July 1, 1941- Dec. 31, 1941		Jan. 1, 1942- June 30, 1942 ^{2/}
	(In millions of dollars)					
I. Total Debt ^{3/}						
Commercial banks.....	5,725	1,672	4,053	26	19	32
Mutual savings banks..	476	305	171	2	3	1
Insurance companies...	2,024	1,036	988	9	11	8
Federal Reserve Banks.	461	71	390	2	1	3
Government agencies and trust funds.....	2,121	1,048	1,073	10	12	8
All other investors ^{4/}	10,962	4,888	6,074	51	54	48
Total.....	21,770	9,021	12,749	100	100	100
II. Marketable Debt						
Commercial banks.....	5,609	1,575	4,034	51	41	56
Mutual savings banks..	456	299	157	4	8	2
Insurance companies...	1,981	1,017	964	18	27	14
Federal Reserve Banks.	461	71	390	4	2	5
Government agencies and trust funds.....	354	186	168	3	5	2
All other investors ^{4/}	2,187	658	1,529	20	17	21
Total.....	11,050	3,806	7,244	100	100	100
III. Non-marketable Debt ^{3/}						
Commercial banks.....	116	97	19	1	2	•
Mutual savings banks..	20	6	14	•	•	•
Insurance companies...	43	19	24	•	•	•
Government agencies and trust funds.....	1,767	862	905	17	17	17
All other investors ^{4/}	8,775	4,230	4,545	82	81	83
Total.....	10,720	5,214	5,506	100	100	100

Source: Treasury Survey of Ownership of Government Securities.

Note: Figures do not necessarily add to totals due to rounding.

* Less than 0.5 percent.

^{1/} Includes securities issued or guaranteed by the United States.

^{2/} Estimated. In general, ownership estimates on June 30, 1942, were arrived at by applying preliminary figures on the percentages of the public debt held by the various classes of investors on May 31, 1942, to the increases in each class of security which occurred during the month of June.

^{3/} United States savings bonds are shown at current redemption value, except for Series G which is stated at par.

^{4/} Comprises holdings by individuals, trust and fiduciaries, corporations other than banks, and the holdings of banks and insurance companies not covered by the Treasury Survey. The latter holdings are small.

Ownership of United States Government Debt ^{1/}
As of June 30, 1941 and June 30, 1942

Classified by Type of Investor

	Amount held, June 30, 1941		Amount held, June 30, 1942 ^{2/}	
	(In millions of dollars)	Percent of total	(In millions of dollars)	Percent of total
I. Total Debt ^{3/}				
Commercial banks.....	19,149	35	24,874	32
Mutual savings banks.....	3,361	6	3,837	5
Insurance companies.....	6,871	13	8,895	12
Federal Reserve Banks.....	2,184	4	2,645	3
Government agencies and trust funds.....	8,481	15	10,602	14
All other investors ^{4/}	14,702	27	25,664	34
Total.....	54,747	100	76,517	100
II. Marketable Debt				
Commercial banks.....	19,014	43	24,623	44
Mutual savings banks.....	3,342	8	3,798	7
Insurance companies.....	6,841	16	8,822	16
Federal Reserve Banks.....	2,184	5	2,645	5
Government agencies and trust funds.....	2,360	5	2,714	5
All other investors ^{4/}	10,332	23	12,519	23
Total.....	44,072	100	55,122	100
III. Non-marketable Debt ^{3/}				
Commercial banks.....	135	1	251	1
Mutual savings banks.....	19	*	39	*
Insurance companies.....	30	*	73	*
Government agencies and trust funds.....	6,121	58	7,888	37
All other investors ^{4/}	4,370	41	13,145	62
Total.....	10,675	100	21,395	100

Source: Treasury Survey of Ownership of Government Securities.

Note: Figures do not necessarily add to totals due to rounding.

* Less than 0.5 percent.

^{1/} Includes securities issued or guaranteed by the United States.

^{2/} Estimated. In general, ownership estimates on June 30, 1942, were arrived at by applying preliminary figures on the percentages of the public debt held by the various classes of investors on May 31, 1942, to the increases in each class of security which occurred during the month of June.

^{3/} United States savings bonds are shown at current redemption values, except for Series G which is stated at par.

^{4/} Comprises holdings by individuals, trusts and fiduciaries, corporations other than banks, and the holdings of banks and insurance companies not covered by the Treasury Survey. The latter holdings are small.

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RECEIPTS AND EXPENDITURES

The following table shows (1) receipts and expenditures for the fiscal year 1941; (2) receipts and expenditures for the fiscal year 1942; (3) the increase or decrease in 1942 receipts and expenditures as compared with the fiscal year 1941; and (4) the increase or decrease in 1942 receipts and expenditures for the first and second halves of the fiscal year, roughly corresponding to the pre-war and war periods of the year:

RECEIPTS AND EXPENDITURES - FISCAL YEARS 1941 AND 1942
(in millions of dollars)

	1941	1942	Fiscal year 1942 - CHANGES (+) DECREASES (-)			
			Total	July 1, 1941	Jan. 1, 1942	
				to	to	
			Dec. 31, 1941	June 30, 1942		
Receipts:						
Internal revenues:						
Income tax	3,470	7,960	+ 4,490	+ 783	+ 3,707	
Miscellaneous internal revenue	2,067	3,867	+ 880	+ 383	+ 497	
Social Security taxes	788	1,016	+ 228	+ 99	+ 129	
Taxes upon carriers and their employees	137	170	+ 33	+ 11	+ 22	
Railroad unemployment insurance contributions	7	8	+ 1	+ 1	-	
Customs	392	389	- 3	+ 46	- 49	
Miscellaneous receipts:						
Return of surplus funds from Governmental corporations	319	22	- 297	- 5	- 292	
Other	182	211	+ 29	+ 24	+ 42	
Total receipts	8,369	13,668	+ 5,399	+ 1,343	+ 4,056	
Deduct net appropriations for Federal old-age and survivors insurance trust fund	661	869	+ 208	+ 102	+ 106	
Net receipts	7,707	12,799	+ 5,192	+ 1,241	+ 3,950	
Expenditures:						
I. General:						
Departmental (not otherwise classified)	676	743	+ 67	+ 6	+ 61	
Agriculture Department:						
Agricultural Conservation and Adjustment Administration	824	786	- 38	- 108	+ 70	
Other	56	190	+ 134	+ 125	+ 9	
District of Columbia (United States share)	6	6	-	-	-	
Federal Security Agency:						
Civilian Conservation Corps	297	163	- 94	- 33	- 61	
National Youth Administration	90	88	- 2	+ 15	- 17	
Social Security Board	423	473	+ 50	+ 36	+ 14	
Other	66	75	+ 9	+ 3	+ 4	
Federal Works Agency:						
Work Projects Administration	1,285	882	- 403	- 173	- 230	
Other	347	242	- 105	- 91	- 14	
Interior Department:						
Reclamation projects	86	91	+ 5	+ 9	- 4	
National Housing Agency	17	18	+ 1	+ 3	- 2	
Panama Canal	29	38	+ 9	+ 4	+ 5	
Post Office Department (deficiency)	30	18	- 12	- 20	+ 8	
Railroad Retirement Board	7	10	+ 3	+ 2	+ 1	
River and harbor work and flood control	219	191	- 28	- 25	- 3	
Tennessee Valley Authority	51	127	+ 76	+ 34	+ 42	
Treasury Department:						
Interest on the public debt	1,111	1,260	+ 149	+ 35	+ 114	
Refunds of taxes and duties	90	94	+ 4	- 4	+ 8	
Veterans' Administration	523	555	+ 32	+ 1	+ 1	
Subtotal	6,221	6,050	- 171	- 179	+ 8	
II. War activities:						
War Department	3,636	12,014	+ 8,378	+ 3,389	+ 4,989	
Navy Department	2,266	7,945	+ 5,679	+ 1,680	+ 3,999	
Emergency funds for the President	103	198	+ 95	+ 66	+ 29	
Federal Security Agency	108	152	+ 44	+ 52	- 8	
Federal Works Agency	-	50	+ 50	+ 5	+ 45	
Lend-Lease	21	4,077	+ 4,056	+ 889	+ 3,167	
National Housing Agency	42	282	+ 240	+ 167	+ 73	
Selective Service (administrative expenses)	18	33	+ 15	+ 11	+ 4	
United States Maritime Commission	44	598	+ 554	+ 77	+ 477	
War Shipping Administration	-	88	+ 88	-	+ 88	
Aid to China	-	200	+ 200	-	+ 200	
Other	61	318	+ 257	+ 62	+ 192	
Subtotal	6,301	25,954	+ 19,653	+ 6,401	+ 13,252	
III. Revolving funds (net):						
Farm Credit Administration	5/ 59	7	+ 66	+ 70	- 4	
Federal Farm Mortgage Corporation (capital stock reduction, act June 25, 1940)	5/ 100	-	+ 100	-	+ 100	
Public Works Administration	23	13	- 10	- 4	- 8	
Subtotal	5/ 136	18	+ 154	+ 66	+ 88	
IV. Transfers to trust accounts, etc.:						
Adjusted service certificate fund	10	-	- 10	-	- 10	
Agricultural Marketing Administration (surplus commodity stamps)	91	136	+ 35	+ 38	- 3	
Government employees' retirement funds (U. S. share)	93	103	+ 10	+ 10	- 1	
National service life insurance fund	-	1	+ 1	-	+ 1	
Railroad retirement account	124	143	+ 17	+ 3	+ 13	
Railroad unemployment insurance administration fund transfers to unemployment trust fund (act Oct. 10, 1940)	7	4	- 3	+ 4	- 7	
Subtotal	325	377	+ 50	+ 54	- 4	
Total expenditures (excluding public debt retirements)	12,711	12,327	+ 19,686	+ 6,342	+ 13,244	
Net deficit	5,103	19,398	+ 14,495	+ 5,101	+ 9,394	

5/ Excess of credits, debit.

Note: Figures are rounded to the nearest million and will not necessarily add to the totals shown.

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The total increase of \$5,192,000,000 in receipts for the fiscal year 1942 over those for 1941 was largely accounted for by an increase of \$4,490,000,000 in income taxes. In addition, miscellaneous internal revenue increased \$880,000,000; Social Security taxes increased \$228,000,000; taxes upon carriers and their employees increased \$33,000,000; customs receipts were only \$3,000,000 less than in 1941. Miscellaneous receipts, excluding the return of surplus funds from certain governmental corporations, increased approximately \$66,000,000.

The net receipts for the fiscal year 1942, which amounted to \$12,799,000,000, were \$855,000,000 more than the estimated receipts of \$11,944,000,000 for this period as contained in the Budget Message of January 5, 1942.

The total budgetary expenditures for the fiscal year 1942 (exclusive of debt retirements) amounted to \$32,397,000,000, an increase of \$1,821,000,000 over the estimated expenditures for this period as contained in the Budget Message of January 5, 1942. Total expenditures on a comparable basis were estimated in the Budget Message at \$30,576,000,000 and the increase over budget estimates was accounted for by the acceleration of expenditures for war activities.

The general expenditures which include most of the ordinary operations of the Government amounted to \$6,050,000,000 for the fiscal year 1942 as compared with \$6,221,000,000 for the fiscal year 1941, a decrease of \$171,000,000. General expenditures for 1941 included credits of \$160,000,000 on account of the return of surplus funds of governmental corporations and expenditures for the fiscal year 1942 include \$55,000,000 of such funds repaid to governmental corporations. If these transactions are eliminated for purposes of comparison, general expenditures for 1942 were \$386,000,000 less than those in 1941. This adjusted reduction was accounted for in a large part by a decrease of \$119,000,000 under the Department of Agriculture; \$508,000,000 under the Federal Works Agency, of which \$403,000,000 represented a reduction in the expenditures of the Work Projects Administration; and \$28,000,000 of the River and Harbor work and flood control program; \$94,000,000 under the Civilian Conservation Corps, and \$12,000,000 in the Postal deficiency. On the other hand, general expenditures of certain agencies, closely integrated with our war program, showed substantial increases during 1942 over those for 1941. The principal items in this category are the Tennessee Valley Authority, with increased expenditures of \$76,000,000; Departmental, \$67,000,000; the Panama Canal, \$9,000,000, and reclamation projects, \$5,000,000. Interest on the public debt increased \$149,000,000.

Expenditures for war activities amounted to \$25,954,000,000 for the fiscal year 1942 as compared with \$6,301,000,000, on a comparable basis, for the fiscal year 1941, an increase of \$19,653,000,000. All classifications of expenditures for war activities showed great increases for the year.

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In addition to direct budgetary expenditures, transactions in checking accounts of governmental agencies reflected substantial net expenditures primarily attributable to war activities. The principal item in this category was net expenditures by the Reconstruction Finance Corporation of \$1,936,000,000 as compared with net expenditures of \$725,000,000 for 1941, an increase of \$1,211,000,000.

At the end of the fiscal year 1941 monthly expenditures for defense activities were at an annual rate of approximately \$10,000,000,000. Monthly expenditures for war activities at the end of the fiscal year 1942 had increased to the point where they were equivalent to an annual rate of approximately \$46,000,000,000. Current budget estimates for the next fiscal year place war expenditures at \$67,000,000,000, and in addition, governmental corporations, such as the Reconstruction Finance Corporation, etc., contemplate spending \$3,000,000,000 for war purposes.

The monthly trend of defense and war expenditures during the fiscal years 1941 and 1942 are shown in the following table:

Month	Fiscal year	
	(In millions of dollars) ^{1/}	
	1941	1942
July	199	966
August	223	1,129
September	241	1,327
October	311	1,534
November	393	1,446
December	495	1,847
January	589	2,101
February	610	2,201
March	769	2,797
April	782	3,231
May	857	3,553
June	832	3,823
Total	<u>6,301</u>	<u>25,954</u>

Financing net deficit and other requirements

The following table shows the sources which provided the funds to finance the net deficit of \$19,598,000,000, the excess of expenditures in checking accounts of governmental agencies, etc., of \$3,505,000,000, and the increase in the general fund balance of \$358,000,000.

^{1/} Figures are rounded to nearest million and will not necessarily add to totals shown.

(In millions of dollars)^{1/}

Net deficit, excluding debt retirements		\$19,598
Excess of receipts (-) or expenditures (+) in		
(a) Checking accounts of governmental agencies:		
General	+ 1,815	
Sales and redemptions of obligations in market (net)	+ 1,809	
(b) Trust and other accounts	- 119	
Increase in general fund balance	+ 358	<u>3,863</u>
Total requirements		<u>\$23,461</u>

Means of financing:

Public debt receipts (net) from

(a) Public issues:		
Treasury Bills	835	
Treasury Certificates of Indebtedness ..	3,095	
U. S. Savings Bonds (net)	5,874	
Treasury Notes - Tax Series (net)	3,015	
Other issues	8,878	\$21,696
(b) Special issues:		
Unemployment Trust Fund	841	
Federal Old-Age and Survivors Insurance Trust Fund	753	
Other accounts	171	<u>1,765</u>
Total		<u>\$23,461</u>

THE PUBLIC DEBT

The gross public debt on June 30, 1942, amounted to \$72,422,000,000 as compared with \$48,961,000,000 on June 30, 1941, an increase of \$23,461,000,000. The following statement shows the public debt as of June 30, 1941, and June 30, 1942, classified by character of issues, as between regular issues sold on the market and special issues held for account of Government trust and special funds. The table also shows the increases in the debt from July 1 to December 31, 1941 (for all practicable purposes, the pre-war period) and from January 1 to June 30, 1942 (first six months of war financing). It should be noted that of the net increase of \$23,461,000,000 in the amount of the public debt during the year, \$21,696,000,000 represented an increase in the amount of outstanding public issues, and \$1,765,000,000 an increase in special issues.

^{1/} Figures are rounded to the nearest million and will not necessarily add to the totals shown.

Statement of the outstanding public
debt on June 30, 1941, and June 30, 1942
(In millions of dollars)

Issues	1941	1942	Change during fiscal year 1942		
			Total	July 1, 1941 to Dec. 31, 1941	Jan. 1, 1942 to June 30, 1942
Public issues					
Prewar and postal savings bonds	196	196	--	--	--
Treasury bonds	30,215	38,085	+ 7,870	+ 3,152	+ 4,718
United States Savings bonds	4,314	10,188	+ 5,874	+ 1,826	+ 4,048
Depository bonds	--	79	+ 79	+ 64	+ 15
Adjusted Service bonds	241	229	- 12	- 8	- 4
Treasury notes	5,698	6,689	+ 991	+ 298	+ 693
Treasury notes (Tax series)	--	3,015	+ 3,015	+ 2,471	+ 544
Certificates of indebtedness	--	3,096	+ 3,096	--	+ 3,096
Treasury bills	1,603	2,508	+ 905	+ 398	+ 507
Matured debt on which interest has ceased	205	98	- 107	- 80	- 27
Debt bearing no interest	369	356	- 13	- 7	- 6
Subtotal	42,841	64,537	+ 21,696	+ 8,115	+ 13,581
Special issues					
Government Life Insurance Fund	531	537	+ 6	- 24	+ 30
Federal Old-Age and Survivors Insurance Trust Fund	2,381	3,133	+ 752	+ 356	+ 396
Railroad Retirement Account	74	91	+ 17	+ 17	--
Civil Service Retirement Fund	645	783	+ 138	+ 96	+ 42
Foreign Service Retirement Fund	5	5	--	+ 1	- 1
Canal Zone Retirement Fund	5	7	+ 2	+ 1	+ 1
Alaska Railroad Retirement Fund	1	1	--	--	--
Postal Savings System	88	55	- 33	- 25	- 8
Canal Zone Postal Savings System	--	1	+ 1	--	+ 1
National Service Life In- surance Fund	3	39	+ 36	+ 7	+ 29
Federal Deposit Insurance Corporation	90	95	+ 5	- 25	+ 30
Federal Savings & Loan Insurance Corporation	5	5	--	--	--
Adjusted Service Certificate Fund	19	18	- 1	- 1	--
Unemployment Trust Fund	2,273	3,114	+ 841	+ 459	+ 382
Subtotal	6,120	7,885	+ 1,765	+ 862	+ 903
Grand Total	48,961	72,422	+ 23,461	+ 8,977	+ 14,484

Note: Figures are rounded to the nearest million and will not necessarily add to the totals shown.

The computed rate of interest on the total interest-bearing debt continued its downward trend during the year, principally because of the fact that a large amount of the new debt was of a short-term character at low rates. The average rate was 2.285% on June 30, 1942, as compared with 2.518% on June 30, 1941.

The following table shows market issues of Treasury certificates of indebtedness, Treasury notes, Treasury bonds, and United States Savings bonds offered by the Treasury during the fiscal year 1942, including re-funding operations:

	Issue Date	Maturity Date	Rate	Face Amounts Issued (In millions)		
				Exchanges	Cash	Total
<u>Treasury Certificates of Indebtedness</u>						
A-1942	4/15/42	11/1/42	1/2%	--	1,507.1	1,507.1
A-1943	6/25/42	2/1/43	5/8%	--	1,588.5	1,588.5
<u>Treasury Notes</u>						
A-1946	11/1/41	3/15/46	1%	502.9 1/	--	502.9
E-1946	6/5/42	12/15/46	1-1/2%	1,118.4 2/	--	1,118.4
<u>Treasury Bonds</u>						
1967-72	10/20/41	9/15/72	2-1/2%	189.0	1,407.5	1,596.5
1967-72	12/15/41 3/	9/15/72	2-1/2%	--	1,119.6	1,119.6
1951-55	12/15/41	12/15/55	2%	--	532.7	532.7
1949-51	1/15/42	6/15/51	2%	1,014.0 4/	--	1,014.0
1952-55	2/25/42	6/15/55	2-1/4%	--	1,510.8	1,510.8
1962-67	5/5/42	6/15/67	2-1/2%	--	882.3	882.3
1949-51	5/15/42	9/15/51	2%	--	1,292.4	1,292.4
<u>Treasury Notes (tax series) 5/</u>				--	4,138.9	4,138.9
<u>United States Savings Bonds 6/</u>				--	6,081.6	6,081.6
<u>Total</u>				<u>2,824.3</u>	<u>20,061.4</u>	<u>22,885.7</u>

1/
2/
3/
4/
5/
6/

Exchanged for \$299.4 of RFC notes and \$203.4 of CCC notes.
 Exchanged for \$846.1 of HOLC bonds and \$272.3 of RFC notes.
 Additional to 10/20/41 issue.
 Includes exchanges for \$299.1 of FFMC bonds and \$308.6 of RFC notes.
 Redemptions during the year were \$1,124.4.
 Including discount accrued during the year. Redemptions during the year were \$207.4.
 (Figures are rounded to nearest million and will not necessarily add to totals shown.)

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Under the Public Debt Act of 1942, approved March 28, 1942, the limitation on the general borrowing power under the Second Liberty Bond Act, as amended, was increased from \$65,000,000,000 to \$125,000,000,000. As of June 30, 1942, the unused borrowing authorization under the limitation in effect on this date was \$50,846,000,000, as shown by the following statement:

STATUTORY DEBT LIMITATION
AS OF JUNE 30, 1942

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, "shall not exceed in the aggregate \$125,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time		\$125,000,000,000,
Outstanding as of June 30, 1942:		
Interest-bearing:		
Bonds -		
Treasury	\$38,084,533,250	
Savings (Maturity value)*	12,482,909,100	
Depositary	78,953,000	
Adjusted Service	<u>728,665,857</u>	\$51,375,061,207
Treasury notes	13,955,776,350	
Certificates of indebtedness	6,228,013,000	
Treasury bills (maturity value)	<u>2,508,298,000</u>	<u>22,692,087,350</u>
		\$74,067,148,557
Matured obligations, on which interest has ceased	<u>87,309,050</u>	<u>74,154,457,607</u>
Face amount of obligations issuable under above authority		<u>50,845,542,393</u>
<u>Reconciliation with Daily Statement of the United States Treasury</u> <u>June 30, 1942</u>		
Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act, as amended		74,154,457,607
Deduct, unearned discount on Savings bonds (difference between current redemption value and maturity value)		<u>2,294,720,639</u>
		71,859,736,968
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Pre-War, etc.)	\$ 195,990,180	
Matured obligations on which interest has ceased	10,990,680	
Bearing no interest	<u>355,727,288</u>	<u>562,708,148</u>
Total gross debt outstanding as of June 30, 1942		<u>\$72,422,445,116</u>

* Approximate maturity value. Principal amount (current redemption value) according to preliminary public debt statement \$10,188,188,461.

THE GUARANTEED DEBT

On October 16, 1941, the Secretary of the Treasury announced that thereafter the Treasury would provide the funds needed by governmental corporations and credit agencies and that the previous practice whereby such agencies and corporations sold their guaranteed obligations in the market would be discontinued. As a result of this change in policy, the contingent liabilities of the Government on account of outstanding market issues of obligations of governmental corporations and credit agencies, guaranteed as to principal and interest, decreased from \$6,370,000,000 on June 30, 1941, to \$4,568,000,000 on June 30, 1942, a decrease of \$1,802,000,000. During this period the securities of governmental corporations and credit agencies held directly by the Treasury increased from \$302,000,000 to \$4,079,000,000, an increase of \$3,777,000,000. A statement of guaranteed obligations as of June 30, 1941, and June 30, 1942, is as follows:

STATEMENT OF AMOUNT OF OUTSTANDING OBLIGATIONS
GUARANTEED AS TO PRINCIPAL AND INTEREST BY THE
UNITED STATES AS OF JUNE 30, 1941 AND
JUNE 30, 1942

(In millions of dollars)

	<u>1941</u>	<u>1942</u>	1942 Increase (+) Decrease (-)
Market Issues:			
Commodity Credit Corporation	696	701	+ 5
Federal Farm Mortgage Corporation ..	1,270	944	- 326
Federal Housing Administration	17	26	+ 9
Home Owners' Loan Corporation	2,419	1,563	- 856
Reconstruction Finance Corporation .	1,741	1,219	- 522
Federal Public Housing Authority ...	226	114	- 112
Subtotal	6,370	4,568	- 1,802
Issues held by Treasury:			
Commodity Credit Corporation	140	400	+ 260
Federal Farm Mortgage Corporation ..	-	263	+ 263
Home Owners' Loan Corporation	-	551	+ 551
Reconstruction Finance Corporation .	20	2,534	+ 2,514
Tennessee Valley Authority	57	57	-
Federal Public Housing Authority ...	85	274	+ 189
Subtotal	302	4,079	+ 3,777
Total	6,672	8,647	+ 1,975

Note: Figures have been rounded to the nearest million and will not necessarily add to totals shown.

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Between July 1, 1941, and October 16, 1941, the Treasury offered on behalf of governmental agencies the following market issues of guaranteed obligations:

	Issue Date	Maturity Date	Rate	Face Amounts Issued (In millions)		
				Exchanges	Cash	Total
Commodity Credit Corporation Notes: Series G	7/21/41	2/15/45	1-1/8%	\$200.8	\$210.8	\$411.6
Reconstruction Finance Corporation Notes: Series W	7/3/41	4/15/44	1%	208.7	362.7	571.4
			TOTAL	<u>\$409.5</u>	<u>\$573.5</u>	<u>\$983.0</u>

LOANS AND INVESTMENTS

The Government's interest in the net assets (excluding cash on deposit with the Treasurer of the United States) represented by loans, other investments and properties of governmental corporations and credit agencies amounted to \$6,204,000,000 as of May 31, 1942, as compared with \$3,022,000,000 as of May 31, 1941, a net increase of \$3,182,000,000. This increase is accounted for in large measure by the Treasury's purchase of securities issued by governmental corporations rather than having such securities sold in the market. The amount of such net purchases during the fiscal year ended June 30, 1942, was \$3,777,000,000.

TREASURY FINANCING OPERATIONS

During the fiscal year 1942, sales of new marketable issues of Treasury certificates of indebtedness, Treasury notes, Treasury bonds, and United States Savings bonds (including discount accrued during the year) aggregated \$22,885,600,000 as compared with \$7,781,600,000 during the fiscal year 1941. The computed rate of interest on all such new issues was 1.78% as compared with the computed rate of 2.14% on similar issues for the fiscal year 1941.

The amount of Treasury bills outstanding increased from \$1,603,000,000 on June 30, 1941, to \$2,508,000,000 on June 30, 1942.

The Treasury refunded the following issues maturing or called for redemption during the fiscal year 1942: 2 issues of Treasury notes, 3 issues of Reconstruction Finance Corporation notes, one of which matured on July 1, 1942; 1 issue of Commodity Credit Corporation notes; 2 issues of Federal Farm Mortgage Corporation bonds called for redemption on January 15, 1942, and March 1, 1942; and one issue of Home Owners' Loan Corporation bonds called for redemption on July 1, 1942, aggregating \$2,936,000,000. Of this aggregate amount of maturing and called issues \$2,825,000,000 were

exchanged for an equivalent amount of new Treasury notes and Treasury bonds, the balance was redeemed for cash. The annual interest charge on the maturing or called securities exchanged amounted to \$47,336,000, equivalent to an annual rate of 1.68%, whereas the annual interest charge on the new Treasury issues amounts to \$46,819,000, equivalent to an annual rate of 1.66%.

During the year, especially after the beginning of hostilities in December, 1941, the Treasury expanded its program for the sale of United States Savings bonds.

The following table shows cash receipts and redemptions during 1942 as compared with prior years and the current redemption value of outstanding Savings bonds at the end of each fiscal year, since the first issue of such bonds in March 1935:

<u>Fiscal Year</u>	<u>Receipts</u>	<u>Redemptions</u>	<u>Outstanding at end of year</u>
1942	\$6,082,000,000	\$207,000,000	\$10,189,000,000
1941	1,557,000,000	148,000,000	4,314,000,000
1940	1,151,000,000	114,000,000	2,905,000,000
1939	712,000,000	82,000,000	1,868,000,000
1938	505,000,000	67,000,000	1,238,000,000
1937	520,000,000	36,000,000	800,000,000
1936	265,000,000	11,000,000	316,000,000
1935	63,000,000	1,000,000	62,000,000

On July 3, 1941 the Treasury announced a plan to make it easier for taxpayers, large and small, to meet the unprecedented tax bills required by the National Defense program which was then gaining momentum. Under this plan two series of Treasury notes were issued, both dated August 1, 1941 and maturing August 1, 1943. The plan contemplated that on January 1 of each year thereafter two new series would be provided so that a taxpayer could always purchase notes during the entire year in which he is receiving his income, to be used in payment of taxes due in the following year. One series of notes, designated Tax Series A, provide a return of about 1.92% a year if the notes are used in payment of taxes, but if they are redeemed for cash only the issue price will be paid to the holder. A limitation of \$1200 was placed upon the amount of Tax Series A notes which could be used in payment of income taxes by any one taxpayer in any one tax year. The other series of notes, designated Tax Series B, provide a return of about .48% per year if the notes are used in payment of taxes, but if they are redeemed for cash only the issue price will be paid to the holder. No limit has been placed on the amount of Tax Series B notes which may be used by taxpayers in meeting their tax payments. During the fiscal year 1942 \$72,000,000 of Tax Series A notes and \$4,067,000,000 of Tax Series B notes were sold. Substantial amounts of these notes were used in connection with the payment of the March and June, 1942 tax installments. During the fiscal year \$1,104,000,000 of these notes were received for taxes, of which \$17,000,000 were Series A notes and \$1,087,000,000 were Series B notes. Only \$21,000,000 of these notes were presented for cash redemption, of which less than \$1,000,000 were Series A notes and \$20,000,000 Series B notes.

As of the end of June, 1941, United States Government agencies and trust funds held \$8,481,000,000 of direct and indirect securities issued by the United States, of which \$2,360,000,000 consisted of public marketable issues and \$6,121,000,000 of special issues sold direct to such agencies and trust funds. During the year ended June 30, 1942, total holdings of such securities by Government agencies and trust funds increased \$2,121,000,000, of which \$356,000,000 represented the net increase in marketable issues and \$1,765,000,000 represented the increase in special issues. Total holdings of securities on June 30, 1942, amounted to \$10,602,000,000 as compared with the total outstanding direct and indirect securities issued by the United States amounting to \$76,517,000,000 on that date.

TREASURY ISSUES

The financing on October 20, 1941, the first since the beginning of the fiscal year, was announced on October 9, 1941, and consisted of an offering to the public for cash, at par and accrued interest, of \$1,200,000,000, or thereabouts, of 2-1/2% Treasury Bonds of 1967-72, maturing September 15, 1972. In addition to the cash offering, the holders of \$204,425,400 outstanding 1-1/4% Treasury notes of Series C-1941, maturing December 15, 1941, were offered the privilege of exchanging such notes for the Treasury Bonds mentioned above, the notes exchanged being accepted at par with interest adjustments as of October 20, 1941. Also, in addition to the cash offering for public subscription, \$100,000,000, or thereabouts of 2-1/2% Treasury Bonds of 1967-72 were made available for allotment to Government investment accounts against cash payment. The amount of Treasury Bonds of 1967-72 issued on cash subscriptions, including \$100,000,000 allotted to Government investment accounts, was \$1,407,503,200. Of the 1-1/4% Treasury notes of Series C-1941, \$188,971,200 were exchanged for Treasury Bonds of 1967-72.

On October 23, 1941, there was announced an offering of 1% Treasury Notes of Series A-1946, dated November 1, 1941, and maturing March 15, 1946. The Treasury offered to accept in payment for these notes the proceeds of redemption from the holders of \$299,839,000 of 7/8% Reconstruction Finance Corporation Notes of Series P, maturing November 1, 1941, and also offered to purchase at par and accrued interest \$204,241,000 of 1% Commodity Credit Corporation Notes of Series E, maturing November 15, 1941, to the extent to which the holders thereof subscribed for Treasury Notes of Series A-1946. Subscriptions from others were not invited. A total of \$502,866,000 of the Treasury Notes of Series A-1946 was issued. \$299,444,000 of the maturing Reconstruction Finance Corporation Notes of Series P and \$203,422,000 of the Commodity Credit Corporation Notes of Series E were tendered and accepted as payment for the Treasury Notes of Series A-1946.

The financing on December 15, 1941, announced December 4, 1941, consisted of an additional offering of \$1,000,000,000, or thereabouts, of 2-1/2% Treasury Bonds of 1967-72, dated October 20, 1941, maturing September 15, 1972; and an offering of \$500,000,000, or thereabouts, of 2% Treasury Bonds of 1951-55, dated December 15, 1941, maturing December 15, 1955; both issues being offered to the public for cash, at par and accrued interest. In addition to the public offering, provision was made to sell \$50,000,000 of the Treasury Bonds of 1967-72 to Government investment accounts.

For the benefit of small investors preferential allotment was given under each issue to subscriptions for \$5,000 and under, where delivery in registered bonds 90 days after the issue date was specified. A face amount of \$1,119,570,750 of Treasury Bonds of 1967-72, including \$50,000,000 sold to Government investment accounts and about \$26,000,000 on preferred allotments, was issued. Of the Treasury Bonds of 1951-55 the amount issued was \$532,687,950 which included about \$13,800,000 sold on preferred allotments. The December financing was the first occasion on which the Treasury announced a definite basis for subscriptions from all classes of subscribers. It is felt that this action resulted in more equitable allotments for the legitimate investment requirements of subscribers. Subscriptions were grouped broadly into four classes, as follows:

Banks and trust companies for their own account - not to exceed 50 per cent of capital and surplus.

Mutual savings and cooperative banks, Federal Savings and Loan Associations, trust accounts and investment corporations, pension funds, insurance companies, and similar institutions and funds - not to exceed 10 per cent of total resources.

Corporations organized for profit, and dealers and brokers - not to exceed 50 per cent of net worth.

Individuals - not to exceed 50 per cent of net worth or 100 per cent of cash deposited with subscription.
(Note: No preferred allotment was made on such full-paid subscriptions.)

The Treasury announced on January 11, 1942, an offering of 2% Treasury Bonds of 1949-51, dated January 15, 1942, and maturing June 15, 1951, the amount of the offering being limited to the amount of securities tendered and accepted, as follows:

1. The holders of \$426,349,500 of 1-3/4% Treasury Notes, Series A-1942, maturing March 15, 1942, were invited to exchange such notes for Treasury Bonds of 1949-51. \$406,387,700 of these notes were exchanged for a like amount of Treasury Bonds of 1949-51.
2. The Treasury offered to apply the proceeds of payment of \$236,476,200 outstanding 3% Federal Farm Mortgage Corporation Bonds of 1942-47, called for redemption on January 15, 1942, to payment for Treasury Bonds of 1949-51. \$203,251,900 of these bonds were redeemed and the proceeds applied in payment for a like amount of Treasury Bonds of 1949-51.

3. The Treasury offered to purchase, at par and accrued interest, \$103,147,500 of outstanding 2-3/4% Federal Farm Mortgage Corporation Bonds of 1942-47, called for redemption on March 1, 1942, to the extent to which the holders thereof subscribed for Treasury Bonds of 1949-51. \$95,829,300 of these bonds were purchased and that amount was subscribed by the holders to the purchase of Treasury Bonds of 1949-51.

4. The Treasury offered to apply the proceeds of payment of \$310,090,000 outstanding 7/8% Reconstruction Finance Corporation Notes of Series R, maturing January 15, 1942, to payment for Treasury Bonds of 1949-51. \$308,550,000 of these notes were tendered for payment and the proceeds accepted in payment for a like amount of Treasury Bonds of 1949-51.

The total amount of Treasury Bonds of 1949-51 issued under the above-mentioned provisions was \$1,014,018,900.

On February 13, 1942, there was announced an offering to the public for cash, at par and accrued interest, of \$1,500,000,000, or thereabouts, of 2-1/4% Treasury Bonds of 1952-55, dated February 25, 1942, and due June 15, 1955. Subscriptions were entertained from the various classes of subscribers on the basis inaugurated in the financing of December, 1941. For the benefit of small investors, preferential allotment was given to subscriptions for \$5,000 and under, where delivery in registered bonds 90 days after the issue date was specified. A face amount of \$1,510,795,300 of Treasury Bonds of 1952-55, including about \$13,132,000 on preferred allotments, was issued.

The financing on April 15, 1942, announced on April 6, 1942, consisted of an offering to the public for cash, at par and accrued interest, of \$1,500,000,000, or thereabouts, of 1/2% Treasury Certificates of Indebtedness of Series A-1942, dated April 15, 1942, due November 1, 1942. Subscriptions were entertained on the same basis as under the December, 1941, and February, 1942, issues of Treasury Bonds. The face amount of Treasury Certificates of Indebtedness of Series A-1942 issued was \$1,507,083,000, including about \$66,000,000 of subscriptions in amounts up to and including \$25,000, which were allotted in full.

On May 4, 1942, there was announced an offering for cash, at par and accrued interest, of two series of Treasury Bonds, consisting of \$1,250,000,000, or thereabouts, of 2% Treasury Bonds of 1949-51, dated May 15, 1942, due September 15, 1951; and an unspecified amount of 2-1/2% Treasury Bonds of 1962-67, dated May 5, 1942, due June 15, 1967.

The rules inaugurated in December, 1941, and followed in February and April, 1942, governing the basis of subscriptions to Government securities, were not made applicable and no limitation was placed upon amounts of subscriptions to these issues. All subscriptions up to and including \$10,000 for that issue were allotted in full. The face amount issued of Treasury Bonds of 1949-51 was \$1,292,444,100, including about \$69,000,000 of subscriptions of \$10,000 and under, which were allotted in full.

- 20 -

The announcement provided that the 2-1/2% Treasury Bonds of 1962-67 would not be available for subscription, for their own account, by commercial banks which accept demand deposits. It was provided that these bonds would not be transferable before July 6, 1942, and that they would not be transferable to commercial banks which accept demand deposits before May 5, 1952. However, these bonds may be pledged as collateral for loans, including loans by commercial banks which accept demand deposits, but any such bank acquiring such bonds before May 5, 1952, because of the failure of such loans to be paid at maturity will be required to dispose of them in the same manner as they dispose of other assets not eligible to be owned by banks. As the offering was not specific in amount, it remained open for a period longer than customary. The face amount issued of Treasury Bonds of 1962-67, including \$52,618,000 sold to Government investment accounts, was \$882,306,500.

The Treasury announced on May 25, 1942, an issue of 1-1/2% Treasury Notes of Series B-1946, dated June 5, 1942, due December 15, 1946, in payment of which there might be tendered only 2-1/4% Home Owners' Loan Corporation Bonds, Series G 1942-44, called for redemption on July 1, 1942, of which \$875,438,625 were outstanding; or 1% Reconstruction Finance Corporation Notes of Series S, maturing July 1, 1942, of which \$275,868,000 were outstanding. Exchanges were made par for par with an adjustment of accrued interest to June 5, 1942. A face amount of \$1,118,353,400 of the Treasury Notes of Series B-1946 was issued, for which there were exchanged \$846,081,400 of Home Owners' Loan Corporation Bonds, Series G 1942-44, and \$272,272,000 of Reconstruction Finance Corporation Notes, Series S.

The financing on June 25, 1942, announced June 18, 1942, consisted of an offering for cash of \$1,500,000,000 or thereabouts, of 5/8% Treasury Certificates of Indebtedness of Series A-1943, dated June 25, 1942, and maturing February 1, 1943. There were no restrictions as to the basis for subscribing to this issue. Subscriptions up to and including \$25,000 were allotted in full. A face amount of \$1,588,495,000 of the Certificates of Indebtedness of Series A-1943 was issued, including about \$61,000,000 of subscriptions in amounts up to \$25,000, allotted in full.

GUARANTEED ISSUES

Due to the policy adopted in October, 1941, of financing Government corporations and credit agencies through the Treasury, there was very little financing activity during the fiscal year 1942 with respect to the sale of new guaranteed market issues. However, the following financing transactions were consummated during the early part of the fiscal year:

Reconstruction Finance Corporation:

On June 24, 1941, the Secretary of the Treasury, on behalf of the Reconstruction Finance Corporation, invited subscriptions from the public, at par and accrued interest, for \$500,000,000, or thereabouts, of 1% notes of Series W of the Corporation, dated July 3, 1941, and maturing April 15, 1944. This financing was designed to provide new cash for the Corporation

and to refund the Corporation's 7/8% notes of Series N, maturing July 20, 1941, of which there were \$211,460,000 outstanding. A total of \$571,363,000 face amount of Series W notes was issued; \$208,668,000 being exchanged for Series N notes and \$362,695,000 being sold for cash.

Commodity Credit Corporation:

On July 10, 1941, the Secretary of the Treasury, on behalf of the Commodity Credit Corporation, announced an offering, at par and accrued interest, for \$400,000,000, or thereabouts, of 1-1/8% notes of Series G of the Corporation, dated July 21, 1941, and maturing February 15, 1945. This financing was designed to refund the Corporation's 5/8% notes of Series D, maturing August 1, 1941, of which there were outstanding \$202,553,000, and to provide additional cash for the Corporation. A face amount of \$411,596,000 notes of Series G were issued, including \$200,815,000 exchanged for notes of Series D and \$210,781,000 sold for cash.

Prepared by: Mr. [unclear]
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]

162

DEPARTMENT
COMMUNICATION

DATE July 2, 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: July Financing

SUMMARY

The working balance of the Treasury has not increased in the past year nearly in proportion to the greater strain placed upon it by rising expenditures. It is suggested that it be increased substantially. Such action should probably be deferred, however, until late July or early August, when it can be carried through in conjunction with a decrease in reserve requirements. In such a case the present financing would be not in excess of \$2 billions.

The insurance company "well" has not yet filled up sufficiently to insure the success of a reopening of the 2-1/2's of 1962-67. It is suggested that such a reopening be deferred until late July or early August when its success would be assured by prospective insurance company subscriptions. Such a reopening should be the occasion, however, for an intensive drive for individual and trust fund subscriptions.

The offering of a 2-1/8 or a 2-1/4 percent security at the present time would be justified by traditional market and maturity considerations. Such an issue would be largely absorbed by commercial banks, however. It would involve the payment of unnecessary interest and would complicate the problem of credit control. A 2 percent issue is probably preferable, therefore.

The financing might consist either of a 2 percent bond alone or of a 2 percent bond and a medium-term note. If the total amount of the financing is to be \$1.5 billions, it might well consist of a 2 percent bond alone; while, if it is to be \$2 billions, the combination of bond and note might be preferable. In any event, this decision will require a careful check with the market.

See foot note page 2

Secretary Morgenthau - 2

I. Desirable Size of Cash Balance

The most important factors determining the desirable size of the cash balance are (1) the rate of expenditures and (2) the prospective uncertainty or irregularity of cash receipts.

Treasury expenditures have increased very rapidly during the past year. Expenditures for June 1942 amounted to about \$4.5 billions. This is nearly three times expenditures for June 1941 and over five times the expenditures for June 1940. As there has been no corresponding increase in the customary size of the working balance, the number of days expenditures represented by this balance has declined drastically since the commencement of the Defense program. This is shown by the following table, which compares the working balance on June 30 of each of the past five years with expenditures during the month of June in each of these years, and indicates the number of days expenditures represented by the working balance:

	Working balance June 30	Expendi- tures for June	Number of days expenditures represented by working balance
(In millions of dollars)			
1938	1,628	930	53
1939	2,160	895	72
1940	1,163	887	39
1941	1,885	1,528	37
1942	2,229	4,530	15

Secretary Morgenthau - 3

This decrease in the number of days expenditures represented by the working balance greatly cuts down the "waiting power" of the Treasury in case you find it inconvenient to finance at any particular time -- perhaps because of very bad war news.

This decrease in the "effective" working balance has not been offset by a greater certainty or regularity of receipts. The difficulty of financing, on the contrary, has been increased by the tremendous size of the job; although this is partially offset by the patriotism of the market and the greater general willingness to resort to direct controls, which two factors make possible, in wartime, financing operations which would not be considered feasible in time of peace.

It would seem desirable, therefore, to maintain a larger cash balance for the duration of the war.*

II. Appropriate Time to Increase the Cash Balance

The present financing does not seem to be an appropriate occasion for attempting a large increase in the size of the cash balance. The excess reserve situation is not good, and the market has probably already adjusted itself for an issue not in excess of \$2 billions. Also, the war news is not good -- although it may get no better in the near future.

The Federal Reserve bill for providing greater flexibility in changing reserve requirements has now passed both the House and Senate, and is awaiting the President's signature. When this bill becomes law, it will become possible for the Federal Reserve System to decrease sharply reserve requirements in New York and Chicago, and perhaps in reserve cities. The principal objection on the part of Federal to such action has been that it would cause an unhealthy rise in the bond market. Such a

* This balance should, of course, be maintained principally in War Loan Account with commercial banks, rather than with the Federal Reserve Banks. In order to make this possible, it may be necessary and desirable to modify greatly the restrictions upon the amount of War Loan Account which may be carried by any depository bank.

Secretary Morgenthau - 4

rise could be avoided if the decrease in reserve requirements were accompanied, or immediately followed, by a very large issue of Government securities -- perhaps \$4 or \$5 billions.

After studying the response to such an issue, it would be possible to make a better decision as to the relative desirability of bimonthly or quarterly financings of large amount, as compared with monthly financings of smaller amount. In any event, however, it would be necessary to re-enter the market not long after the first large issue if the Treasury balance is to be maintained at the new increased level.

III. Immediate Questions Presented by the July Financing

Assuming that not in excess of \$2 billions is to be raised next week, the following immediate questions present themselves:

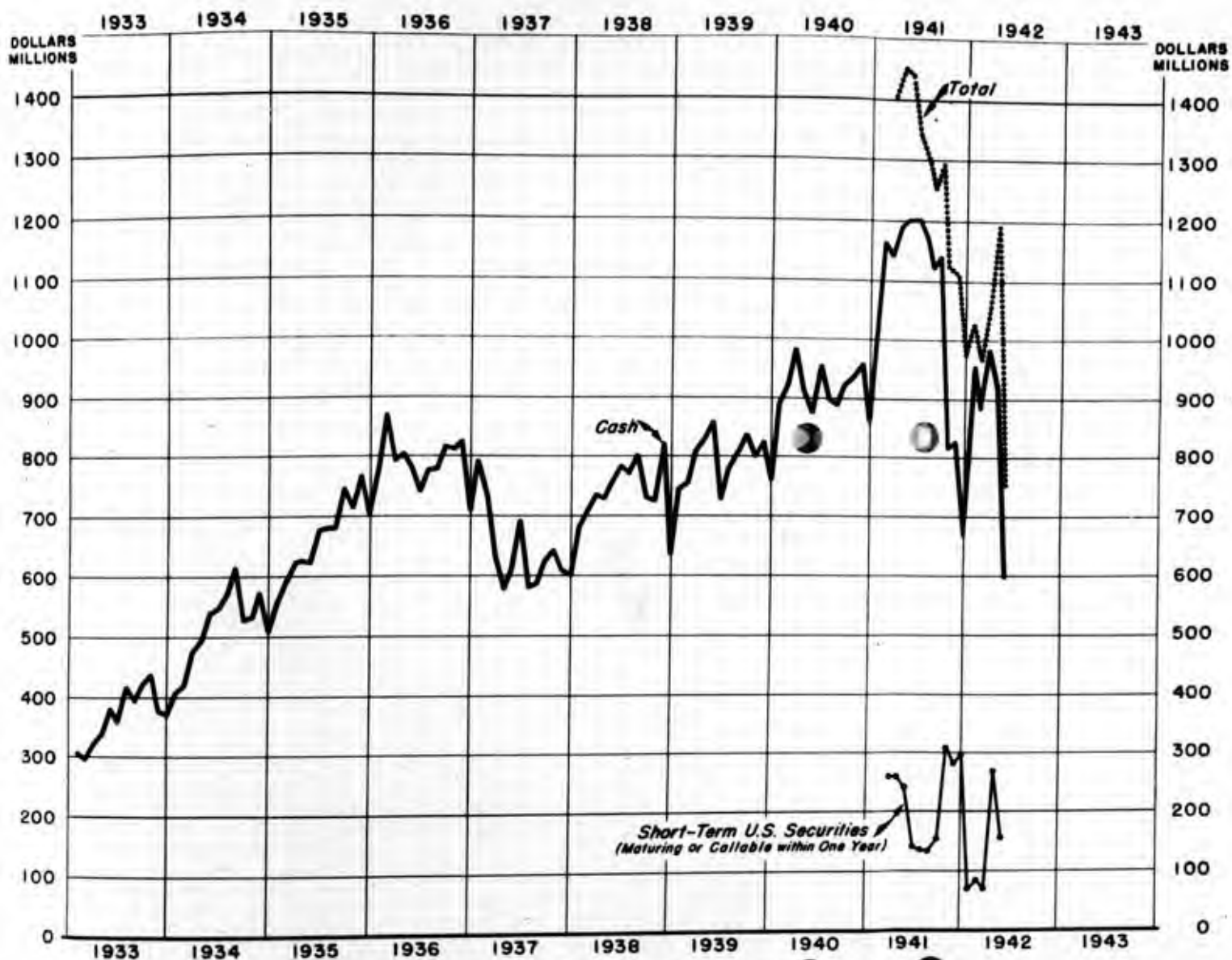
- (1) Should the 2-1/2's of 1962-67 be reopened at this time?
- (2) Should the financing contain either a 2-1/8 or a 2-1/4 percent security?
- (3) Should the financing be in one or two securities?

The following sections of this memorandum take up the above questions in order.

IV. Should the 2-1/2's of 1962-67 Be Reopened at This Time?

Total subscriptions to the 2-1/2's of 1962-67 amounted to \$882 millions when they were first offered in May. Of these subscriptions, \$602 millions were from insurance companies. Another \$52 millions were from Government trust accounts. Only \$228 millions were from private investors other than insurance companies.

LIFE INSURANCE COMPANY HOLDINGS OF CASH AND SHORT-TERM U.S. SECURITIES*



* 36 legal reserve companies having 82 percent of total admitted assets of all United States legal reserve life insurance companies. Data on holdings of U.S. securities are only available since the inception of the Treasury Survey of the Ownership of Government Securities.

Secretary Morgenthau - 5

As it turned out, the issue was generally accounted a success. Had subscriptions from insurance companies been smaller, this might not have been the case.

From a long-term point of view, insurance company subscriptions are not the important thing. They are strictly limited in amount and are money which the Treasury will probably get in any event. From the long-term point of view, the important thing is to sell issues of this type to individuals and trust accounts. In this respect the first offering of the 2-1/2's was disheartening -- only \$51 millions, or 6 percent of the total issue, being taken by individuals and trust accounts combined.

It is very important that sales of the 2-1/2's to individuals and trust accounts be pushed by the Victory Fund Committees when the issue is reopened. In order to assist in this, we have suggested that a repayment-at-death provision be added to these bonds similar to that now incorporated in Series G savings bonds.

The major argument for reopening the 2-1/2's at this time is to give the Victory Fund Committees something to do -- although the force of this argument is somewhat reduced by the increase in the maximum subscription limit for Series F and G savings bonds effective July 1.

It seems important, however, that the reopening of the 2-1/2's should be considered a "success" in the market -- if only to maintain its psychological appeal to individuals and trust accounts. This can only be assured when the insurance companies are in a position to take another large block.

From this standpoint, a reopening at this time would seem premature, as the last offering placed a strain on the resources of the insurance companies from which they have probably not yet recovered. The cash holdings of 36 large life insurance companies amounted on May 31 to \$597 millions. This is a decrease of \$324 millions for the month of May, and represents the smallest cash balance held by these companies since August 1937. During the month of May, the holdings by these companies of Government securities of under one year

Secretary Morgenthau - 6

maturity (which provide a liquid reserve for acquiring long-term securities) also decreased by \$112 millions. (See accompanying chart.)

It is suggested, therefore, that a reopening of the 2-1/2's be deferred until late July or early August. By this time the insurance company "well" should have filled up sufficiently to assure a "successful" issue, which would in turn serve as a background for the promotion of sales to individuals and trust accounts.

V. Should the Financing Contain
Either a 2-1/8 Percent or a
2-1/4 Percent Security?

It has been urged that the financing should contain either a 2-1/8 percent or a 2-1/4 percent issue. The principal reasons advanced for this are (1) that such an issue would fit into the maturity pattern of the Treasury, and (2) that it would be popular with the market because it would fall in an area which has not recently been "hit".

Based upon the present market, a 2-1/8 percent and a 2-1/4 percent bond, respectively, would fall about as follows:*

	Estimated Yield Basis	Probable Price
(Percent)		
2-1/8 percent due December 15, 1949-52 (7 years, 5 months- 10 years, 5 months)	2.00	100-28/32
2-1/4 percent due December 15, 1952-55 (10 years, 5 months- 13 years, 5 months)	2.15	100-30/32

*This pricing is based on the supposition that either of these issues would be about \$1 billion. It is not believed that either would be a suitable vehicle for the entire financing of \$1.5 or \$2.0 billions.

Secretary Morgenthau - 7

Either a 2-1/8 percent or a 2-1/4 percent bond, if offered, would be absorbed largely by commercial banks. To the extent that it was absorbed by other investors, it would undermine future offerings of restricted 2-1/2's.

Selling additional long-term bonds to the banks at the present time would complicate the problem of post-war credit control, however, and might even increase the difficulty of controlling the market for the duration of the war. A shorter-term security, on the other hand, would both out interest costs to the Treasury and simplify the problems of war and post-war control of the market, and therefore seems preferable.

VI. Should the Financing Be in One or in Two Securities?

If the approach to the financing problem suggested in the preceding section should be adopted, it would seem to follow that the present financing should include a 2 percent bond. Such a security would fall about as follows:

	: Estimated : Yield : Basis :	: Probable : Price
	(Percent)	
2 percent bond due December 15, 1949-51 (7 years, 5 months- 9 years, 5 months)	1.94	100-13/32

Secretary Morgenthau - 8

If it is decided to offer a 2 percent bond, the question will remain whether this should be the sole security or whether the offering should be divided between a 2 percent bond and a note. This is a question involving the "feel" of the market and can best be decided after the conferences with dealers and other persons close to the market.

A preliminary judgment would be that, if the financing is to be confined to \$1.5 billions, it might well consist of a 2 percent bond only; but that, if it is to be as large as \$2 billions, it might well be divided between a 2 percent bond and a 1-1/4 percent note -- perhaps \$1-1/4 billions in the bond and \$3/4 billion in the note. A 1-1/4 percent note would fall about as follows:

	Estimated Yield Basis	Probable Price
(Percent)		
1-1/4 percent note due June 15, 1945 (2 years, 11 months)	1.20	100-5/32

While the estimated premium in the above table is small, we believe that the pricing is conservative. A three-year note fits in much better with the maturity schedule, and its offering would probably impart a stronger tone to the market than would the offering of a shorter note. In view of the smallness of the premium, however, it would be particularly important to check such a note closely with persons in intimate touch with the market.

Attachment

171
JUL 2 1942

Dear Colonel Pope:

I am very grateful for your letter of June 17, 1942, and the offer of your services to explain the Treasury financing to the general public with the idea of making it definitely understood among the banks and investing public that the Treasury intends to finance this war on a 2-1/2% basis as a maximum for straight Government obligations.

I have some hesitancy in undertaking a program of this kind at this time. I believe that during the past sixty days a general feeling has developed that the Treasury can and should finance the war at a rate not in excess of 2-1/2%. I should prefer to have this thought develop gradually and without any influence whatever from the Treasury if it is at all possible. However, I shall be glad to give consideration to your generous offer, which I appreciate very much.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Colonel Allan M. Pope,
President,
The First Boston Corporation,
100 Broadway,
New York, N. Y.

Photostat file to NMC
Orig. File to Thompson

DWB:NLE



173

THE FIRST BOSTON CORPORATION

ALLAN M. POPE
PRESIDENT

ONE HUNDRED BROADWAY
NEW YORK

June 17, 1942.

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

My dear Mr. Morgenthau:-

This morning, knowing that you had other men waiting to see you on schedule, I did not refer to the subject matter of this letter.

I have talked this subject over with a number of men such as Mr. Winthrop Aldrich, the President of the Association of Reserve City Bankers and the President of the New York Clearing House Association, and I can only say, without quoting any one of them, that they are in general agreement with the idea. I have not discussed with them the method of carrying it out.

I am convinced that you have one major problem so far as selling your new issues is concerned unless some untoward event occurs not now foreseen. That problem is to maintain the stability of the market; and, as I believe I said this morning, I am convinced and the gentlemen I mentioned above seem convinced that you have all the powers necessary to maintain this stability. I believe I am safe in saying that you will find the majority of those who fully understand the mechanism now recognize that you are going to be able to finance the war on a 2 1/2% basis for long bonds and on a correspondingly lesser basis for shorter maturities.

The public generally is not cognizant of this fact and the majority of men are convinced that as you proceed you will have to pay more for your money, which naturally causes hesitation. I know this to be true, for example, of a group of ten or twelve of the professional buyers for the largest banks of one of our principal cities because I have talked to them all assembled together.

Some of the gentlemen whom I referred to in the first paragraph appear to be quite sure that, while it would be unusual and at other than war times inadvisable, the Treasury could say that it intends to finance the war on a 2 1/2% basis as a maximum for straight government obligations. They, however, doubt whether agreement could be reached so that the government would say this publicly.

Talking with Mr. Szymczak after I left you, he agreed with me that the same effect is produced if enough men of standing, not connected with the Treasury Department, make the statement often enough and give the reasons for believing this to be a correct statement.

As I said this morning, I am far from being in the position of seeking any additional work beyond what I am now doing in connection with the war, but because I have for the last fifteen years or more had a large following among large investors in the principal cities and have addressed them publicly on occasions in all our financial centers, I would put myself at your disposal, not as an employee of the Treasury Department in any sense, to undertake to tell the story of government financing and to organize some others who might do the same in various parts of the country.

This would require various natural opportunities for speeches and careful publicity. The speeches wherever made should be almost identical, they should be factual and entirely and definitely unofficial but should be unofficially approved by the Treasury Department. They should also be in words of one syllable.

If this can be done sufficiently and properly, in my opinion it will sell more government obligations to the important buyers, which should include the greatest number possible outside of the banks; but in view of the size of your undertaking it should reach the large buyers for I believe the small individuals outside of the drive for E, F and G bonds will be a source too small to be of real effect, and to reach them would confuse the E, F, and G bond campaign.

I referred to the gentlemen above merely to let you know that this is not only an idea of my own. I am not in any sense speaking for them nor quoting them. On the occasion of his recent call upon me and later in a conversation in his office, I have gone over the details of this thought with Mr. Szymczak. If you care to pursue the matter he might be able to elaborate on the subject as we discussed it together.

I should be very glad to be of any assistance if you care to use me.

Very sincerely yours,

Allen M. Roy

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

*2nd by
Accounting* 174
7-3-42
11-50-1
Date July 2, 1942.

Office Correspondence

To Chairman Eccles
From Mr. Thurston

Subject: _____

Several significant points are brought out in the Budget Speech of the Canadian Finance Minister on June 23 in the Canadian House of Commons.

1. Canadian War Financing

"Total borrowings during the year, excluding debentures of over \$33 million reissued to the western provinces in continuation of the school lands settlement, amounted to approximately \$2,424 million. Of this total, \$1,834 million was borrowed from the public in the two victory loans; \$85,294,000 represents the sale of war savings certificates and stamps; \$4,553,000 non-interest bearing certificates; \$10,000,000 was borrowed in New York for refunding; \$450 million was borrowed from the Bank of Canada and the chartered banks, replacing issues of identical amounts held by them and which matured during the year; the remainder, \$40,000,000, is the increase in treasury bills outstanding during the year. Thus, aside from the increase in treasury bills, there was no new direct borrowing from the Bank of Canada or the chartered banks during the year."

Ilsley pointed out that 78 per cent of Canada's own expenditures were met out of revenue and just over 50 per cent of Canadian expenditures plus advances to Great Britain were met out of revenue. While it is true that there was some more borrowing from the banks than appears on the surface, due to the fact that individuals and corporations have borrowed from the banks to buy government securities, nevertheless, the Canadians have done a superb job in keeping war financing by the banks at a minimum.

2. Public Debt

Ilsley said:

"It is not the size of the debt that is a matter of chief concern for after all it is an obligation of the people of Canada through their government to the people of Canada. Rather, we are concerned about the distribution of it. It is a matter of the first importance that those who have the right to receive payments on government obligations shall be those who will use the repayments to provide needed improvements in their standard of living, maintain themselves against insecurity, and contribute to the improvement of our productive equipment."

JUL 2 1942

Dear Mr. Sparks:

It is with sincere regret that I accept your resignation as Field Director, War Savings Staff.

You have faithfully served the Treasury for more than a year, and you have contributed in important ways toward the building of a fine national organization to promote the widespread and regular buying of War Bonds among our people.

I am much gratified that you have consented to remain in our organization in a consulting capacity, and I am sure that you will continue to give us most valuable service.

Please accept my personal thanks and best wishes.

Sincerely,

(Signed) H. Hergenthan, Jr.

Mr. Robert W. Sparks,
The Bowery Savings Bank,
110 East 42nd Street,
New York, New York.

Photostat file to NAC
Orig. File to Thompson



TREASURY DEPARTMENT

WASHINGTON

June 26, 1942

WAR
SAVINGS STAFF

My dear Mr. Secretary:

It is with great regret that I write this letter of resignation from the position of Field Director of the War Savings Staff, to take effect June 30, 1942. Having had the privilege of working with the War Savings Staff of the United States Treasury for more than a year, it is not easy to break many ties that have been made. However, the Bowery Savings Bank, which has made it possible for me to accept your kind invitation to work with the Staff, now finds it necessary for me to return.

I am happy to learn that you have decided to honor me with an appointment as Consultant so that I may continue to render as much assistance as is possible and continue to enjoy the contacts and benefits of the associations made with the Treasury.

Respectfully yours,

R. W. Sparks
Field Director
War Savings Staff

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



JUL 2 1942

MEMORANDUM FOR THE PRESIDENT:

I return herewith, as you requested, the papers which accompanied your memorandum of June 23 regarding the attitude of the Dry Dock Savings Institution of New York City toward the War Bond Program.

I enclose also a memorandum dated June 29, from Mr. R. W. Sparks, Field Director, War Savings Staff, from which it will appear that the suggestion that the Dry Dock Savings Institution is not cooperating properly in the War Savings Program is without foundation.

(Signed) E. Mergenthaler, Jr.

HNG/mff

Photostat file to NMC
Orig. File to Thompson

By Message

Schey 4:50
7/2/42

June 23, 1942.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY
FOR YOUR INFORMATION AND
PLEASE RETURN FOR MY FILES.

F. D. R.

JOHN FRANKLIN CARTER

(Jay Franklin)

1210 NATIONAL PRESS BUILDING
WASHINGTON, D. C.Metropolitan 4112
Metropolitan 4113

June 22, 1942.

"We, the People"
"The Week in Washington"

REPORT ON SAVINGS BANKS AND WAR-BONDS.

George Walker, of this unit, submits the attached memorandum in duplicate concerning the alleged action of the Dry Dock Savings Institution of New York City, which discouraged depositors from withdrawing their savings to invest them in U.S. War Bonds. Possibly this will interest the Treasury.

JFC.
J.F.C.

War Bonds

June 20, 1942.

Walker

One of our New York contacts has called our attention to the action of the Dry Dock Savings Institution Lexington Ave. and Fifty-Ninth Street, New York, which discouraged two depositors from withdrawing their savings to invest them in U.S. Government War Bonds.

In one instance the depositor was told that there would be a delay of at least ten days before the withdrawal could be made for any purpose and in the other the depositor left the bank with the definite impression that the bank officer with whom she talked did not favor putting all of her savings into the bonds.

The larger New York banks, particularly the commercial banks, have been substantial buyers of the bonds and they push them with their depositors but this is the first instance your reporter has heard of where a savings bank has at least seemed to be lukewarm on the bonds.

It is possible that all of the savings banks are adopting a similar attitude because of the fear that all of their depositors will withdraw accounts which at present are paying low interests rates and will put the funds into the bonds, which, to their maturity pay slightly more, or at least the equivalent of the savings bank rate.

Your reporter felt that this information should be sent in for consideration.

####

*Sold larger
volume of Bonds
per 10 by depositors*

*OK for collection
refers this for
collection*

6/29/42

Mr. Harold N. Graves

R. W. Sparks

The attached report is apparently an effort to draw a conclusion without knowledge of the facts. An investigation of the facts proves this to be so. The reporter goes out of his way to draw attention to the fact that commercial banks are buying War Savings Bonds in large quantities; whereas even an elementary knowledge of the problem would indicate that this is not permissible.

Again, with no knowledge of the problem, the reporter attempts to draw a conclusion that there are reasons, in his mind, why savings banks should not sell War Savings Bonds wholeheartedly; therefore, he infers that such banks are not enthusiastically supporting the plan. The facts are as follows:

The Dry Dock Savings Institution (mentioned in the report) has sold more War Savings Bonds in proportion to its depositors than any other savings bank in the country. It is the bank that originated the Victory Club idea for the purchase of War Savings Bonds. One of its officers has been devoting his entire time to soliciting payroll savings plans which the bank will service at great expense to itself. It offers free safekeeping of War Savings Bonds to its depositors. More than 25 per cent of its newspaper advertising and window displays is specifically directed to the sale of War Savings Bonds, and the counters in the Dry Dock Savings Institution used for the sale of these bonds occupy the most conspicuous place on its banking floors.

It is possible that a person attempting to draw against uncollected funds would be told that a ten-day period must elapse for clearance of the check. This is standard practice in all savings banks and has been for many years.

The bank has investigated and found one case in which a person without employment and with no income asked whether the bank would advise her to put all of her savings account into War Savings Bonds, not realizing that she would have to wait 60 days after issue to cash a War Bond for living expenses. Here is a clear case of a bank giving the best advice from the viewpoint of the Government as well as the depositor. Surely if any War Bond purchases were made that would be earmarked for redemption, bonds purchased by such a depositor would be in that class.

The President of the Dry Dock Savings Institution was one of the group first to offer the full cooperation of the savings bank to Secretary Morgenthau in March 1941. He has talked over the radio in favor of War Savings Bonds on many occasions. As President

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of the National Association of Mutual Savings Banks, he urged all members to qualify to the end that every savings bank in the country is actively backing the War Savings Program.

As you know, the savings banks in New York State have been doing a fine job of selling War Savings Bonds, measured by almost any conceivable standard, including comparison with the fine work of the commercial banks. The savings banks were the first to offer their services as a group in connection with the New York Pledge Campaign. They have already published two advertisements in this campaign, not city-wide, but State-wide.

I believe the attached report is not without deliberate bias and that it is more harmful than helpful to the cause of War Savings.

CONCERNS HAVING TEN PERCENT OR MORE ALLOTTED
TO THE PURCHASE OF WAR SAVINGS BONDS

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7/2/44

<u>NAME</u>	<u>No. of EMPLOYEES</u>	<u>Employee PARTICIPATION</u>	<u>Payroll PARTICIPATION</u>
Arma Corp., Brooklyn, N. Y.	3,000	100%	12%
Sonoco Products Co., Hartsville, S. C.	1,525	99.5%	10%
Diamond T. Motor Car Co., Chicago, Ill.	1,743	98%	10% plus
W. T. Grant Co., New York, N. Y.	900	96%	11%
Northwestern Steel and Wire Co., Sterling, Ill.	1,795	100%	10%
W. S. Butterfield Theatres Inc., Detroit, Mich.	1,289		10.6%
Bayonne Associates, Bayonne, N. J.	1,100		16.8%
Consolidated Steel Corp., Orange, Texas	12,000	94%	10% plus
Cummins Construction Co. Cedar Point, Md.	2,000		10% plus
Hamilton Foundry & Machine Co., Hamilton, Ohio	331		10%
Grues Watch Co., Cincinnati, Ohio	184	100%	10% plus
General Electric Co., Schenectady, N. Y.	125,000 plus	95%	10%
Northern Pump Co., Minneapolis, Minn.	6,630	100%	14.39%
Deere & Webber Co., Minneapolis, Minn.	317		10%
Southern Bleachery & Print Works Inc., Greenville, S.C.	1,641		10% plus
Consagra Coal Co., Blakely, Pa.	300	100%	10%
Beech Aircraft Corp., Wichita, Kansas	Over 5,000		16.14%
American Hoist & Derrick Co., St. Paul, Minn.	1,500	95%	10% plus
Scruggs, Vandervoort & Barney, St. Louis, Mo.	2,610	98% (St.&Bds)	14.8%
(REPORT FROM DEPUTY ADMINISTRATOR ILLIGEN, PA.)			
American Chain, Division of American Chain and Cable Co., York, Pa.	2,058	100%	10.24%
Saquoit Silk Mill, Scranton, Pa.	1,100	100%	10%
Peer Carbon Co., St. Marys, Pa.	1,100	98%	10%
Babcock & Wilcox Tube Co., Beaver Falls, Pa.	2,000		10% plus

<u>NAME</u>	<u>No. of EMPLOYEES</u>	<u>Employee PARTICIPATION</u>	<u>Payroll PARTICIPATION</u>
Standard Oil of California		98%	10%
Studebaker Corporation, Indiana		100%	7.6%
Casco Products Corporation, Bridgeport, Conn.	855		11.9%
J. Hungerford Smith Co., Rochester, N. Y.			10%

Title 31 - Money and Finance: Treasury
Chapter II - Fiscal Service
Subchapter B - Bureau of the Public Debt

Part 315 - REGULATIONS GOVERNING UNITED STATES SAVINGS BONDS

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REGULATIONS GOVERNING UNITED STATES SAVINGS BONDS

Department Circular No. 530
Fifth Revision

Treasury Department,
Office of the Secretary,
Washington, June 1, 1942.

Fiscal Service
Bureau of the Public Debt

To Owners of United States Savings Bonds, and Others Concerned:

Department Circular No. 530, Fourth Revision, dated April 15, 1941 (6 F.R. 2191), as amended, is hereby further amended and issued as a Fifth Revision to read as follows:

The following regulations governing United States Savings Bonds are published for the information and guidance of all concerned:

Sub-part A APPLICABILITY

Sec. 315.1. Applicability of regulations.- These regulations apply generally to all United States Savings Bonds of all series of whatever designation and bearing any issue dates whatever except as otherwise specifically provided herein.*

* Sections 1 to 66, inclusive, issued under the authority contained in R.S. 161 (5 U.S.C. 22), the Second Liberty Bond Act, as amended, and the Public Debt Act of 1941, sec. 3 (55 Stat. 7).

Sub-part B REGISTRATION

Sec. 315.2. General.- United States Savings Bonds will be issued only in registered form. The name and complete post office address of the owner, as well as the name of the coowner or designated beneficiary, if any, and the date as of which

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the bond is issued will be inscribed thereon at the time of issue by an authorized issuing agent. ^{1/} The form of registration used must express the actual ownership of and interest in the bond and, except as otherwise specifically provided in these regulations, will be considered as conclusive of such ownership and interest. No designation of an attorney, agent or other representative to request or receive payment on behalf of the owner, nor any restriction on the right of such owner to receive payment of the bond, other than as provided in these regulations, may be made in the registration or otherwise.*

Sec. 315.3. Restrictions.- Only residents (whether individuals or others) of the United States, including its territories and insular possessions, the Canal Zone and the Philippine Islands, and American citizens temporarily residing abroad, may be named as owners, coowners or designated beneficiaries, on bonds originally issued on or after April 1, 1940, or authorized reissues thereof. ^{2/} *

Sec. 315.4. Authorized forms of registration, Series E.- Bonds of Series E may be registered only in the names of individuals (natural persons), whether adults or minors, in their own right in one of the following forms of registration:

- ^{1/} The date of maturity is also inscribed on Savings Bonds of Series A, Series B and Series D.
- ^{2/} Under the terms of Executive Order No. 6399, as amended, and the regulations issued thereunder, bonds may not be issued to nationals (as defined in said Order) of blocked countries or to nationals of enemy countries, whether or not residing in the United States, unless such nationals are generally or specially licensed under the terms of the Order.

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- (a) ONE PERSON: In the name of one person, for example:

"John A. Jones:"

- (b) TWO PERSONS - COOWNERSHIP FORM: In the names of two (but not more than two) persons in the alternative as coowners, for example:

"John A. Jones OR Mrs. Ella S. Jones:"

No other form of registration establishing coownership is authorized.

- (c) TWO PERSONS - BENEFICIARY FORM: In the name of one (but not more than one) person, payable on death to one (but not more than one) other person, for example:

"John A. Jones, payable on death to

Miss Mary E. Jones:"

"Payable on death" may be abbreviated as "p.o.d." The first person named is hereinafter referred to as the owner or registered owner, and the second person named as the beneficiary or designated beneficiary. If it is desired that a bond revert to the United States upon the death of the owner as a donation, it may be registered in the name of the owner with the Treasurer of the United States named as beneficiary.

The full name of the owner and that of the coowner or beneficiary, if any,

should be used and should be the name by which the person is ordinarily known and under which he does business. If there are two given names the initial of one may be used, and that if a person is habitually known and does business by initial only of his given names, registration may be in such form. The name may be preceded by any applicable title such as "Dr.", "Rev.", etc., and in the case of women should be preceded by "Mrs." or "Miss". A married woman's own name should be used, not that of her husband, for example, "Mrs. Mary A. Jones", not "Mrs. Frank B. Jones". A minor, whether or not under legal guardianship, may be named as owner or coowner if the bonds are purchased as a gift to him and a minor may name a coowner or beneficiary on bonds purchased by him from his wages, earnings or other money in his possession; but bonds purchased by a parent or guardian with funds already belonging to a minor must be registered in the minor's name alone without the addition of a coowner or beneficiary. If a person named in the registration of the bond is under legal disability and a guardian or similar representative of his estate has been appointed by a court or is otherwise legally qualified, the registration should indicate such facts by the addition of appropriate words, for example, "Frank Jones, a minor under legal guardianship of Henry Smith". Bonds should not be registered in the name of a person under disability for reasons other than minority unless a legal representative of his estate has been appointed. *

Sec. 315.5. Authorized forms of registration. Series F and G-- Bonds of Series F or G may be registered in the names of individuals in their own right as set forth in Sec. 315.4 above, and subject to the same conditions as therein set forth. Bonds of these two series

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may also be registered in the names of fiduciaries, corporations, associations or partnerships, except that they may not be registered in the names of commercial banks, that is, banks accepting demand deposits in the usual and general course of business. The following forms are authorized for such registration:

(a) Executors, administrators, guardians, etc.-

In the name of one or more executors, administrators, guardians, conservators or other representatives of a single estate appointed by a court of competent jurisdiction or otherwise legally qualified, all of whose names must be included in the registration, followed by adequate identifying reference to the estate, for example:

"John Smith, executor of the will (or administrator of the estate) of Henry J. Smith, deceased", or "William C. Jones, guardian (or conservator, etc.) of the estate of James D. Brown, a minor (or an incompetent)".

If a guardian or other legal representative holds a common fund for the account of two or more estates or wards, bonds should be registered in the name of the representative for each such estate or ward separately, even though the representative was appointed in a single

proceeding. A father or mother, as such, or as natural guardian, is not considered a fiduciary for purposes of registration.

- (b) Trustees.-- In the name or names of one or more trustees or other fiduciaries of a single duly constituted trust estate, which will be considered as an entity, followed by adequate identifying reference to the trust instrument or other authority creating the trust, for example:

"John C. Brown and the First National Bank, trustees under the will of Henry C. Brown, deceased", or "The Second National Bank, trustee under an agreement with George E. White, dated February 1, 1935".

The names of all trustees must be given, unless they are too numerous, act as a board or hold office for a limited period of time. Registration may be in the title without the names of the trustees in the case of unincorporated lodges, churches, societies or similar organizations, title to whose property is held by trustees, and in the case of public officers, corporations or bodies acting as trustees under express authority of law, for example:

"Trustees of the First Baptist Church, Akron, Ohio, an unincorporated association", or "Treasurer of the State of Nebraska, in trust for the policyholders of X Corporation, under Section ____ of Nebraska Statutes".

If the instrument or other authority creating the trust establishes a board of trustees acting as a board and not as individuals, registration may be in the name of the board as such, for example:

"Board of Trustees for the State Hospital for the Insane, under Section _____ of Nebraska Statutes".

Registration may not be made in the names of trustees under an agreement or other instrument purporting to create a trust where the funds used represent ^{merely} security for the performance of an obligation, except under a statute the terms of which expressly create an actual trust relationship.

- (c) Pension or retirement funds, etc.- Registration may be made in the names and title, or title alone, of trustees of a pension or retirement fund or of an investment, savings, insurance, annuity, or similar fund or trust, but in all such cases the fund will be regarded as an entity regardless of the number of beneficiaries or the manner in which their respective interests are established or determined. Segregation of individual shares as a matter of bookkeeping or as a result of individual agreements with beneficiaries will not operate to constitute separate trusts under these regulations.
- (d) Private corporations and associations.- In the name of any private organization whether incorporated or

unincorporated (except commercial banks as hereinbefore defined), using in each case the full legal name of the organization without mention of any officer or member but making reference, if desired, to a particular bookkeeping account or fund (not a trust), as follows:

- (1) A private corporation, followed by the words "a corporation", for example: "Smith Manufacturing Company, a corporation";
 - (2) An unincorporated association, lodge, church or society, or similar body, followed by the words "an unincorporated association", for example: "The Lotus Club, an unincorporated association". The term "an unincorporated association" should not be used to describe a trust fund, a partnership, or a business conducted under a trade name;
 - (3) A partnership, considered as an entity, followed by the words "a partnership", for example: "Smith and Brown, a partnership".
- (e) States and public corporations.-- In the full legal name or title of the owner or custodian of public funds, other than trust funds, as follows:
- (1) Any sovereignty, as a State, or any public corporation, as a county, city, town or school district,

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for example: "State of Maine", or "Town of Rye, New York".

- (2) Any board, commission or other public body duly constituted by law, for example: "Maryland State Highway Commission".
- (3) Any public officer designated by title only, for example: "Treasurer, City of Chicago".

Registration may include reference to a particular book-keeping account, if desired.

- (f) Schools.-- Registration is not authorized in the name of an unincorporated or public school, or class or activity thereof. Bonds held for the benefit of such school, class or activity should be registered in the name of a school principal or other school officer, as trustee, by title only, for example: "Principal, Western High School, in trust for Class of 1940 Library Fund"; a written agreement of trust will not be required in cases of small amounts. *

Sec. 315.6. Unauthorized registration.-- Savings bonds inscribed in a form not substantially in agreement with those authorized by this sub-part will not be considered as validly issued and will be accepted only for a refund of the purchase price except in those cases in which reissue can be made under the provisions of these regulations. *

Sec. 315.7. Forms of registration on reissue.-- Bonds reissued under the provisions of these regulations may be reissued in any form of registration permitted by the regulations in effect on the date of original issue. *

Sub-part C LIMITATION ON TRANSFER

Sec. 315.8. Not transferable.- United States Savings Bonds are not transferable and are payable only to the owners named thereon except in case of the disability or death of the owner or as otherwise specifically provided herein, but in any event only in accordance with the provisions of these regulations. Accordingly, savings bonds may not be sold or hypothecated as collateral for a loan and may not be used as security for the performance of an obligation except as expressly provided in these regulations.*

Sub-part D LIMITATION ON HOLDINGS

Sec. 315.9. Amount which may be held.- As provided by Section 22 of the Second Liberty Bond Act, as added February 4, 1935 (U.S.C. 1940 Ed., title 31, section 757c), and by regulations prescribed by the Secretary of the Treasury pursuant to the authority of that section, as amended by the Public Debt Act of 1941, 55 Stat. 7, the amounts of savings bonds of the several series issued during any one calendar year that may be held by any one person at any one time are limited as follows:

- (a) Series A, B, C and D - \$10,000 (maturity value) of each series.
- (b) Series E - \$5,000 (maturity value).
- (c) Series F and G - \$50,000 (issue price) for the calendar year 1941 and \$100,000 (issue price) for each calendar year thereafter, of either series or of the combined aggregate of both.

The term "person" shall mean any legal entity, including but not limited to, an individual, a partnership, a corporation (public or private), an unincorporated association or a trust estate. *

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Sec. 315.10 Calculation of amount.- In computing the amount of savings bonds of any one series issued during any one calendar year held by any one person at any one time, for the purpose of determining whether the amount is in excess of the authorized limit as set forth in the next preceding section, the following rules shall govern:

- (a) The holdings of each person, as defined in the next preceding section, individually and in a fiduciary capacity, shall be computed separately.
- (b) In the case of bonds of Series A, B, C, D and E, the computation shall be based upon maturity values. In the case of bonds of Series F and G, the computation shall be based upon issue prices.
- (c) There must be taken into account (1) all bonds originally issued to and registered in the name of that person alone or in his name with another as coowner, and (2) all bonds reissued to add his name as coowner under the provisions of Sec. 315.29 (a) hereof, or to designate him as a coowner instead of as a beneficiary, under the provisions of Sec. 315.35 hereof.
- (d) There must be taken into account all bonds of Series A, B, C, and D acquired before March 1, 1941, on the death of another or the happening of any other event, but not those of which such person is merely the designated beneficiary upon the death of the registered owner, or

those held for his benefit by a fiduciary, unless he became entitled to such bonds absolutely before March 1, 1941, as the result of the death of the registered owner or the termination of the trust, as the case may be.

- (e) Nothing herein contained shall be construed to invalidate any holdings within, or to validate any holdings in excess of, the authorized limits, as computed under the regulations in force at the time such holdings were acquired.*

Sec. 315.11. Disposition of excess.-- If any person at any time acquires savings bonds issued during any one calendar year in excess of the prescribed amount the excess must be immediately surrendered for redemption at the purchase price. *

Sub-part E LOST, STOLEN, MUTILATED, DEFACED, OR DESTROYED BONDS

Sec. 315.12. Relief in case of loss, etc. -- Under the provisions of the Government Loans in Shipment Act, relief either by the issue of a substitute bond or by payment may be given in case of the loss, theft, destruction, mutilation or defacement of a savings bond. In any such case immediate notice of the facts, together with a complete description of the bond (including series, year of issue, serial number and name and address of the registered owner) should be given to the Treasury Department, Division of Loans and Currency, Merchandise Mart, Chicago, Illinois. The Department will thereupon furnish an appropriate form and full instructions for presenting the evidence necessary to secure relief under the law and the regulations as contained in Department Circular No. 300, as amended. If such bond is subsequently recovered immediate notice of such recovery should be given to the Division of Loans and Currency (at the address above), in order that delay may be avoided upon a later presentation of the bond for payment. *

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Sub-part F **SAFEKEEPING FACILITIES**

Sec. 315.13. Safekeeping of bonds.- Arrangements may be made for the safekeeping of a savings bond by the Treasury or by a Federal Reserve Bank as fiscal agent of the United States. Application forms for safekeeping may be secured from postmasters, Federal Reserve Banks, or the Treasury Department.*

Sub-part G **INTEREST**

Sec. 315.14. General.- United States Savings Bonds are issued in two forms: (1) appreciation bonds, issued on a discount basis and redeemable before maturity at increasing fixed redemption values; and (2) current income bonds, bearing interest payable semiannually and redeemable before maturity at fixed redemption values less than the face amount of the bond. At present Series G constitutes the only issue of current income savings bonds.*

Sec. 315.15. Appreciation bonds.- No interest as such is paid on savings bonds issued on a discount basis. Such bonds increase in redemption value at the end of the first year from issue date and at the end of each successive half-year period thereafter until their maturity, when the full amount becomes payable. The increment in value represents interest and is payable only on redemption of the bonds, whether at or before maturity.*

Sec. 315.16. Current income bonds.- Each such bond bears interest at a specified rate computed on the face amount of the bond and payable semiannually, beginning six months from issue date. Except for redemption at par as provided in Sec. 315.18 (c) of Sub-part H hereof, full

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advantage of interest at the rate specified may be secured only if the bonds are held to maturity; if bonds are redeemed before maturity at current redemption values the difference between the face or full maturity value and the current redemption value then payable in accordance with the table printed on the face of each bond, will represent an adjustment of interest for the rate appropriate for the shorter term, as set forth in the tables attached to the circular announcing the issue of such bonds.

- (a) Method of interest payments.- Interest due on current income bonds will be paid on each interest payment date by check drawn to the order of the person or persons in whose name the bond is inscribed in the same form as their names appear in the inscription on the bond, except that in the case of a bond registered in the form "A, payable on death to B", the check will be drawn to the order of A alone until the Treasury receives notice of A's death, from which date the payment of interest will be suspended until such time as the bond is presented for payment or reissue. Interest so withheld will be paid to the person entitled to payment of the bond, or in case of reissue to the person in whose name the bond is reissued. Interest checks on bonds registered in the names of accountants will be mailed to the payee first named at his address of record unless otherwise specifically directed.

- (b) Reissue during interest period.- If a current income bond is reissued for any reason between interest payment dates, interest for the entire period will be paid, on the next interest payment date, by check drawn to the person in whose name the bond is reissued. Ordinarily, if a bond is received for reissue less than a month prior to an interest payment date reissue cannot be effected until after such interest payment date.
- (c) Change of address.- Prompt notice should be given to the Treasury Department, Division of Loans and Currency, Merchandise Mart, Chicago, Illinois, of any change of address by the owner of current income bonds. The notice should refer to all bonds for which it is desired that the address be changed and should describe each bond by date, serial number, series (including year of issue) and inscription appearing on the face of the bond.
- (d) Termination of interest.- In case of redemption prior to maturity of current income bonds interest will cease on the last day of the interest period next preceding the date of redemption. In case of partial redemption interest on the amount redeemed will cease on the last day of the interest period next preceding the date of partial redemption, and interest due thereafter will be paid only on the lower amount remaining after partial redemption.
- (e) Consolidation of checks.- Whenever possible a single check will be issued on each payment date for interest on all current income bonds of a single series due to any owner on that date.

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- (f) Endorsement of checks.- Interest checks must be endorsed in accordance with the requirements of the Treasurer of the United States, by the payee, either personally or by an attorney in fact, or in case of the death of the payee, by his executor or administrator. Forms for the appointment of such attorney may be obtained from the Treasurer of the United States or from any Federal Reserve Bank. *

Sub-part H GENERAL PAYMENT AND REDEMPTION PROVISIONS

Sec. 315.17. Payment at maturity.- Pursuant to its terms, a savings bond of any series will be paid at or after maturity at its full face or maturity value, but only following presentation and surrender of the bond for that purpose with a request for payment properly signed and certified as herein provided.*

Sec. 315.18. Redemption before maturity.- Pursuant to its terms, a savings bond may not be called for redemption by the Secretary of the Treasury prior to maturity, but may be redeemed in whole or in part at the option of the owner, prior to maturity under the terms and conditions set forth in the offering circular of each series and in accordance with the provisions of these regulations, but only following presentation and surrender for that purpose with a request for payment duly signed and certified as provided herein.

- (a) Series A, B, C, D, and E.- A bond of Series A, B, C, D, or E will be redeemed in whole or in part at any time after 60 days from the issue date without advance

notice, at the appropriate redemption value as shown on the face of the bond.

- (b) Series F and G.-- A bond of Series F or G will be redeemed, in whole or in part, on one month's notice in writing, on the first day of any month not less than six months from the issue date, at the appropriate redemption value as shown on the face of the bond. The owner's option to redeem may be shown by a signed request for payment or by express written notice, and payment will be made as of the first day of the first month following by at least one full month the date of receipt of notice by the Treasury Department or a Federal Reserve Bank. For example, if the request or notice is received on June 15, the effective redemption date will be August 1. If express notice is given, the bond must be surrendered to the same agency to which the notice is given not less than fifteen days before the effective redemption date. (See Sec. 315.16 (d) for provisions as to interest in case current income bonds are redeemed prior to maturity.)

- (c) Series G. Redemption at par before maturity.-- Subject to the provisions of the preceding sub-section a bond of Series G (but not of Series F) will be redeemed at par before maturity, in whole or in part: (1) upon the death of the owner or a coowner if a natural person; or (2) if held by a trustee or other fiduciary upon the termination

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of the trust, in whole or in part, by reason of the death of any person. If the trust is terminated only in part, redemption at par will be made to the extent of not more than the pro rata portion of the trust so terminated and only in amounts corresponding to authorized denominations. Proof of death must be furnished and notice of intention to redeem at par before maturity must be received by the Treasury Department or a Federal Reserve Bank within four months after the date of death. Payment will ordinarily be made on the first available date; ^{That} provided, however, payment will be postponed until the next interest payment date, upon request of the persons presenting the bond.*

Sec. 315.19. Form and execution of requests for payment.- Requests for payment of savings bonds, unless otherwise authorized in a particular case, must be executed on the form appearing on the back of the bond to be surrendered and unless otherwise specifically requested payment will be made pursuant to a duly executed request on the earliest day consistent with these regulations.

- (a) Date of request.- Ordinarily requests executed more than six months before the date of receipt of a bond by a Federal Reserve Bank or the Treasury Department will not be accepted.
- (b) Identification and signature of owner.- The registered owner in whose name the bond is inscribed, or such other person as may be entitled to payment under the provisions

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of these regulations, must appear before one of the officers authorized to certify requests for payment (See Sec. 315.20 hereof), establish his identity and in the presence of such officer sign the request for payment in ink, adding in the space provided the address to which the check issued in payment is to be mailed. A signature made by mark (X) must be witnessed by at least one person in addition to the certifying officer and must be attested by endorsement in the blank space substantially as follows: "Witness to the above signature by mark", followed by the signature and address of the witness. If the name of the registered owner or other person entitled to payment, as it appears in the registration or in evidence on file at the Treasury Department, Division of Loans and Currency, has been changed by marriage or in any other legal manner, the signature to the request for payment should show both names and the manner in which the change was made, for example, "Miss Mary T. Jones, now by marriage Mrs. Mary T. Smith", or "Jung Smelt, now by court order John Smith". In case of a change of name other than by marriage the request should be supported by satisfactory proof of such change, unless already on file. No request signed in behalf of the owner or person entitled to payment by an agent or a person acting under a power of attorney will be recognized by the Treasury Department except in those cases arising under Sub-part R hereof.

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- (c) Certification of request.- After the request for payment has been signed by the owner the certifying officer should complete and sign the certificate appearing at the end of the form for request for payment, and the bond should then be presented and surrendered as provided in Sec. 315.23 hereof. *

Sec. 315.20. Certifying officers.- The following officers are authorized to certify requests for payment:

- (a) At United States post offices.- Any postmaster, acting postmaster, or inspector in charge, or other post office official or clerk heretofore or hereafter designated for the purpose. One or more of these officials will be found at every United States post office, classified branch or station. A post office official or clerk other than a postmaster, acting postmaster, or inspector in charge, should certify in the name of the postmaster or acting postmaster, followed by his own signature and official title, for example, "John Doe, postmaster, by Richard Roe, postal cashier". Signatures of these officers should be authenticated by a legible imprint of the post office dating stamp.
- (b) Banks, trust companies and branches.- Any officer of any incorporated bank or trust company or branch thereof, domestic or foreign, including banks or trust companies incorporated in the United States or its organized territories, those doing business in the organized territories or insular possessions of the

United States and the Commonwealth of the Philippines under Federal charter or organized under Federal law, Federal Reserve Banks, Federal Land Banks, and Federal Home Loan Banks; and Federal Reserve Agents and Assistant Federal Reserve Agents, located at the several Federal Reserve Banks. Certifications by any of these officers should be authenticated by either a legible impression of the corporate seal of the bank or trust company or, in the case of banks or trust companies and their branches which are authorized and duly qualified issuing agents for bonds of Series E, by a legible imprint of the issuing agent's dating stamp.

- (c) Issuing agents not banks or trust companies.- Any officers of corporations not banks or trust companies, and of all other organizations, which are duly qualified issuing agents for bonds of Series E. All certifications by such officers must be authenticated by a legible imprint of the issuing agent's dating stamp.
- (d) United States officials.- Judges, clerks and deputy clerks of United States courts, including United States courts for the organized territories, insular possessions, and the Canal Zone; United States Commissioners; United States attorneys; United States collectors of Customs and their deputies; United States collectors of Internal Revenue and their deputies; commissioned officers of the United States Army, Navy, Marine Corps and Coast Guard, but only for members of their respective services, members of their families and civilian employees at Posts or Bases or Stations (such certifying officer should indicate his rank

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and state that the person signing the request is one of the class whose requests he is authorized to certify); the officer in charge of any home, hospital or other facility of the Veterans Administration, but only for patients and members of such facilities; certain officers of Federal penal institutions designated for that purpose by the Secretary of the Treasury and certain officers of the United States Public Health Service Hospitals at Lexington, Kentucky, and at Fort Worth, Texas, and of United States Marine Hospitals at Fort Stanton, New Mexico, and Cayville, Louisiana, designated for that purpose by the Secretary of the Treasury (in each case, however, only for inmates or employees of the institution involved).

- (e) Officers authorized in particular localities.- Certain officers in the Treasury Department; in Washington, D. C.; the Governors and Treasurers of Hawaii, Puerto Rico and Alaska; the Governor and Commissioner of Finance of the Virgin Islands; the Governors and Administrative Naval and Marine officers of Guam and American Samoa; the Governor, paymaster or acting paymaster, and collector or acting collector of the Panama Canal; postmasters and acting postmasters in the Bureau of Posts of the Canal Zone; the United States High Commissioner to the Commonwealth of the Philippines, his Executive Assistant, and the Chief Clerk in his office, the Treasurer of the Commonwealth and the city treasurers of Manila and Baguio, and

judges, and clerks of courts of record of the Commonwealth whose signatures and official positions are certified by the Secretary of Justice.

- (f) In foreign countries.- In a foreign country requests for payment may be signed in the presence of and be certified by any United States diplomatic or consular representative, or manager or other officer of a foreign branch of a bank or trust company incorporated in the United States, whose signature is attested by an impression of the corporate seal or is certified to the Treasury Department. If such an officer is not available, requests for payment may be signed in the presence of and be certified by a notary or other officer authorized to administer oaths, but his official character and jurisdiction must be certified by a United States diplomatic or consular officer under seal of his office.
- (g) Special provision.- In the event none of the officers authorized to certify requests for payment of savings bonds is readily accessible, the Commissioner of the Public Debt is authorized to make special provision for any particular case. *

Sec. 315.21. General instructions to certifying officers.- Certifying officers should require positive identification of the person signing requests for payment and will be held fully responsible therefor. In all cases a certifying officer must affix to the certification his official signature, title, address and seal, or dating stamp, and the date of execution. Officers of Veterans Facilities, Public Health

Service Hospitals, Marine Hospitals and Federal penal institutions, should use the seal of the particular institution or service, where such seal is available. If a certifying officer, other than a post office official, officer of a bank or trust company or officer of an issuing agent, does not possess an official seal, that fact should be made known and attested.*

Sec. 315.22. Interested person not to certify.- No person authorized to certify requests for payment may certify a request for payment of a bond of which he is the owner, or in which he has an interest, either in his own right or in any representative capacity.*

Sec. 315.23. Presentation and surrender.- After the request for payment has been duly signed by the owner and certified as above provided, the bond should be presented and surrendered, if a bond of Series F or G, to a Federal Reserve Bank or Branch or to the Division of Loans and Currency, Merchandise Mart, Chicago, Illinois, or, if a bond of any other series, to a Federal Reserve Bank or Branch or to the Treasurer of the United States, Washington, D. C. Usually payment will be expedited by surrender to a Federal Reserve Bank. In all cases presentation will be at the expense and risk of the owner, and, for his protection, the bond should be forwarded by registered mail if not presented in person. Payment will be made by check drawn to the order of the registered owner or other person entitled and mailed to him at the address given in his request for payment.*

Sec. 315.24. Partial redemption.- A savings bond of any series in a denomination other than the lowest authorized for that series may be redeemed in part at current redemption value, but only in amounts corresponding to authorized denominations, upon presentation and surrender of the bond in accordance with this sub-part. In any such case, before the request for payment is signed, there should be added to the first sentence of the request the words "to the extent of \$ ____ (maturity

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value), and reissue of the remainder". Upon partial redemption of a savings bond the remainder will be reissued as of the original issue date as provided in Sub-part S hereof. For payment of interest on bonds of Series G in case of partial redemption see Sub-part G hereof. *

Sub-part I MINORS AND PERSONS UNDER OTHER LEGAL DISABILITY

Sec. 315.25. Payment to legal guardians.- If the Treasury Department, Division of Loans and Currency, has been properly notified, by the form of registration or otherwise, that the owner of a savings bond is a minor or a person judicially declared incompetent to manage his estate and that a guardian or similar legal representative has been appointed for the estate of such minor or incompetent by a court having jurisdiction or is otherwise legally qualified, payment will be made only to such guardian or similar legal representative. In such case the request for payment appearing on the back of the bond should be signed by the guardian or other legal representative as such, for example, "John A. Jones, guardian (committee) of the estate of Henry W. Smith, a minor (an incompetent)". Unless the form of registration gives the name of the representative, there must be submitted in support of the request a certificate or a certified copy of the letters of appointment from the court making the appointment under the seal of the court, establishing that the appointment is in full force. Such certificate or certification (except in the case of corporate fiduciaries) should be dated not more than six months prior to the date of presentation of the bond for payment. See Sub-part M hereof for payment provisions applicable to bonds registered in the names of guardians and similar fiduciaries. *

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Sec. 315.26. Payment to minors.- If the Treasury Department, Division of Loans and Currency, has not received proper notice that a guardian or similar representative of the estate of a minor has been appointed or is otherwise duly qualified, payment will be made direct to such minor, provided he is, at the time payment is requested, of sufficient competency and understanding to sign his name to the request and to comprehend the nature of such act. In general the fact that the request for payment has been signed by a minor and duly certified in accordance with Sub-part II hereof will be accepted as sufficient proof of such competency and understanding. *

Sec. 315.27. Payment to parents of minors.- If the Treasury Department has not been properly notified that a guardian or similar legal representative of the estate of a minor owner of a savings bond has been appointed or is otherwise legally qualified, and if such minor owner is not of sufficient competency and understanding to execute the request for payment, payment will be made to either parent of the minor with whom he resides, or if the minor does not reside with either parent, then to the person who furnishes his chief support. The parent or such other person should sign the request for payment in his own name, on behalf of the minor, in the form "Mrs. Mary Jones, on behalf of John C. Jones", and should sign a certificate, in substantially the following form, which may be typed on the back of the bond:

"I certify that I am the _____ (relationship) of John C. Jones and the person with whom he resides. He is _____ years of age and is not of sufficient competency and understanding to sign this request".

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If a person other than a parent signs the request on behalf of the minor he should also certify that the minor does not reside with either ^{parent} and that he furnishes his chief support. The Treasury Department may in any particular case require further proof that the minor is not of sufficient competency and understanding to execute the request for payment and of the right of the person executing the request to act on behalf of the minor. *

Sec. 315.28. Payment to voluntary guardian of person under disability.- In any case where the adult owner of a bond has been judicially declared incompetent or such incompetency, in the opinion of the Secretary of the Treasury, is otherwise established, and no duly qualified legal representative of his estate is acting, and the entire gross value of his personal estate does not exceed \$500, payment will be made to a member of his family or other person acting as voluntary guardian, upon presentation of proof satisfactory to the Secretary of the Treasury that the proceeds of the bond are necessary for the purchase of necessities for the incompetent or for his wife or minor children or other persons dependent upon him for support. Applications for such payment should be made only on appropriate forms, which may be obtained from the Treasury Department, Division of Loans and Currency, Merchandise Mart, Chicago, Illinois, or any Federal Reserve Bank. The request for payment should not be executed, nor the bond presented, until the application has been approved and instructions have been given by the Treasury Department. *

Sub-part J SINGLE NAME - ADDITION OF COOWNER, ETC.

Sec. 315.29. Reissue for certain purposes.- A savings bond of any series registered in the name of one person in his own right, or

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to which one person is shown to be entitled in his own right under these regulations, may be reissued upon appropriate request for the following purposes: ~~the following purposes:~~

- (a) Addition of coowner.- Reissue in the name of the owner with that of another natural person as coowner, provided that bonds reissued in accordance with this subsection will be considered for the purposes of computation of holdings under Sub-part D of these regulations as originally issued in both names and no reissue will be effective which results in any one person holding bonds in excess of the established limitation for the series to which the bonds belong. Requests for reissue under this subsection should be made on Form PD 1762.
- (b) Addition of a beneficiary.- Reissue in the name of the owner with the name of another natural person as designated beneficiary. Applications for reissue under the provisions of this subsection should be made on Form PD 1077.*

Sec. 315.30. Reissue upon request of a minor.- Reissues under the provisions of this Sub-part will be made upon request of owners, notwithstanding the fact that they are minors, provided they are of sufficient competency and understanding, and are under no legal disability other than minority. *

Sec. 315.31. Reissue only at Federal Reserve Banks and Treasury.- Reissues in accordance with the provisions of this Sub-part may be made

only at Federal Reserve Banks or at the Treasury Department. A coowner may be added only by reissue of the bond. Federal Reserve Banks, however, may, in appropriate cases, add the name of a beneficiary to bonds already outstanding without reissue, providing such addition is properly certified by the Federal Reserve Bank. *

Sub-part K TWO NAMES - COOWNERSHIP FORM

Sec. 315.32. Payment or reissue.- A savings bond registered in the names of two persons as coowners in the form "John A. Jones OR Mrs. Mary C. Jones", will be paid or reissued as follows:

- (a) During the lives of both coowners.- During the lives of both coowners the bond will be paid to either coowner upon his separate request without requiring the signature of the other coowner; and upon payment to either coowner the other person shall cease to have any interest in the bond. The bond will also be paid to both coowners upon their joint request, in which case payment will be made by check drawn to the order of both coowners in the form, for example, "John A. Jones and Mrs. Mary C. Jones", and the check must be endorsed by both payees. The bond will not be reissued in any form during the lives of both coowners except as specifically provided in these regulations.
- (b) After the death of one coowner.- If either coowner dies without having presented and surrendered the bond for payment to a Federal Reserve Bank or the Treasury Department, the surviving coowner will be recognized as the sole and absolute owner of the bond, and payment will be made only to him, provided, however, that if a coowner

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dies after he has properly executed the request for payment and after the bond has actually been received by a Federal Reserve Bank or the Treasury Department, payment of the bond, or check if one has been issued, will be made to his estate (See Sub-part P hereof). Upon proof of the death of one coowner and appropriate request by the surviving coowner the bond will be reissued in the name of such survivor alone, or in his name with another individual as coowner, or in his name payable on death to a designated beneficiary.

- (c) On death of both coowners in common disaster.- If both coowners die in a common disaster under such conditions that it cannot be established, either by presumption of law or otherwise, which coowner died first, the bond will be considered as belonging to the estates of both coowners.
- (d) After the death of a surviving coowner.- If a surviving coowner who became solely entitled to the bond under the provisions of sub-section (b) of this section dies without having submitted the bond for payment or reissue, the bond will be paid or reissued as though it were registered in the name of such last deceased coowner alone. In this case proof of the death of both coowners and of the order in which they died will be required. *

Sec. 315.33. Place of reissue.- Reissues authorized in this Sub-part will be made in accordance with the provisions of Sub-part 3 hereof, but only at a Federal Reserve Bank or the Treasury Department, and applications for such reissues should be made on forms provided for that purpose. *

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Sub-part I. TWO NAMES - BENEFICIARY FORM

Sec. 315.34. Payment to registered owner.- A bond registered in the name of one person payable on death to another, for example, "Henry W. Ash, payable on death to John C. Black", will be paid to the registered owner during his lifetime upon his properly executed request as though no beneficiary had been named in the registration. *

Sec. 315.35. Reissue during the lifetime of registered owner.- A bond registered in the name of one person payable on death to another may not be reissued during the latter's lifetime to eliminate his name, but may be reissued, on request of the registered owner on Form FD 1762, to name the beneficiary as coowner, subject to the same restrictions and conditions contained in Section 315.29 (a). If the beneficiary should predecease the registered owner, upon proof of such death and upon request of the registered owner, the bond may be reissued in his name alone, or in his name with another individual as coowner, or in his name payable on death to a designated beneficiary. *

Sec. 315.36. Payment or reissue to beneficiary.- If the registered owner dies without having presented and surrendered the bond for payment or authorized reissue to a Federal Reserve Bank or the Treasury Department, and is survived by the beneficiary, upon proof of such death and survivorship, the beneficiary will be recognized as the sole and absolute owner of the bond, and it will be paid only to him, or may be reissued in his name alone, or otherwise reissued in accordance with Sub-part J as though it were registered in his name alone: Provided, however, that if the bond with a properly executed request by the registered owner for payment or authorized reissue has actually been received by a Federal

Reserve Bank or the Treasury Department, payment of the bond, or check, if one has been issued, will be made to the estate of the deceased owner in accordance with Sec. 315.49. *

Sec. 315.37. Payment or reissue after death of the surviving beneficiary.-

After the death of a surviving beneficiary who became entitled under the provisions of this Sub-part, the bond will be paid or reissued in accordance with Sub-Part J as though it were registered in the name of the surviving beneficiary alone. In this case proof of the death of both the registered owner and the beneficiary and of the order in which they died will be required. *

Sec. 315.38. Conditions of reissue.- Reissue under this Sub-part will be made in accordance with Sub-part S hereof, but only at a Federal Reserve Bank or the Treasury Department and applications for such reissue should be made on forms provided for that purpose. *

Sub-part M FIDUCIARIES

Sec. 315.39. Payment to fiduciaries.- A savings bond registered in the name of, or otherwise belonging, to a fiduciary estate, will be paid to the fiduciaries of such estate upon their request. The request for payment must be signed by all acting fiduciaries, except for payment at maturity, when a request by any one or more acting fiduciaries will be accepted, but payment will be made to all. If the bond is registered in the names of individual fiduciaries of the estate who are still acting, no further evidence of authority will be required. In other cases the request for payment must be supported by evidence as specified below:

- (a) **Fiduciaries - by title only.**- If the bond is registered in the titles without the names of the fiduciaries, satisfactory proof of the incumbency of the fiduciaries

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must be furnished, except in the case of public officers.

- (b) Succeeding fiduciaries.- If the fiduciaries in whose names the bonds were registered have been succeeded by other fiduciaries, satisfactory proof of successorship must be furnished.
- (c) Boards, committees, etc., as fiduciaries.- If the fiduciaries consist of a board, committee, commission, or public body, or are otherwise empowered to act as a unit, a request for payment before maturity must be supported by a duly certified copy of a resolution of the board or other body authorizing such action, except that in the case of a public board or commission a request signed in its name by a duly authorized officer thereof will ordinarily be accepted without further proof of the officer's authority. In any case the request must be signed in the name of the board or other body by an authorized officer or agent thereof.
- (d) Corporate fiduciaries.- If a public or private corporation such as a State or county, or a political body, is acting as a fiduciary, a request for payment must be signed in the name of the corporation or other body, in the fiduciary capacity in which it is acting, by an authorized officer thereof.
- (e) Registration not disclosing trust.- If the form in which the bond is registered does not show that it belongs to a fiduciary estate or does not identify the estate to which it belongs, satisfactory proof of ownership must be furnished. *

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Sec. 315.40. Reissue in the name of a succeeding fiduciary.-- If a person in whose name a savings bond is registered as a fiduciary has been succeeded as such fiduciary by another person, the bond will be reissued in the name of the succeeding fiduciary upon appropriate request and satisfactory proof of successorship. *

Sec. 315.41. Reissue in the name of, or payment to, the person entitled.--

- (a) Distribution of trust estate in kind.-- A savings bond to which a beneficiary of a trust has become lawfully entitled, in whole or in part, under the terms of the trust, will be reissued in his name to the extent of his interest, as a distribution in kind, upon the request of the trustee or trustees and their certification that such person is entitled and has agreed to reissue in his name; Provided, That if a trustee himself is so entitled in his own right, his request for reissue in his name must be supported by an order of court or other satisfactory proof that he is so entitled, unless a cofiduciary joins in the request; Provided, further, That if the form in which the bond is registered does not show that it belongs to a trust estate, the request for reissue must be supported by satisfactory proof of ownership.
- (b) After termination of trust estate.-- If the person who would be lawfully entitled to a savings bond upon the termination of a trust does not desire to have such distribution to him in kind, as provided

sub-section, ~~which shall read:~~ "the trustee or trustees should redeem the bond in accordance with the provisions of Section 315.39 hereof before the estate is terminated. If, however, the estate is terminated without such payment or release having been made, the bond will thereafter be paid to or released in the name of the person lawfully entitled upon his request and satisfactory proof of ownership, supplemented, if there are two or more persons having any apparent interest in the bond, by an agreement executed by all such persons.

- (e) Upon termination of guardianship estate.-- A savings bond registered in the name of a guardian or similar legal representative of the estate of a minor or incompetent, if the estate is terminated during the ward's lifetime, will be released in the name of the former ward upon the representative's request and certification that the former ward is entitled and has agreed to release in his name, or will be paid to or released in the name of the former ward upon his own request, supported in either case by satisfactory proof that his disability has been removed. Certification by the representative that a former minor has attained his majority, or that the legal disability of a female ward has been removed by marriage, if the State law so provides, will ordinarily be accepted as sufficient, but if the disability is removed by court

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order a duly certified copy of the order will be necessary. Upon the death of the ward a bond registered in the name of his guardian or similar representative will be reissued in accordance with the provisions of Sub-part P as though it were registered in the name of the ward alone. *

Sec. 315.42. Bonds held by trustee where reissue not authorized.- Savings bonds which by their terms or under the regulations in force at the time of their issue may not be registered in the name of a fiduciary may be held without change of registration by a trustee or other fiduciary under the will of a deceased owner of the bonds, but will not be reissued in the name of the fiduciary. Upon proof of the appointment and authority of the fiduciary bonds so held will be paid to the fiduciary or upon termination of the trust will be reissued in the names of the persons entitled in their own right in accordance with the provisions of this Sub-part. *

Sub-part N PRIVATE CORPORATIONS, ASSOCIATIONS, PARTNERSHIPS, ETC.

Sec. 315.43. Payment to corporations or unincorporated associations.- A savings bond registered in the name of a private corporation or an unincorporated association will be paid to such corporation or unincorporated association upon request for payment on its behalf by a duly authorized officer thereof. The signature to the request should be in the form, for example, "The Jones Coal Company, a corporation, by William A. Smith, president", or "The Lotus Club, an unincorporated association, by John Jones, treasurer". A request for payment so signed and duly certified will ordinarily be accepted without further proof of the officer's authority. *

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Sec. 315.44. Payment to partnerships.- A savings bond registered in the name of a partnership will be paid upon a request for payment signed by a general partner. The signature to the request should be in the form "Smith and Jones, a partnership, by John Jones, a general partner". A request for payment so signed and duly certified will ordinarily be accepted as sufficient proof that the person signing the request is duly authorized.*

Sec. 315.45. Reissue or payment to successors of corporations, unincorporated associations, or partnerships.- A savings bond registered in the name of a private corporation, an unincorporated association, or partnership, which has been succeeded by another corporation, unincorporated association, or partnership as the result of merger, consolidation, reincorporation, conversion, reorganization, or otherwise by operation of law or in any manner whereby the ownership of the succeeding organization is substantially identical with that of its predecessor, will be paid to, or reissued in the name of, the respective succeeding corporation, unincorporated association, or partnership upon appropriate request on its behalf supported by satisfactory proof of lawful succession.*

Sec. 315.46. Reissue or payment on dissolution.-

- (a) Corporations.- A savings bond registered in the name of a private corporation which is in process of dissolution will be paid to the authorized representative of the corporation upon a duly executed request for payment supported by satisfactory evidence of the representative's authority. Upon the termination of dissolution proceedings such bonds may be reissued in

the names of those persons, other than the creditors, entitled to the assets of the corporation to the extent of their respective interests upon the duly executed request of the authorized representative of the corporation and upon proof of compliance with all statutory provisions governing the voluntary dissolution of such corporation, and that the persons in whose names reissue is requested are entitled and have agreed to such reissue; Provided, that if the dissolution proceedings are had under the direction of a court, proof of the authority of the representative and of the persons entitled to distribution must consist of certified copies of orders of the court.

- (b) Partnerships.-- A savings bond registered in the name of a partnership which has been dissolved by death or withdrawal of a partner, or in any other manner, will be paid to or reissued in the names of the persons entitled thereto as the result of such dissolution to the extent of their respective interests upon their request supported by satisfactory evidence of their title, including proof that the debts of the partnership have been paid or properly provided for.

Sub-part C STATES, PUBLIC CORPORATIONS, AND
PUBLIC BOARDS, COMMISSIONS AND OFFICERS

Sec. 315.47. In names of States, public corporations, and public boards.-- A savings bond registered in the name of a State or of a county, city, town, village, or other public corporation, or in the name of a public board or commission, will be paid upon a request signed in the name

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of such State, corporation, board, or commission by a duly authorized officer thereof. A request for payment so signed and duly certified will ordinarily be accepted without further proof of the officer's authority. *

Sec. 315.48. In names of public officers.- A savings bond registered in the title, without the name, of an officer of a State or public corporation, such as a county, city, town or village, will be paid upon request for payment signed by the designated officer. The fact that the request for payment is signed and duly certified will ordinarily be accepted as sufficient proof that the person signing is the incumbent of the designated office. *

Sub-part F DECEASED OWNERS

Sec. 315.49. Payment or reissue on death of owner.- Upon the death of the owner of a savings bond, who was not survived by a coowner or designated beneficiary and who had not during his lifetime presented and surrendered the bond to a Federal Reserve Bank or the Treasury Department with a duly executed and proper request for ^{an authorized} reissue, the bond will be paid or reissued as hereinafter provided. The provisions of this section shall also apply to savings bonds registered in the names of executors or administrators except that proof of their appointment and qualification may not be required. Established forms for use in such cases and for requests for payment or reissue may be obtained from any Federal Reserve Bank or from the Treasury Department, Division of Loans and Currency, Merchandise Mart, Chicago, Illinois, and should be used in every instance.

- (a) **In course of administration.**- If the estate of the decedent is being administered in a court of competent jurisdiction, the bond will be paid to the duly

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qualified representative of the estate or will be re-issued in the names of the persons entitled to share in the estate upon the request of the duly appointed and qualified representative of the estate who should certify that the persons named are entitled to the extent specified for each and have consented to such re-issue. The request for payment or reissue should be signed in the form, for example, "John A. Jones, administrator of the estate (or executor of the will) of Henry W. Jones, deceased". Reissue will be made to the persons entitled in their names alone, or with a coowner (provided no excess holdings will be created) or beneficiary upon appropriate request by such persons. A request for payment or reissue must be supported by proof of the representative's authority. Such proof may consist of a court certificate or a certified copy of the representative's letters of appointment issued by the court having jurisdiction; the certificate, or the certification to the letters, must be under the seal of the court, must contain a statement that the appointment is in full force, and should be dated within six months of the date of presentation of the bond for payment or reissue. If the representative is himself the person entitled and desires reissue in his own name, the request for reissue must be supported by an order of court, unless a co-administrator or co-executor joins in the request.

- (b) After settlement through court proceedings.-If the estate of the decedent has been settled in a court of competent jurisdiction, the bond will be paid to, or reissued in the name of, the persons entitled thereto as determined by the court: Provided, That if there are two or more persons having an apparent interest in the bond, an agreement should be executed by them. The request for payment or reissue, and the agreement, if necessary, must be supported by duly certified copies of the pertinent court records.
- (c) Without administration.- If no legal representative of the decedent's estate has been or is to be appointed, and if it is established to the satisfaction of the Secretary of the Treasury either that the gross value of the personal estate does not exceed \$500, or that administration of the estate is not required in the State of the decedent's last domicile, the bond will be paid to, or reissued in the name of, the persons entitled to share in the estate, without requiring administration, pursuant to an agreement and request by them on the form prescribed by the Treasury Department and supported by the evidence called for by that form: Provided, However, That reissue ^{made} will not be in the name of a creditor of the estate. No payment or reissue will be permitted without administration if any of the persons entitled are minors or incompetents, except to them or in their names, in whole or to the extent of their interests in the decedent's entire personal

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estate, or upon compliance with the provisions of Sub-part I hereof governing payment of savings bonds registered in the names of such persons. *

Sec. 315.50. Forms of registration on reissue. In no case will bonds be reissued hereunder except in a form authorized upon original issue by the regulations in force at the time bonds surrendered were issued. *

Sub-part Q CREDITORS' RIGHTS AND JUDICIAL PROCEEDINGS

Sec. 315.51. Creditors' rights.- A creditor of the owner of a savings bond may secure payment thereof to the extent of the owner's interest, or to the extent of the creditor's claim, whichever is smaller, through valid judicial proceedings: Provided, however, that no such proceedings will be recognized if they would give effect to an attempted voluntary transfer inter vivos of the bond or would defeat or impair the rights of survivorship conferred by these regulations upon co-owners and beneficiaries. Payment, or partial payment in an amount not in excess of that to which the creditor is entitled will be made upon presentation and surrender of the bond with the request for payment duly ~~presented and surrender of the bond with the request for payment duly~~ executed, at the redemption value current 30 days after the proceedings have become final, or current at the time the bond is presented for payment, whichever is earlier. No reissue of the bond will be made to the creditor under the provisions of this section. *

Sec. 315.52. Determination of interest as between owner and co-owner or beneficiary.- Conflicting claims as to ownership of or interest in a savings bond, as between the registered owner and the coowner, or the registered owner and a designated beneficiary may be determined

- 43 -

by valid judicial proceedings, in which case the bond may be reissued in the names of the respective owners or the owner and the beneficiary to the extent of their respective interests as determined by such proceedings, but only in authorized denominations. *

Sec. 315.53. Evidence necessary.- To establish the validity of judicial proceedings there must be submitted a certified copy of the judgment or decree of court and of any necessary supplementary proceedings, as well as a certificate from the clerk of the court under the court seal, showing that the judgment or decree is in full force and effect and has become final under the laws of the jurisdiction. The Secretary of the Treasury may in any case require such further information, documents, and security as he may deem necessary. *

Sec. 315.54. Bankruptcy and insolvency.- Payment (but not reissue) of a savings bond will be made to a duly qualified trustee in bankruptcy or receiver of the estate of the registered owner, adjudicated bankrupt or insolvent, upon request for payment duly executed by such trustee or receiver and supported by satisfactory proof of his appointment and qualifications. *

Sub-part B PLEDGE WITH SECRETARY OF TREASURY OR FEDERAL RESERVE BANKS

Sec. 315.55. Deposit under Department Circulars No. 154 and No. 657.- Notwithstanding any other provisions of this or any other circular, a savings bond may be pledged by the registered owner in lieu of surety under the provisions of Department Circular No. 154, amended: Provided, That the bond approving officer is the Secretary of the Treasury. In such cases an irrevocable power of attorney shall be executed authorizing the Secretary to request payment, and payment of the bond will, if it becomes necessary, be made upon such request at the then appropriate

redemption value. No pledge to a bond approving officer other than the Secretary of the Treasury will be permitted. A savings bond may also be deposited as security with a Federal Reserve Bank under the provisions of Department Circular No. 657 by an institution certified under that circular as an issuing agent for savings bonds of Series E. In no other cases are savings bonds suitable for use as collateral, nor will a power of attorney to request payment be recognized in any other case.*

Sub-part S REISSUE AND DENOMINATIONAL EXCHANGE

Sec. 315.56. General.— Reissue of savings bonds in different names or in a different form of registration will be made only in the following instances and only in denominations and forms of registration authorized for the bonds surrendered:

- (a) To correct an error in the original issue, upon request of the owner or coowner, supported by satisfactory proof of such error unless the error was made by the issuing agent;
- (b) To show a change in the name of an owner, coowner or beneficiary upon his request, supported by satisfactory proof of the change if for any other reason than marriage;
- (c) As otherwise specifically provided in these regulations.*

Sec. 315.57. Requests for reissue.— Requests for reissue should be signed by the person authorized under these regulations to make such requests, on appropriate forms which may be obtained from any Federal Reserve Bank or from the Treasury Department, Division of

- 45 -

Loans and Currency. If the request is by reason of a change of name the signature should show both names, and the manner in which the change took place. A request for reissue must be signed in the presence of and be certified by an officer authorized under Sub-part H hereof to certify requests for payment. A request may not be signed by a person under any legal disability other than minority. It may be signed by a minor who is of sufficient competency and understanding to sign his name to the request and to comprehend the nature of such act. In general the fact that a request for reissue has been signed by the minor and duly certified will be accepted as sufficient proof of such competency and understanding. *

Sec. 315.58. Agencies authorized to make reissue.-Reissues under (b) and (c) hereof may be made only at a Federal Reserve Bank or the Treasury Department. *

Sec. 315.59. The date of bonds on reissue.- The new bonds will be of the same series, will bear the same issue date, and will have the same rights and privileges as the bonds surrendered. *

Sec. 315.60. Effective date.- In any case of authorized reissue the Treasury Department reserves the right to treat the receipt by a Federal Reserve Bank or the Treasury Department of a bond and appropriate request for reissue thereof as determining the date upon which reissue is effective. *

Sec. 315.61. Denominational exchange.- Exchange as between authorized denominations will not be permitted except in cases of partial redemption or authorized reissue. *

Sub-part T FURTHER PROVISIONS

Sec. 315.62. Regulations prescribed.- These regulations are prescribed by the Secretary of the Treasury as governing United States Savings Bonds issued under the authority of Section 22 of the Second Liberty Bond Act, as amended, and pursuant to the various Department Circulars offering such bonds for sale. The provisions of Treasury Department Circular No. 300, as amended, have no application to such savings bonds except as to cases arising under Sub-part E hereof.*

Sec. 315.63. Preservation of rights.- Nothing in these regulations contained shall be construed to limit or restrict any existing rights which holders of savings bonds heretofore issued may have acquired under the circulars offering such bonds for sale, or under the regulations in force at the time of purchase.*

Sec. 315.64. Additional proof; bond of indemnity.- The Secretary of the Treasury, in any case arising under these regulations, may require such additional proof as he may consider necessary or advisable in the premises; and may require a bond of indemnity with satisfactory sureties, or an agreement of indemnity, in any case where he may consider such a bond or agreement necessary for the protection of the interests of the United States.*

Sec. 315.65. Correspondence and forms.- Correspondence in regard to any transactions in United States Savings Bonds under the provisions of these regulations should be addressed to a Federal Reserve Bank or to the Treasury Department, Division of Loans and Currency, Merchandise Mart, Chicago, Illinois. Appropriate forms for use in connection with such transactions may be secured from any Federal Reserve Bank or from the Division of Loans and Currency.*

Sec. 315.66. Supplements, amendments or revisions.- The Secretary of the Treasury may at any time, or from time to time, prescribe additional, supplemental, amendatory or revised rules and regulations governing United States Savings Bonds.*

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

UNITED STATES SAVINGS BONDS - TOTAL

Comparison of July sales to date with sales during the same number of business days in June and May 1942

(At issue price in thousands of dollars)

Date	July daily sales	Cumulative sales by business days				July as percent of June
		July	June	May	July as percent of June	
July 1942						
1	\$ 28,418	\$ 28,418	\$ 29,539	\$ 19,981		96.2%

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

July 2, 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 - SERIES E

Comparison of July sales to date with sales during the same number of business days in May and June 1942

(At issue price in thousands of dollars)

Date	July daily sales	Cumulative sales by business days				July as percent of June
		July	June	May	July as percent of June	
July 1942						
1	\$ 15,821	\$ 15,821	\$ 19,834	\$ 12,679	79.8%	

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

July 2, 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 - SERIES F AND G COMBINED

Comparison of July sales to date with sales during the same number of business days in May and June 1942

(At issue price in thousands of dollars)

Date	July daily sales	Cumulative sales by business days				July as percent of June
		July	June	May		
July 1942 1	\$ 12,597	\$ 12,597	\$ 9,705	\$ 7,302	129.8%	

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

July 2, 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.

Sales of United States Savings Bonds
 July 1, 1942
 Compared with Sales Quota for Same Period
 (At issue price in millions of dollars)

Date	Series E				Series F and G				Total			
	Actual Sales		Quota,	Sales	Actual Sales		Quota,	Sales	Actual Sales		Quota,	Sales
	Daily	to	July 1	to Date	Daily	to	July 1	to Date	Daily	to	July 1	to Date
	Date	Date	to Date	as % of	Date	Date	to Date	as % of	Date	Date	to Date	as % of
		Date*	Quota	Quota		Date*	Quota	Quota		Date*	Quota	Quota
1	\$ 15.8	\$ 15.8	\$ 23.6	66.9%	\$ 12.6	\$ 12.6	\$ 19.4	64.9%	\$ 28.4	\$ 28.4	\$ 43.0	66.0%
2			47.9				36.4				84.3	
3			73.0				50.6				123.6	
6			126.0				82.6				208.6	
7			139.3				94.2				233.5	
8			162.2				114.5				276.7	
9			189.8				129.5				319.3	
10			216.0				139.9				355.9	
11			236.6				147.7				384.3	
13			273.2				160.6				433.8	
14			287.6				168.0				455.6	
15			311.6				181.8				493.4	
16			335.5				193.5				529.0	
17			358.7				202.8				561.5	
18			377.4				210.5				587.9	
20			411.8				223.9				635.7	
21			425.9				231.8				657.7	
22			451.1				247.0				698.1	
23			477.5				260.1				737.6	
24			503.8				270.7				774.5	
25			525.0				279.5				804.5	
27			562.7				295.1				857.8	
28			577.2				304.3				881.5	
29			601.3				322.1				923.4	
30			625.8				337.5				963.3	
31			650.0				350.0				1,000.0	

July 2, 1942.

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

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

* Takes into account both the daily trend during the week and the monthly trend during the month.

JUL 2 1942

Dear Eleanor:

Thank you for your note of May 6 in regard to the enclosed letter of Mr. Kellogg and the pamphlet of Mr. Friedman.

A reply is appended which you may wish to send Mr. Kellogg.

Affectionately,

(Signed) Henry

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

Enclosures.

Photostat file to NMC
Orig. File to Thompson

SDS:EMB:HDW/jm
7/1/42

By Messenger *Bundy 4:15*

COPY FOR THE SECRETARY'S OFFICE

Dear Mr. Kellogg:

This is in reply to your letter of April 23 enclosing the pamphlet of Mr. A. Friedman advocating a plan for installment selling of consumers' durable goods for post-war delivery.

I am assured by the Treasury Department that Mr. Friedman's proposals have been carefully studied and that several members of its staff have discussed with Mr. Friedman the details of his plan. Those who have studied his plan are skeptical that savings would be increased to any considerable extent by offering to the public priorities in the acquisition of automobiles, refrigerators, and other durable goods to be produced in the post-war period. The inducement to increase savings that may be provided by offering priorities on consumers' durable goods would be rapidly diminished as the number of such priorities granted rises. Furthermore, the plan proposed by Mr. Friedman requires the Government to assume the liability of guaranteeing delivery of the goods purchased and guaranteeing that producers will receive a reasonable profit on the goods sold under the plan. The adoption of such provisions the Treasury Department believes would represent an important departure in government policy and raise some very complex problems.

The Treasury Department informs us that this plan for promoting savings has several meritorious features which they will continue to study.

Sincerely yours,

Mr. Paul Kellogg,
112 East 19th Street,
New York, New York.

SDS:RMB:HDW/jm
7/1/42

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Pamphlet mentioned in Mrs. Roosevelt's letter was entitled "A Plan to Help Finance the War Effort and Discourage Inflation"

It was returned to Mrs. R.

May 6, 1942

Dear Henry:

The President has seen the attached letter and pamphlet and has suggested that I ask you about it.

Affectionately,

A handwritten signature in cursive script, appearing to be 'W.A.' or similar initials, written in dark ink.

SURVEY ASSOCIATES

112 East 19 Street - New York City
ALgonquin 4-7490

April 23, 1942

Dear Mrs. Roosevelt:

You will remember the plan Mr. Abraham Friedman put forward for advance instalment buying of durable goods for post-war delivery. I sent you the early typewritten draft in March, which you were good enough to put before the President, and he before the Treasury Department. (Enclosed is the subsequent printed edition which he has circulated in confidence.)

Recent reports of an address Mr. Rolf Nugent of the OPA made at the New School for Social Research provoked public interest in the subject. In the meantime Mr. Friedman had himself interested Dr. Lubin, Mr. Randolph Paul of the Treasury, Prof. Joseph P. Chamberlan and Prof. John M. Clark of Columbia; and Mr. Bonnar Brown of the Federal Reserve Bank, who had himself been working on a kindred scheme. Some pointed out flaws; some made constructive suggestions to overcome them. This was a healthy process as the general response was favorable; the chief question one of ways and means.

I should like to let you know that these last few days Mr. Friedman has canvassed the plan with key people in merchandizing and in the sales end of electrical appliance and automobile industries. These practical business men envisage the situation when the peak of war production is passed, and rise to the prospect of a backlog of orders then. One of the most interesting leads has to do with a formula kindred to saving certificates which would at once engage prospective consumers and free their elbows in selecting models in the post-war market.

Mr. Friedman is not sanguine that the Treasury's consideration of his proposal has as yet reached a stage that would encourage the President to incorporate reference to the general idea in his forthcoming message and address. But he is big with hope that Mr. Roosevelt will leave the way open for such a development later.

Sincerely,

/s/ Paul Kellogg
Paul Kellogg

Mrs. Franklin D. Roosevelt

pk js e

JUL 2 1942

Dear Eleanor:

The enclosed letter dated June 25, 1942, received by you from Mr. John Golden, relates to the application of the Federal tax on admissions to amounts paid for admission by the soldiers and sailors of countries allied with the United States. Mr. Golden suggests that the soldiers and sailors of the United Nations should be accorded the same treatment as members of the military and naval forces of the United States.

Although the Treasury Department is in accord with the policy suggested, it may be too late to insert such a provision in the

Photostat File to NMC
Orig. File to Thompson

By Messenger *Lehman*

4:50

7/2/42

- 2 -

current revenue bill in the House of Representatives. We shall be glad, however, to present an appropriate amendment for the consideration of the Committee on Finance whenever the bill reaches the Senate.

Affectionately,

(Signed) Henry

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

Enclosure.

CWD:blr
7-1-42

June 25th, 1942.

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

Dear Mrs. Roosevelt:

A year or so ago I pointed out to you and a number of good friends in Washington the injustices of the tax-law which at that time required our enlisted men to pay a 10% tax on the box-office prices of theatre-tickets, even though every theatrical manager in New York stood ready to give them FREE ADMISSION.

Since then, and with your help, a bill was put through by which members of the Armed Forces were exempted from a tax-payment on free admissions.

Because the statute exempts only American soldiers and sailors, there exists today the same unjust exaction of a tax on free tickets to the soldiers and sailors of our Allies -- and this is bad.

These boys, whether they are British Sailors and Flyers (of whom there is a great number in New York today) young Russians -- or Chinese -- are fighting our battles.

And our government is saying that these young friendly strangers within our gates must pay as much as 30¢ for what otherwise would be a free ticket.

The highway robber holds up his victim with the phrase, "Your money or your life." Are we going to persist in saying to these co-fighters of ours, "Your money and your life"?

I believe a gesture of complete hospitality -- not hospitality with a 10% tax on it -- is most important, not only because it will affect their regard for America and Americans, but because it will also stimulate these boys to such a greater moral uplift and greater determination to fight for the kind of life we show them, that they will be better soldiers in battles with us and for us.

I am making this appeal to you because you were gracious enough to come to New York at my request and hand out the millionth free admission to an enlisted man -- and I am hoping that this personal contact with the work we are doing at the Defense Recreation offices may influence you to advocate a tax regulation liberalized to permit (through the generosity of the New York managers) equality of treatment to all our Allied fighters.

Sincerely,

JUL 2 1942

My dear Mr. Chairman: —

This is in reply to your letter of June 29, 1942, enclosing a letter dated June 26, received by you from Mr. John Golden, 246 West 44th Street, New York, New York, together with a copy of a letter dated June 25, addressed by Mr. Golden to Mrs. Franklin D. Roosevelt.

Mr. Golden is concerned with the application of the Federal tax on admissions to amounts paid for admissions by the soldiers and sailors of countries allied with the United States. He suggests that the soldiers and sailors of the United Nations should be accorded the same treatment as members of the military and naval forces of the United States.

Photostat file to NMC
Orig. File to Thompson

- 2 -

Although the Treasury Department is in accord with the policy suggested, it may be too late to insert such a provision in the current revenue bill in the House of Representatives. We shall be glad, however, to present an appropriate amendment for the consideration of the Committee on Finance whenever the bill reaches the Senate.

I am returning herewith your enclosures.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Sol Bloom,
Chairman, Committee
on Foreign Affairs,
House of Representatives,
Washington, D. C.

Enclosures.

CWD:blr
6-30-42

C
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P
Y

OFFICES OF
JOHN GOLDEN, INC.
SAINT JAMES THEATRE
245 WEST 44th ST.
NEW YORK CITY

June 26th, 1942.

Honorable Sol Bloom,
House of Representatives,
Washington, D. C.

Dear Sol:

Enclosed is a carbon-copy of a letter I sent
recently to Mrs. Roosevelt.

I think the suggestion may be worth while and
would very much appreciate your advocacy of the idea.

Sincerely,

(Signed) John

O
O
P
Y

June 25th, 1942.

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

Dear Mrs. Roosevelt:

A year or so ago I pointed out to you and a number of good friends in Washington the injustices of the tax-law which at that time required our enlisted men to pay a 10% tax on the box-office prices of theatre-tickets, even though every theatrical manager in New York stood ready to give them FREE ADMISSION.

Since then, and with your help, a bill was put through by which members of the Armed Forces were exempted from a tax-payment on free admissions.

Because the statute exempts only American soldiers and sailors, there exists today the same unjust exaction of a tax on free tickets to the soldiers and sailors of our Allies -- and this is bad.

These boys, whether they are British Sailors and Flyers (of whom there are a great number in New York today) your Russians -- or Chinese -- are fighting our battles.

And our government is saying that these young friendly strangers within our gates must pay as much as 30 cents for what otherwise would be a free ticket.

The highway robber holds up his victim with the phrase, "Your money or your life." Are we going to persist in saying to these co-fighters of ours, "Your money and your life?"

I believe a gesture of complete hospitality -- not hospitality with a 10% tax on it -- is most important, not only because it will affect their regard for America and Americans, but because it will also stimulate these boys to such a greater moral uplift and greater determination to fight for the kind of life we show them, that they will be better soldiers in battles with us and for us.

- 2 -

I am making this appeal to you because you were gracious enough to come to New York at my request and hand out the millionth free admission to an enlisted man -- and I am hoping that this personal contact with the work we are doing at the Defense Recreation offices may influence you to advocate a tax regulation liberalized to permit (through the generosity of the New York managers) equality of treatment to all our Allied fighters.

Sincerely,

JUL 2 1942

Dear Mr. Golden:

This is in reply to your letter of June 26, 1942, enclosing a copy of your letter of June 25, addressed to Mrs. Franklin D. Roosevelt, concerning the application of the Federal tax on admissions to amounts paid for admissions by the soldiers and sailors of countries allied with the United States.

You suggest that the soldiers and sailors of the United Nations should be accorded the same treatment as members of the military and naval forces of the United States.

Although the Treasury Department is in accord with the policy you have suggested, it may be too late to insert such a provision in the

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Orig. File to Thompson

- 2 -

current revenue bill in the House of Representatives. We shall be glad, however, to present an appropriate amendment for the consideration of the Committee on Finance whenever the bill reaches the Senate.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. John Golden,
246 West 44th Street,
New York, New York.

CWD:blr
6-30-42

DPN 8
JOHN GOLDEN, JR.

SAINT JAMES THEATRE
246 WEST 44TH ST.
NEW YORK CITY

June 26th, 1942.

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

Dear Mr. Secretary:

Enclosed is a carbon-copy of a letter I
sent recently to Mrs. Roosevelt.

I think the suggestion may be worth while
and I would very much appreciate your advocacy of the idea.

Sincerely,



DE MARK REG. JOHN GOLDEN THEATRE : 252 WEST 45TH STREET : NEW YORK CITY

Cable Address
JGOLDSW

URN TO THE RIGHT * LIGHTNIN * WISE FOOLS * THE FIRST YEAR * DEAR ME * THANK-U * SPITE CORNER
SERPENT'S TOOTH * SEVENTH HEAVEN * WAGES FOR WIVES * PIGS * THE WISDOM TOOTH * TWO GIRLS WANTED
ALLS * NIGHT HOSTESS * LET US BE GAY * SALT WATER * THAT'S GRATITUDE * AS HUSBANDS GO * AFTER TOMORROW
RIDDLE ME THIS * WHEN LADIES MEET * DIVINE DRUDGE * THE BISHOP MISBEHAVES * A TOUCH OF BRIMSTONE
SUSAN AND GOD * SKYLARK * CLAUDIA * 'THEATRE' Etc.

JUL 2 1942

My dear Mr. Attorney General:

Further reference is made to your letter of June 5, 1942, concerning a proposal to make the Board of Tax Appeals a federal court. You point out that the Board of Tax Appeals has proved very satisfactory in the settlement of tax disputes and you express the belief that this agency should be continued in its present status.

The Committee on Ways and Means, meeting in Executive Session, on June 24, decided to include in the bill which it is now preparing for the approval of the House of Representatives a provision to change the name of the Board of Tax Appeals to the United States Court of Tax Appeals. The proposed change will affect only the name by which the Board is known and will not affect it in any other respect. The membership, jurisdiction, powers and duties of the board, and the tenure of office, rights, duties, privileges, powers and immunities of the members will remain the same. Representation of the United States in proceedings before the tax court and the admission to practice of duly qualified accountants will also continue as heretofore.

You will be interested to know that Mr. Randolph E. Paul read your letter to the Committee on Ways and Means when the proposed

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Original file to Thompson

- 2 -

amendment was being considered and that he indicated to the Committee that I too am opposed to the change.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable
The Attorney General,
Washington, D. C.

TO:

259

① Appointment

Paul ✓
Sullivan

3 Tues.

This week

Changing status of
Board of Tax Appeals

JUN 22 1942

From: MR. FITZGERALD

June 9, 1942

My dear Mr. Attorney General:

Your letter of June 5, addressed to the Secretary, has been received during his absence from the city. It will be one of the first things called to his attention when he returns to his desk.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

The Honorable,
The Attorney General,
Washington, D. C.

EP:rec



Office of the Attorney General
Washington, D. C.

June 5, 1942

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

My dear Mr. Secretary:

I understand that Randolph E. Paul, your Tax Adviser, has discussed informally with Assistant Attorney General Clark a legislative proposal to make the Board of Tax Appeals a federal court. In view of the importance of this matter, I feel that I should express my views to you.

The Revenue Act of 1926 continuing the Board of Tax Appeals as created by the Revenue Act of 1924 provides specifically that it shall be "an independent agency in the Executive Branch of the Government." It has become one of the most successful of the federal administrative agencies. It has met with general acceptance and approval during its existence of almost twenty years and enjoys an excellent reputation for impartiality and fairness. In view of the Board's successful record it is difficult to understand why any change should be made in its status, particularly during this time of national emergency. I am not aware of any public demand that the Board be transformed from an administrative agency into a federal court. Indeed such a change would seem to reverse the prevailing trend toward the creation of administrative bodies to deal with specialized and technical problems. I fear that the critics of the administrative process would welcome the proposal as a confirmation of their views.

A change as far-reaching as this should not be made until the proposal has been fully explored at public hearings before both Houses of the Congress and then only if the proponents of the legislation advance convincing arguments in its support. This Department has not been apprised of any substantial reasons why the proposed transformation should be made. In my opinion,

the interests of neither the Government nor the tax-paying public would be advanced by making this change. On the other hand it seems clear that as a court, the present flexibility in the handling of tax cases before the Board would be lost. Moreover, confusion and delay would result during the period required for the members of the reconstituted body and the Government and private lawyers who practice before it to adjust themselves to the new status. It would seem inappropriate to change the machinery which has proved so satisfactory for the settlement of tax disputes, especially at a time when new and increased taxes will inevitably increase the number of such disputes.

Although I believe the Board of Tax Appeals should be continued in its present status, I do want to point out that its constitution as a federal court would involve a change in the representation of the Government before that body. Under existing statutes and Executive Order No. 6166 the function of representing the Government in any United States court is vested in the Department of Justice. In the interest of a unified control over the Government's litigation in such courts, all Attorneys General have consistently opposed any suggestion that this power be lodged elsewhere. As chief law officer of the Government I feel that I must urge before the appropriate Committees of Congress that the handling of tax litigation before the proposed court be a responsibility of this Department.

I shall be glad to discuss this matter with you further at any time you desire.

Sincerely,


Attorney General.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 2, 1942

TO Secretary Morgenthau
FROM Mr. White

Subject: Status of Stabilization and Gold Agreements on June 30, 1942.

1. Stabilization Agreements in Operation.

Country	Dated	Expires	Amount		Collateral
			Commitment	Outstanding	
Brazil ^{1/}	7/15/37	7/15/42	\$60,000,000	None	None gold
China	7/14/37	12/31/42 ^{2/}	50,000,000	\$19,112,500	\$19,379,000 gold
China	4/ 1/41	6/30/42 ^{2/}	50,000,000	None	None required

2. Stabilization Agreements Concluded but not yet effective.

Argentina	1/1/41	6/30/41 ^{3/}	\$50,000,000	None	None required
Mexico	11/1/41	6/30/43	40,000,000	None	None required
Ecuador	3/1/42	6/30/43	5,000,000	None	None required
Iceland	5/1/42	6/30/43	2,000,000	None	None required

3. Gold Purchase Agreements.

Country	Dated	Delivery by	Commitment to buy	Gold still undelivered	Advance still outstanding
Russia	1/3/42	7/2/42	\$21,070,000	\$14,358,450	\$11,886,730

✓ This agreement also provides for sale to Brazil of up to \$60,000,000 in gold, of which \$34,453,300 has been sold. Brazil has requested that the agreement be extended to July 15, 1947, and that the milreis purchase commitment and gold sale provision be raised to \$100,000,000 each.

✓ Probably will be extended for one year, but final word has not been received from the Chinese.

✓ Argentines informed agreement can be revived on ratification.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 2, 1942

TO Mr. White
 FROM Mr. Dietrich

There follows a summary of the Stabilization Fund's gold transactions with foreign countries and the B.I.S. during the month of June:

	<u>Purchased from:</u>	<u>Sold to:</u>
B.I.S.	—	\$ 2,240,000
Ecuador	—	1,750,000
Guatemala	—	5,250,000
Portugal	—	4,988,000
Surinam	—	549,000
		<hr/>
		\$ 14,777,000

Purchases from the General Fund: To replenish its gold balance, the Stabilization Fund bought \$14,670,000 in gold during June from the Treasury's General Fund through the New York Assay Office.

Sale to the General Fund: The Stabilization Fund made one sale of \$10,000,000 in gold to the General Fund.

JUL 2 1942

My dear Mr. President:

I am enclosing report on our exports to some selected countries for the period ending June 20, 1942.

Faithfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President,
The White House.

Enclosure.

cc- M.M.C.
Dr. White
By Messenger *Bunney* 4:15

HDW:rl 7/1/42

Return to Secretary's office

June 30, 1942

Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury Department during the ten-day period ending June 20, 1942

1. Exports to Russia

Exports to Russia as reported during the ten-day period ending June 20, 1942 amounted to about \$54,000,000 as compared with \$18,000,000 during the corresponding period in May and about \$67,000,000 during the corresponding period in April. Among the military equipment exported during the period under review were 58 one engine pursuit, interceptor and fighter planes; 24 bombers, and 232 tanks. (See Appendix C.)

2. Exports to Free China and Burma

Exports to Free China as reported during the ten-day period ending June 20, 1942 amounted to \$2,707,000, of which military equipment accounted for more than ninety-five percent. (See Appendix D.)

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

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, which are given in Appendix A, were negligible during the ten-day period ending June 20, 1942.

ISP/efs 7/1/42

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

July 28, 1941 to June 30, 1942.

(In thousands of dollars)

	July 28 to May 31	Period ended June 10	Period ended June 30	Total Domestic Exports
U. S. S. R.	\$521,498	\$12,575	\$53,799	\$587,872
Free China	78,394	3,399	2,707	84,500
Burma 2/	12,201	234	—	12,435
France 3/	56	—	—	56
Spain	2,849	5/	—	2,849
Switzerland	10,367	343	5/	10,710
Sweden	17,778	5/	—	17,778
Portugal	9,012	15	9	9,036
French North Africa 4/	6,283	—	—	6,283

Treasury Department, Division of Monetary Research

June 27, 1942.

Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular period. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.

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.

Includes both Occupied and Unoccupied France — no breakdown is obtainable from Department of Commerce.

Includes Morocco, Algeria, and Tunisia.

Less than \$500.

HW:rl 6/27/42

APPENDIX B

Exports from the U. S. to Free China, Burma and
U.S.S.R. as reported to the Treasury Department
July 28, 1942 - June 20, 1942 ✓
(Thousands of Dollars)

	<u>Exports to Free China</u>	<u>Exports to Burma 3/</u>	<u>Exports to U.S.S.R.</u>
July 28 - Aug. 2	395		4,525
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	309		986
Aug. 18 - Aug. 23	2		2,735
Aug. 25 - Aug. 30	1		1,023
Sept. 2 - Sept. 6	204		4,280
Sept. 8 - Sept. 13	2,281		5,217
Sept. 15 - Sept. 20	3,822		752
Sept. 22 - Sept. 27	110		2,353
Sept. 29 - Oct. 4	1,225	449	323
Oct. 6 - Oct. 11	5,312	1,157	6,845
Oct. 13 - Oct. 18	5	35	1,924
Oct. 20 - Oct. 25	269	403	5,623
Oct. 27 - Nov. 1	4,772	58	4,484
Nov. 3 - Nov. 8	1,672	342	4,552
Nov. 10 - Nov. 15	2,841	88	2,677
Nov. 17 - Nov. 22	1,228	1,021	3,581
Nov. 24 - Nov. 29	3,239	1,364	2,436
Dec. 1 - Dec. 6	791	64	3,609
Dec. 8 - Dec. 13	2,337	18	12,040
Dec. 15 - Dec. 20	111	8	4,580
Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	3,993
Jan. 5 - Jan. 10	91	1,073	8,247
Jan. 12 - Jan. 17	1,695	447	5,874
Jan. 19 - Jan. 24	-	-	3,885
Jan. 26 - Jan. 31	6,938	923	9,608
Feb. 1 - Feb. 10 ✓	4,889	1,054	13,315
Feb. 10 - Feb. 20	4,853	583	26,174
Feb. 20 - Feb. 28 ✓	2,921	-	28,119
Mar. 1 - Mar. 10	2,879	23	32,509
Mar. 10 - Mar. 20	8,058	3	28,556
Mar. 20 - Mar. 31 ✓	2	2	42,435
Apr. 1 - Apr. 10	4,836	447	51,698
Apr. 11 - Apr. 20	5,335	639	66,906
Apr. 21 - Apr. 30	2,827	-	50,958
May 1 - May 10 ✓	296	-	28,632
May 11 - May 20	1,872	5	18,000
May 21 - May 31 ✓	2,533	-	26,180
June 1 - June 10	3,399	234	12,764
June 11 - June 20	2,707	-	53,799
Total	\$87,103	\$11,322	\$588,575

1. These figures are in part taken from copies of shipping manifests.
2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
3. It is presumed that a large percentage of exports to Burma are destined for Free China.
4. Beginning with February 1 figures will be given for 10-day period instead of week except where otherwise indicated.
5. 8-day period.
6. 11-day period.
7. Due to changes in reporting procedure by the Department of Commerce this report is incomplete for the period indicated.

APPENDIX C

Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the ten-day period ending
June 20, 1942

	<u>Unit of</u>	<u>Quantity</u>	<u>Value</u> (Thousands of dollars)
TOTAL EXPORTS			\$ 53,799
Principal Items:			
Ammunition			11,123
.30 caliber	No.	44,381,500	
.32, .38, and .45 caliber	No.	20,000,000	
37 mm. armor piercing	No.	142,160	
37 mm. high explosive	No.	31,940	
.50 caliber	No.	4,701,650	
75 mm. armor piercing	No.	44,076	
75 mm. high explosive	No.	73,524	
81 mm. mortar shells	No.	42,332	
Components for small arms ammunition	-	-	
Military tanks			10,564
Light tanks	No.	141	
Medium tanks	No.	91	
Aircraft			8,082
Pursuit, interceptor & fighter (1 engine)	No.	58	
Light bombers (2 engines)	No.	17	
Medium bombers (2 engines)	No.	7	
Guns			2,875
Anti-air craft Oerlikon guns (20 mm.)	No.	52	
Sub-machine guns (.45 caliber)	No.	11,700	
Linseed oil	Lb.	19,909,065	2,634
Sausage, canned	Lb.	4,922,550	1,848
Gasoline motor trucks	No.	712	1,550
Aircraft parts	-	-	1,452
Copper wire, insulated	Lb.	2,163,246	695
Armor plate	Lb.	3,178,837	668
Internal combustion marine engines	No.	35	627
Auto parts for assembly	-	-	616

APPENDIX D

**Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the ten-day period ending
June 20, 1942**

(Thousands of Dollars)

TOTAL EXPORTS	\$ 2,707
Principal Items:	
Military equipment	2,656
Other iron and steel manufactures	26
Copper wire, insulated	4
Iron and steel wire, rope and cable	3
Other vegetable fiber manufactures	3
Cleaning and washing compounds	3

Treasury Department, Division of Monetary Research June 30, 1942

ISP/frs 6/30/42

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Treasury Department
Division of Monetary Research

Date.....19

To: Miss Chauncey

From: Mr. White

The table for transmittal to the Secretary of State differs from the one being sent to the President in that certain military figures are not broken down.

JUL 2 1942

My dear Mr. Secretary:

I am enclosing copy of report on our exports to some selected countries for the period ending June 20, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

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

Enclosure.

cc-n.mc.

Dr. White

By Messenger

Bunney 4:15

HDW:rl 7/1/42

Return to Secretary's office

June 30, 1942

**Exports to Russia, Free China, Burma and other
blocked countries, as reported to the Treasury
Department during the ten-day period ending
June 20, 1942**

1. Exports to Russia

Exports to Russia as reported during the ten-day period ending June 20, 1942 amounted to about \$54,000,000 as compared with \$18,000,000 during the corresponding period in May and about \$67,000,000 during the corresponding period in April. Military equipment accounted for about 65% of this total. (See Appendix C.)

2. Exports to Free China and Burma

Exports to Free China as reported during the ten-day period ending June 20, 1942 amounted to \$2,707,000, of which military equipment accounted for more than 95%. (See Appendix D.)

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

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, which are given in Appendix A, were negligible during the ten-day period ending June 20, 1942.

ISF/efs 7/142

STRICTLY CONFIDENTIAL

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

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Treasury Department, Division of Monetary Research

June 27, 1942

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Includes Morocco, Algeria, and Tunisia.

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HW:rl 6/27/42

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APPENDIX B

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July 28, 1942 - June 20, 1942 1/
(Thousands of Dollars)

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Aug. 25 - Aug. 30	1		1,023
Sept. 2 - Sept. 6	284		4,280
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Sept. 15 - Sept. 20	3,822		752
Sept. 22 - Sept. 27	110	449	2,333
Sept. 29 - Oct. 4	1,225	684	323
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Dec. 8 - Dec. 13	2,337	18	12,040
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Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	3,995
Jan. 5 - Jan. 10	91	1,073	8,247
Jan. 12 - Jan. 17	1,695	447	5,874
Jan. 19 - Jan. 24	-	-	3,885
Jan. 26 - Jan. 31	6,938	923	9,608
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Feb. 10 - Feb. 20	4,853	583	26,174
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Mar. 1 - Mar. 10	2,579	25	32,509
Mar. 10 - Mar. 20	8,058	3	28,556
Mar. 20 - Mar. 31	2	2	42,455
Apr. 1 - Apr. 10	4,836	447	51,698
Apr. 11 - Apr. 20	5,535	639	66,906
Apr. 21 - Apr. 30	2,827	-	50,958
May 1 - May 10	296	-	28,652
May 11 - May 20	1,872	5	18,000
May 21 - May 31	2,533	-	26,180
June 1 - June 10	3,399	234	12,764
June 11 - June 20	2,707	-	53,792
Total	487,103	11,322	4588,575

SECRET
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APPENDIX B

Page 2

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5. 8-day period.
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Treasury Department, Division of Monetary Research

June 30, 1942

ISF/efs 6/30/42

Regraded Unclassified

APPENDIX C

**Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the ten-day period ending
June 20, 1942**

(Thousands of Dollars)

TOTAL EXPORTS**\$ 53,799****Principal Items:**

Military equipment	35,047
Linseed oil	2,634
Sausage, canned	1,848
Gasoline motor trucks	1,550
Copper wire, insulated	695
Armor plate	668
Internal combustion marine engines	627
Auto parts for assembly	616

Treasury Department, Division of Monetary Research June 30, 1942

ISF/afs 6/30/42

SECRET

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APPENDIX D

**Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the ten-day period ending
June 20, 1942**

(Thousands of Dollars)

TOTAL EXPORTS

\$ 2,707

Principal Items:

**Military equipment
Other iron and steel manufactures
Copper wire, insulated
Iron and steel wire, rope and cable
Other vegetable fiber manufactures
Cleaning and washing compounds**

**2,656
26
4
3
3**

Treasury Department, Division of Monetary Research

June 30, 1942

ISF/K: 6/30/42

Kings County Trust Company
— 342 Fulton Street —
Brooklyn, N.Y.

CHESTER A. ALLEN
VICE PRESIDENT

July 2nd, 1942

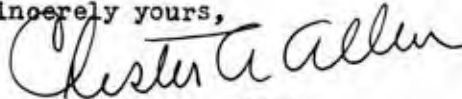
Mr. Henry Morgenthau, Jr.
The Secretary of the Treasury
Washington, D. C.

Dear Mr. Morgenthau:

I appreciated the receipt of your letter of June 29th and I am pleased to be able to tell you that Mr. Lundgren, Assistant Chief, Division of Foreign Service Administration in Mr. Hull's Department of State has furnished us with the certificates as to the death of A. Manuel Fox which are required in order to help Mrs. Fox settle her husband's Estate.

I was pleased to be able to write Mrs. Fox of your willingness to help and of the prompt response from the Department of State.

Sincerely yours,



CHESTER A. ALLEN

CAA:NER

C
O
P
YFEDERAL RESERVE BANK
OF NEW YORK

July 2, 1942

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

I am enclosing our compilation for the week ended June 24, 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/ Robert G. Rouse

Robert G. Rouse,
Vice President.

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

Enclosure

Copy:imc:7/6/42

STATEMENT OF DEBITS AND CREDITS ACCOUNTS
(In Millions of Dollars)

PERIOD	REVENUE OF ENGLAND (BRITISH GOVERNMENT)								REVENUE OF CANADA						
	DEBITS			Total Credits	CREDITS			Net Incr. (+) or Decr. (-) in Balance	DEBITS			CREDITS		Net Incr. (+) or Decr. (-) in Balance	
	Total Debits	Gov't Expenditures (a)	Other Debits		Proceeds of Sales of Gold	Securities (Official) (b)	Other Credits (c)		Total Debits	Gov't Expenditures (d)	Other Debits	Total Credits	Proceeds of Gold Sales		Other Credits
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(a)	416.6(a)	449.7	1,095.3(b)	900.2	195.1(e)	+229.0
War period through December, 1940	2,792.5	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 (1/29/40-8/27/41)	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	140.8	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	156.1	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	88.6	69.6	18.8	51.8	-	-	51.5	- 36.9	0.8	-	0.8	0.4	-	0.4	- 0.4
1942															
Jan. 1 - Jan. 28	102.3	73.2	29.1	69.3	-	0.5	68.8	- 33.0	0.2	-	0.2	0.4	-	0.4	+ 0.2
Jan. 29 - Feb. 25	87.2	63.8	23.4	57.2	-	1.0	56.2	- 30.0	-	-	-	0.3	-	0.3	+ 0.3
Feb. 26 - Apr. 1	121.4	86.4	35.0	171.4	-	-	171.4	+ 50.0	0.1	-	0.1	0.4	-	0.4	+ 0.3
Apr. 2 - Apr. 29	98.1	64.2	33.9	70.6	-	0.5	70.1	- 27.5	0.2	-	0.2	0.4	-	0.4	+ 0.2
Apr. 30 - June 3	104.0	81.4	22.6	165.7	-	-	165.7	+ 61.7	-	-	-	0.3	-	0.3	+ 0.3
Week ended:															
June 3	16.3	12.8	3.5	18.2	-	-	18.2	+ 1.0	-	-	-	0.1	-	0.1	+ 0.1
10	32.0	28.5	3.5	62.3	-	-	62.3	+ 30.3	-	-	-	0.1	-	0.1	+ 0.1
17	22.1	15.7	6.4	19.0	-	-	19.0	+ 3.1	-	-	-	0.1	-	0.1	+ 0.1
24	14.0	10.4	3.6	24.8	-	-	24.8(f)	+ 10.8	-	-	-	0.1	-	0.1	+ 0.1

Average Weekly Expenditures Since Outbreak of War
France (through June 19, 1940) \$19.5 million
England (through June 19, 1940) 27.6 million
England (since June 19, 1940) 37.2 million

*For monthly breakdown see tabulations prior to April 23, 1941.
**For monthly breakdown see tabulations prior to October 8, 1941.
(See attached sheet for other footnotes)

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

Week ended June 24, 1942 \$ -
Cumulation from July 6, 1940 \$ 162.7

million
million

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary 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: About \$16 million transferred from dollar accounts of British authorized banks, and about \$ 3 million representing proceeds of wool sales.

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

Week Ended June 24, 1942

Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government)									COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS					CREDITS				Net Incr. (+) or Decr. (-) in Balance	DEBITS			CREDITS			
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For Own A/C	For French A/C	Other Credits		Total Debits	Transfers to Official British A/C	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)*	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	37.4	-	37.4	19.7	11.9	-	-	7.8	- 17.7	8.2	5.3	2.7	8.0	5.9	2.1	+ 0.2	
Oct. 30 - Dec. 3	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	0.2	2.6	- 1.1	
Jan. 1 - Jan. 28 1942	39.5	-	39.5	33.0	27.0	-	-	6.0	- 6.5	4.5	-	4.5	10.8	-	10.8	+ 6.3	
Jan. 29 - Feb. 25	34.1	-	34.1	35.7	12.4	-	-	23.3	+ 1.6	8.4	5.3	3.1	1.6	-	1.6	- 6.8	
Feb. 26 - Apr. 1	46.5	-	46.5	99.3	20.5	7.7	-	71.1	+ 52.8	7.8	1.3	6.5	3.6	-	3.6	- 4.2	
Apr. 2 - Apr. 29	37.4	-	37.4	35.9	14.2	-	-	21.7	+ 1.5	10.9	8.0	2.9	16.8	-	16.8	+ 5.9	
Apr. 30 - June 3	56.2	-	56.2	47.9	15.7	-	-	32.2	- 6.3	13.2	9.5	3.7	14.6	-	14.6	+ 1.4	
WEEK ENDED:																	
June 3	11.5	-	11.5	5.3	0.2	-	-	5.1	- 6.2	2.4	1.0	1.4	0.9	-	0.9	- 1.5	
10	8.2	-	8.2	33.0	3.4	-	-	29.6	+ 24.8	0.1	-	0.1	0.6	-	0.6	+ 0.5	
17	7.9	-	7.9	25.0	2.9	-	-	22.1	+ 17.1	-	-	-	-	-	-	+ 0.2	
24	11.5	-	11.5	8.1	5.6	-	-	2.5	- 3.4	0.8	-	0.8	1.3	-	1.3	+ 0.5	

Weekly Average of Total Debits Since Outbreak of War

Through June 24, 1942 \$ 8.0 million

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

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

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285

DEPARTMENT OF STATE

Washington

July 2, 1942

In reply refer to
FD 811.515/1386

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 885, dated June 30, 1942, from the American Embassy, Bogota, Colombia, concerning United States currency.

The Secretary of State would appreciate being advised of the reply to be made.

Enclosure:

From Embassy, Bogota,
no. 885, June 30, 1942.

Copy:vw:7-2-42

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RCC

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

Bogota

Dated June 30, 1942

Rec'd 3:06 a.m.

Secretary of State

Washington

885, June 30, 8 p.m.

Department's circular telegram June 23, 11 p.m.

Kindly refer to Embassy's telegram No. 878,

June 29, 3 p.m. and advise if reports are desired covering purchases of Banco de Republica and if so at what intervals.

LANE

BB

Mexico City

Dated July 2, 1942

Rec'd 10:07 p.m.

Secretary of State,
Washington.

771, July 2, 7 p.m.

American agents of manufactures of silverware, jewelry and other non-defense articles now in Mexico City trying to buy silver direct from mining companies. They have bid up to fifty cents per ounce for substantial amounts. Three large American companies (American Smelting and Refining Company, Penoles, and Real Del Monte) have declined to sell until satisfied American Government has no objection. Price would probably react to around forty cents if above named American producers would sell against such bids. Mexican silverware industry had previously bid price up to forty cents.

MESSERSMITH

288

Treasury Department
Division of Monetary Research

○ Date..... July 819 42

To: Miss Chauncey

From: Mr. Southard

Need not be shown to the
Secretary.

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

Mexico City

Dated July 2, 1942

Rec'd 12:45 a.m., July 3rd

Secretary of State,
Washington.

770, July 2, 6 p.m.

Central Bank of Ecuador negotiating with Bank of Mexico for purchase 2318400 ounces silver 720 fine and 28 tons copper for coinage purposes. Bank of Mexico has options from three large American producers here on 750,000 ounces silver each at approximately 35-1/2 cents per ounce which it has re-offered to Ecuadoran bank. If deal closed 3,600,000 pieces of five sucres and one million pieces of two sucres will be minted in Mexico for Ecuadoran Government for delivery in August.

MESSERSMITH

WSB

Copy:lc:7/6/42

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290

DEPARTMENT OF STATE
WASHINGTON

July 2, 1942

In reply refer to
FD 862.51/5047

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of a paraphrase of telegram no. 2984, dated June 27, 1942, from the American Legation, Bern, Switzerland, concerning financial negotiations between Rumania and Germany.

Enclosure:

From Legation, Bern,
no. 2984, June 27, 1942.

Copy:bj:7-2-42

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern, Switzerland

DATE: June 27, 1942, noon

NO. : 2984

In Basel recently a representative of the Rumanian National Bank stated that further credit is being refused the Germans by the Rumanians and that the former are using escudos, gold, and Swiss francs to pay for their current needs. Rumania is no longer being denied permission by the Germans to export to third countries.

The informant made the comment that probably the Germans troops' withdrawal lessened the means of pressure on the Government of Rumania.

HARRISON

Copy:bj:7-2-42

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 226

During morning 1st July German and Italian lorried infantry supported by 20 tanks attacked defended locality at EL ALAMEIN. Attack repulsed. During afternoon enemy attacked defended locality about BIR EL MUKHEISM (15 miles S.W. of EL ALAMEIN) from the rear and some tanks penetrated defences but were later driven out and engaged by our columns during withdrawal. No details given of other fighting on EL ALAMEIN position on 1st July which is described as not unsatisfactory.

On morning 2nd July enemy attacked and overran our locality at BIR EL MUKHEISM. No details available.

COPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTED No. 225

Information received up to 7 A.M., 2nd July, 1942.

1. NAVAL

1st. Three motor gun boats, of which two sustained slight damage, attacked three escorted merchant vessels off TEXEL and inflicted considerable damage. Between 26th and 30th June ten ships were torpedoed by U-boat - a British tanker, a large U.S. tanker and a Norwegian ship off CAPE HATTERAS, a Norwegian tanker off BARBADOS, two Mexican tankers southeast of TAMPICO, a British and a Greek ship in the MEDITERRANEAN. One British and four allied ships are also reported overdue.

2. MILITARY

EGYPT. 30th June. Enemy delivered minor infantry attacks against EL ALAMEIN throughout the day but no major enemy attack developed against our forces. Our reorganisation and readjustment continued in the EL ALAMEIN position. Armoured units operated to the west of the main position and thirteen enemy tanks were destroyed. No information has been received of operations on 1st July.

3. AIR OPERATIONS

WESTERN FRONT. 1st. One Mosquito bombed and photographed KIEL. Night 1st/2nd. Aircraft despatched - against shipping 17, intruders 13, sea-mining 4, 1 aircraft missing. An enemy convoy off TERSCHELLING was attacked and at least one vessel left burning. Approximately 32 enemy aircraft carried out a scattered raid on Southwest ENGLAND and sea-mining is suspected in BRISTOL CHANNEL. Preliminary reports state 3 enemy aircraft destroyed (by intruders) one probably destroyed and two damaged. Considerable damage to property at TEIGNMOUTH and slight damage at WEYMOUTH and PORTLAND.

EGYPT. Between 27th and 30th June three enemy aircraft destroyed, one probably destroyed and five damaged. 16 of our aircraft missing. Night 30th/1st. Bombers successfully attacked enemy M.T. concentrations and forward landing grounds.

MALTA. 30th/1st and 1st. One enemy aircraft destroyed and six damaged.

MEDITERRANEAN. Night 30th/1st. Eight Wellingtons attacked enemy convoy of three escorted merchant ships in IONIAN SEA. (One?) ship hit by two torpedoes and many near misses with bombs on others, part of convoy seen returning to TARANTO.

BRITISH MOST SECRET
U.S. SECRET

OPTCL No. 232

Following is supplementary resume of operational events covering the period 25th June to 2nd July, 1942.

1. NAVAL

The enemy concentrated about twelve U-boats in Northern waters to intercept our North Russian convoy, enemy aircraft in North NORWAY include 55 torpedo-carrying aircraft. There were three heavy air raids on MURMANSK during the week.

MEDITERRANEAN. The only convoy from ITALY to NORTH AFRICA during the week was turned back as the result of air attack on the first. The North African ports recently occupied by the enemy have small capacity owing to demolitions and removal of lighters. TOBRUK is only capable of six hundred - eight hundred ~~tons~~ day at present. The dispersed nature of the fighting in EGYPT and the distance from the coast make opportunities for Naval bombardment in support of our ground forces unlikely. Precautionary movements from ALEXANDRIA of Staffs, Administration and stores have been carried out. It is not expected that submarine patrol will be interrupted by the loss of one of H.M. submarine tenders. About 14,000 tons of enemy shipping were claimed sunk or damaged by our aircraft and several other ships were probably damaged by near misses. Two Italian tankers, totalling about 6,000 tons, sailed fully laden from ISTANBUL for the PIRAEUS on 26th.

MALTA. Enemy Mining. Although sweeping was practically impossible in daylight during May owing to enemy air raids, 46 mines were destroyed in the GRAND HARBOUR approaches between 8th May and 12th June. Before the arrival of the GIBRALTAR convoy, extensive searches were made and a nest of mines and obstructions was found and destroyed southeast of the Harbour entrance. 8 mines were destroyed by the Fleet sweepers ahead of the convoy.

Submarine Warfare. U-boat activity in the Western Hemisphere was slightly less in the CARIBBEAN, but rather more east and southeast of the ANTILLES and between LONG ISLAND and NEWFOUNDLAND. Provisional shipping losses for the week ending 28th were 15 ships aggregating 87,500 tons, of which 13 were lost in the ATLANTIC and WESTERN HEMISPHERE areas. Only two British ships were lost during the week and none in convoy.

Trade. Imports into the UNITED KINGDOM in convoy for the week ending 27th were 824,000 tons including 204,500 tons of oil.

2. MILITARY

RUSSIA. With the launching of the German attack in the KURSK and KHARKOV sectors, the main German offensive has begun, it may now spread southwards towards TAGANROG. So far as the weather is concerned, the offensive might have started in May, but it has been delayed (a) by Russian pressure during the winter, which kept the German forces engaged and interfered with the enemy's fully intended programme of resting and refitting, (B) by the Russian offensive in May south of KHARKOV and (C) by the prolonged defence of SEVASTOPOL.

EGYPT. The Eighth Army is now fighting against odds in armour, the Axis have in the battle four reduced armoured divisions 15th and 21st German and Ariete and Littorio Italian, probably now comprising between 250 and 400 tanks.

FAR EAST. Indications are still consistent with JAPAN's preparations to attack RUSSIA sooner or later when she judges the moment opportune.

3. AIR OPERATIONS

WESTERN FRONT. BREMEN was attacked three nights during the week, which, coming on top of the big raid last week, ought to have had a considerable effect, the total weight of bombs dropped was 1,853 tons including 1,210 tons of incendiaries. One thousand-plus raids. Two features of the mammoth raids on GERMANY are the employment of steadily increasing numbers of heavy bombers (which on these trips carry up to three tons of bombs) and the concentration of the whole force over the target in as little as one and half hours. The result of these heavy loads of bombs being dropped in such a short time is to overwhelm the A.R.P. and fire services and generally increase the moral and material effects of the raid. Saturation point in numbers of aircraft over a target in time is not yet known, but the policy of concentration has proved its worth, and will continue, with total numbers being increased, as circumstances permit.

- 2 -

EGYPT. The Air force can justly claim to have air superiority and has been able to carry out its work without hindrance by the enemy. Fighter bombers have been outstandingly successful and have done much to delay the enemy advance by attacking tanks and supply columns, although these when dispersed over the desert, present a bad bombing target, and bombs bursting in sand lose much of their effect. Long range bombing and mine-laying has been effectively carried out. A record number of sorties for any one day in the desert was created on 26th June when 576 sorties were flown. It is interesting that during our retreat we left behind only five aircraft which were damaged beyond repair (which constitutes a tribute to our mobile organisation). Enemy bombing has achieved very little during the week.

MALTA. Our reconnaissance aircraft have been keeping a constant watch on shipping in the harbours of SICILY and southern ITALY, and our bombers and torpedo-bomber aircraft have successfully intercepted and attacked convoys and independent ships working the ITALY-LIBYA supply route.

4. EXTRACTS FROM PHOTOGRAPHS AND INTELLIGENCE REPORTS ON RESULTS OF AIR ATTACKS ON ENEMY TERRITORY IN EUROPE.

BREMEN. Photographs taken after the first and heaviest attack 25th/26th June. Focke Wulf factory. A direct hit on a group of buildings, possibly machine shops, 24 craters on and around the aerodrome and works. Damage to warehouses at the docks and to buildings in the Neustadt Goods Station. A considerable amount of damage to industrial commercial and residential property, mainly by fire.

5. OPERATIONAL AIRCRAFT BATTLE CASUALTIES

Metropolitan Area.

British. In the Air: Bombers 65, Fighters 18, Coastal 6, Army co-operation 2. Total 91. One fighter pilot is safe.

<u>Enemy</u>	<u>Destroyed</u>	<u>Probably Destroyed</u>	<u>Damaged</u>
Bombers	13	1	10
Fighters	8	2	9
Miscellaneous	<u>2</u>	<u>1</u>	<u>3</u>
TOTAL	23	4	22

MIDDLE EAST (including MALTA)

<u>British</u>	<u>In the Air</u>	<u>On the Ground</u>
Bombers	10	3
Fighters	<u>28</u>	<u>-</u>
TOTAL	38	3

One crew is reported safe.

<u>Enemy</u>	<u>Destroyed</u>	<u>Probably Destroyed</u>	<u>Damaged</u>
Bombers	18	-	15
Fighters	21	5	11
Miscellaneous	<u>1</u>	<u>-</u>	<u>1</u>
TOTAL	40	5	27

NOTE: No account is taken of enemy aircraft destroyed on the ground in any theatre or of British Naval Aircraft casualties.

6. HOME SECURITY

On five nights of the week small numbers of aircraft dropped bombs, the main objectives were NORWICH and WESTON-SUPER-MARE. Estimated civilian casualties for week ending six a.m. first.: Killed 128, seriously wounded 156, including 80 killed at WESTON-SUPER-MARE.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 2, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: The Russo-German Front

Sevastopol

(If the Germans do not now have complete possession of Sevastopol, they probably will have shortly). By July 1, the problem of supplying Sevastopol by sea had become acute. Merchant ships could no longer be used (probably because of Nazi artillery domination of the entrance to the port). Supply was only possible by submarine.

(U.K. Operations Report, July 1, 1942)

Present Situation of the Russian Army

The following is the present estimate of the Russian situation by Colonel Swett, acting head of the Eastern European (Russian) section of Military Intelligence. (Last September, Colonel Swett believed that the German Army could do practically what it wanted to do in Russia; that the Russian Army was being out-manuevered; that the Germans would probably soon take St. Petersburg [i.e. Leningrad]; etc. In view of this background, his present estimate is most encouraging).

The morale of the Red Army is high and a collapse is not to be expected. The Russians are doing a magnificent defensive job and exact a terrible toll of German soldiers for every position the Nazis take. The main reason the German Army has not been able to launch a widespread offensive so far this year is because the Russians have not given them an opportunity to do so. At one time, the United States Army was considering seriously whether the Russians could hold out if they were pushed back to the Urals. This is now purely an academic question as far as this summer is concerned. The Germans will not, on

the most pessimistic possibility, get anywhere near as far as that.

Present Russian industrial production is running at around 75 percent of pre-war. There is practically no such thing as industrial production for civilian needs any more. Conversion is 100 percent. The food situation is getting tight for the civilian population, and civilians, in general, are having a difficult time.

The information given out by the Russians on their own situation to date has had an admirable record for accuracy. The Russian figures on their own casualties for the first year of the war (4,500,000 men, 15,000 tanks, 9,000 planes) can be taken as correct, as they are corroborated by all the available evidence we have been able to secure.

German Plans in Russia

Based on the material and information that I have been able to gather, the following appears to be the German plans for the summer in Russia.

It is fairly clear that the Germans cannot destroy the Russian Army this year. At the same time, the Russian Army must be robbed of its power to threaten Germany, while the German Army is handling the western powers and making a junction with Japan. The German plans must, therefore, be designed to cripple the Red Army's capabilities for an offensive. This means that the following must be done:

- (a) The Russian Army and the Russian industry must be cut off from the oil of the Caucasus.
- (b) As much of Russian industry as possible must be over-run.
- (c) The supply routes to Russia from the outside must be cut.

In terms of military action, the German Army must be planning to make its main offensive in the south. If successful, this would stop the flow of oil from the Caucasian wells to the main Russian forces, would result in the conquest of the entire Donetz industrial concentration, and would cut the main southern supply route from outside. Secondary offensives will probably be directed at cutting the northern supply route and destroying the industrial facilities of Leningrad and Moscow.

- 3 -

Probably a joint land-sea attack will be made on Murmansk and Leningrad. If Leningrad is taken, Vologoda will be the next objective in an attempt to bestride the railroad from Archangel. The entire German Navy is already committed to the task of trying to stop supplies to Russia from passing north of Norway.

Practically no military authority will venture to predict the degree of success the Germans will have in achieving these plans. The most that can be said is that the Red Army so far as shown itself stronger in relation to the Reichswehr than it was last summer. Beyond that, if there is no second front in Western Europe, it is not possible to venture with any certainty.


Treasury Department
Office of the Secretary

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Date July 7, 1942.....19

To: Mr. Kuhn

From: A.M. Kamarck



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

OFFICE OF STRATEGIC SERVICES

July 2, 1942 ~~≡~~

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

Dear Henry:

The attached is the British Political
Warfare Executive Directive weekly intelligence
summary.

Sincerely,

WJ
William J. Donovan
Director

Italy presently exporting cattle to Switzerland to obtain foreign exchange to purchase high grade steels, other products from Germany, Sweden. Cattle imported to Italy from Eastern Europe, chiefly Rumania. Meat is practically unobtainable in Italy.

From Milan: Reports concur, in spite of universal food shortage, that almost anything can be bought with money. Usually undesirable food such as potatoes presently greatly sought after. Recent black market prices: Edible oil four to five hundred lira per litre, tea eight to twelve hundred lira per kilo, coffee thousand lira per kilo, sugar five hundred lira per kilo. Italians particularly resent favorable treatment in restaurants to Germans who can eat all they like even on meatless days by using "Gutschein". In at least two best restaurants Milan meat meals disguised by breadcrumbs, sauce, etcetera can be had on meatless days at ninety lira. Abolition of first class sleeping coaches ordered in April is believedly the result of incident occurring in Milan station when the night express to Rome was invaded by a mob of third-class passengers who outturned occupants of sleeping coaches to the platform in pajamas. Train left with sleepers packed with third-class passengers.

-2-

Latest regulations: Letters even for inland addresses must be handed to postoffice unsealed, unstamped where they are examined by clerk. Stamp must be affixed in clerk's presence and letter still unsealed put into letterbox. Letter is later censored, sealed.

Note: Treat above report with caution until confirmation received.

From Rome: To give the impression that meat is available, authorities slaughtered large number of donkeys, old horses; flesh is on sale at Rome butcheries without sanitary precautions. Result was an epidemic for several weeks of semi-acute stomach disorders.

Extract from MEW propaganda report June 29:
Conclusion on April 25 of interim survey mobilization of German labor under Goering decree, in agricultural states 36,000 out of 58,000 communes to which mobilization applies had handed in a list of proposals by Ortsbauernfuhrer.

MEW comments: It is admitted that while some Ortsbauernfuhrers have not returned list because they have no labor reserve, others have not because they wished to avoid disputes. It is evident that the task was extremely invidious in smaller villages and many Ortsbauernfuhrers

-3-

simply shirked it. It is the first example in Germany of something like civil disobedience; perhaps it may even be momentous, for if non-cooperation among Ortsbauernfuhrers spreads, the whole rationing system would be endangered.

Treasury Department
Office of the Secretary

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Date..July 3, 1942...19

To: Mr. Kuhn

From: Mr. Kamarck

Attached is a British Home Intelligence Report. In spite of the shifts of Donovan's office, we are going to continue to receive this.



UNITED STATES GOVERNMENT
~~COORDINATOR OF INFORMATION~~
WASHINGTON, D. C.
OFFICE OF STRATEGIC SERVICES

July 2, 1942

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

Dear Henry:

The following is the British Home
Intelligence Report for the week ending
June 23.

Sincerely,

WJ
William J. Donovan
Director

General state of public opinion: Public interest is so completely dominated by events in Libya that most other subjects are completely eclipsed. People are shocked out of optimism. Exasperation, disappointment, rage and shame are only a few of the very widespread reactions. Confidence with regard to immediate prospects is thought considerably shaken although confidence in ultimate victory is still strong. This effect is augmented by fears of "ominous threat" to Allied shipping and doubt of ability to maintain heavy bombing offensive. There is recurrence of belief that "we are in for a long war" and a slight increase in war-weariness, not unmixed with defeatism.

Libya: Although people were fairly well prepared for unfavorable developments, Tobruk's sudden capitulation constituted what was described in four regions as "the greatest blow to public confidence since Singapore". Comparison was made between "shining example of Russians at Sebastopol and our inexplicable caving in at Tobruk". Although the fighting qualities of the troops have escaped adverse comment, people are anxious to know how it could happen so suddenly with what was believed a substantial garrison. Blame for Libya is ascribed as follows.

- a. Government as a whole and Churchill in particular.

The fact that both Churchill and General Ritchie gave the impression that all was well upset people more than anything else. The government is strongly criticized for handling now both press and B.B.C. Also "for not learning from the Russian success in generalship or revising the promotion system to give modern minded officers a show".

b. Generals. There is widespread belief that they were out generaled, contrasted with Rommel, for whom the public feels "increased respect, unwilling admiration". It is felt that "out whole Army High Command is out of date in strategy and is impervious to new ideas". There is widespread anger that the ranks are so badly led. From London region: "Best thing that happened in Libya was capture of five generals". The practice of writing up and prematurely congratulating generals is deplored.

c. Equipment. The public is asking why "after three years of war do the Germans have better weapons. We are always a step behind the enemy in arms". The General Grants are strongly criticized. Are considered "good enough for 1940 battles".

d. Air superiority. The ineffectiveness of air superiority is bitterly criticized. "Rommel was able to inflict terrific bombardment by dive bombers".

Shipping losses have produced increasing anxiety in nine regions. In seven of these it is believed that "bad news is being withheld and the public is asking for definite information".

Considerable interest at first was caused by Churchill's visit to the United States. Since the Libyan news interest has declined considerable and five regions report somewhat cynical remarks that "he skipped off to the United States at such a time". The purpose of the trip is not widely discussed. Some speculation connects it with the urgent shipping position, other with the second front. There is renewed talk of Cripps as successor to Churchill.

RAF offensives. A decline of interest is reported and there is criticism of the "spasmodic" nature of the heavier attacks. There is some doubt as to "whether we can keep up the pace of a thousand a night", and the feeling that "something has gone wrong with the bombing offensive against Germany". There is some disbelief in "bad weather excuse". There are renewed demands for heavier bombing of Italy, including Rome. In two regions the belief is reported that the weight of the bombers would have been more useful in Libyan or Russian fronts or U boat ports.

Second front. Five regions report doubts and misgivings over its establishment caused by Libyan reverses. "Well, if we can't do better than this why talk about a second front". But it is recognized that the necessity for helping Russia is greater than ever.

Egypt. It is feared that Egypt is at Germany's mercy and that the long awaited pincers threat to the Middle East oil fields has arrived. From contacts with relatives serving in the Middle East come stories that "all is far from well in Cairo" and suggesting that the whole atmosphere is one of ease and luxury, such as is thought to be partially responsible for the failure in Malaya.

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NUMBER 38

SECRET

OFFICE OF STRATEGIC SERVICES

THE WAR THIS WEEK

June 25-July 2, 1942

Printed for the Board of Analysts

Copy No. 6

The Secretary of the Treasury

June 25-July 2, 1942.

SECRET

Office of Strategic Services

THE WAR THIS WEEK

Defying the difficulties of supply and striking with exceptional speed and power, Marshal Rommel has driven nearly 250 miles into Egypt during the past week. On Thursday the Axis forces stood only 60 miles from Alexandria in a campaign which may very soon decide the whole British position in Egypt. The loss of Egypt would vastly intensify the military and political repercussions which have already begun to stir the Mediterranean and Middle Eastern world but whose precise extent and character cannot yet be measured. Already the Axis victory has obviously strengthened the position of Laval, has dealt a serious blow to British prestige in France, and has spread discouragement among Allied sympathizers, from French North Africa to Turkey.

On the Eastern Front, the Germans have finally reduced the fortress of Sevastopol, according to a High Command communiqué. Recent German drives in the Kharkov and Kursk sectors, apparently seeking to free north-south communication lines, are still viewed as preliminary to any large-scale offensive. Meanwhile the Nazis are intensifying their efforts in another direction, and a current estimate of submarine production indicates that they may be in a position nearly to double the size of the Atlantic patrol between April and December of this year, creating a grave potential menace for even a much expanded Allied merchant marine.

In the Far East, the Japanese claim to have completed the conquest of the Chekiang-Kiangsi railroad, but no significant

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changes are reported in the Manchurian-Siberian area. In India the results of the forthcoming meeting of the Congress Working Committee are awaited with anxiety, while fresh differences among the Moslem leadership have appeared.

Finally, recent events indicate that both of the Latin American laggards—Argentina and Chile—are unshaken in their determination to remain neutral.

The Battle for Egypt

Capitalizing on the heavy losses inflicted in Libya on the British Eighth Army, Axis forces struck toward the Nile with a drive that in one week carried them almost 250 miles into Egypt. The next few days will see the crisis in the battle for Egypt.

Rommel's campaign was built around speed and striking power, giving the British as little time as possible to reinforce or organize defenses. He is believed to have about 400 German and Italian tanks in operation, and to be moving his supplies right with him in some 6,000 to 8,000 trucks. The approximate outlines of the campaign are shown on the accompanying map, which is based on the best information available up to July 1.

The general pattern of attack was a three-pronged drive along the coastal strip, apparently with light forces skirting the shore, and with a strong concentration of strength in the center and in a flanking column farther inland, which followed the recently extended railway. These columns swept past the positions in western Egypt from which the British had withdrawn, and on June 27 converged on Matruh which was assaulted and encircled. Although the British may have begun their withdrawal from Matruh early in the battle, it is believed that Axis claims to have captured more than 6,000 prisoners and stores are reasonable.

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Without pausing, Rommel then struck on to the east, and at latest reports had reached the narrowing front between El Alamein and the eastern end of the Qattara depression. Here, about 60 miles west of Alexandria, the British are expected to make their stand along a 40-mile front. The Qattara depression is not believed to be absolutely impassable at this point, though it presents a steep escarpment and at the bottom a "sand marsh" in which mechanized equipment would have difficulty.

British Tactics

Allied forces, now under the personal command of General Auchinleck, have been fighting scattered, delaying actions over a wide area, aiming to whittle down enemy armor and slow enemy thrusts at the least possible cost. Some British mobile units are believed to be operating to the west of the Axis spearhead. Although the present strength of the Eighth Army is a matter of conjecture, it has received reinforcements of New Zealanders and other troops from Syria, tanks from rear depots and repair shops, and American bombers rushed to the Egyptian theater. Allied air forces have concentrated on bombing and strafing enemy dumps and extended lines of supply, especially along the coastal road from Solum.

Dangers in the Axis Advance

If the Axis should break through or encircle the British positions south of El Alamein—which seems a very real possibility—a drive toward Alexandria would probably follow, with a simultaneous or (more likely) a subsequent thrust at Cairo and then the Canal. The space-time factors of supply and fatigue may be causing Rommel concern, but there appear to be no natural defenses between the present British

SECRET

positions and the Nile. The canal system of the delta, if adequately defended, might seriously retard a mechanized advance, but the Axis would probably encircle it to the south.

Moreover, in this densely populated area the defenders would face a wildly excited if not hostile native population. An unconfirmed report suggests that King Farouk, without consulting the British, has declared Cairo an open city, and he and the ruling class may be expected to come to terms quickly with the winner. Axis propaganda and fifth column work have long prepared for this occasion.

If this speculation is projected still further, there seems to be no logical line of resistance between the Nile and Suez. There are reports that if the British should be forced to retreat beyond the Red Sea, key points in the Canal will be blown up. It should also be noted that an Axis advance into this region might disrupt the present air ferry route to the Middle East.

British Mediterranean Fleet Shift

With the threat to Alexandria growing daily, the British fleet based there—which now consists of light forces (cruisers, destroyers, corvettes, and submarines)—is reported to have shifted its base to Beirut. A fueling station is available at Haifa, and minor repairs can be made at Beirut, but only Alexandria offers full dry-dock facilities. The removal of this fleet from the eastern Mediterranean would greatly simplify an Axis attack on Cyprus and Syria, and it is therefore believed that these naval forces will be retained in this area for the present, even at the risk of losses. Presumably the units of the French fleet now at Alexandria would not be allowed to fall into Axis hands.

Effective raids against Axis supply lines, it is said, can be carried on only by the substantial submarine force of this fleet, and by aircraft from Malta, recently reinforced by

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planes brought there on the American carrier *Wasp*, since land-based aircraft can neutralize larger fleet units in this confined area.

Turkey's Fears

Rommel's sweep into Egypt has left the Turks in a state of serious concern. They view with suspicion a Nazi proposal that all interned aviators be freed, fearing the Germans wish to establish a precedent for a possible future Near Eastern offensive of their own. A high government spokesman, seconded by the press, has complained that the British have supplied Turkey with little military equipment, and have failed to move sufficient forces to halt the Axis threat to the Levant, where it is felt the main German push will come. Nevertheless, he states that, if attacked, the Turks will fight without regard for casualties.

In London fears persist that the recent Turko-German military agreement may carry in its wake military specialists and an indoctrination of the Turkish staff with the concept of Nazi might. In addition to the forces already in the Aegean area, there are unconfirmed reports of large German troop movements through Austria and the Balkans toward the Turkish border. Axis talk about thousands of American troops in Egypt is also believed to be part of the war of nerves against Turkey, who may eventually find herself in the position of Sweden, if not of Hungary. The threat of a flanking air-borne attack on Syria from the Aegean area is still widely discussed.

Reactions in France to the Libyan Debacle.

In France the British defeat in Libya is having very serious repercussions. Hopes of a second front have tumbled, and

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British prestige among the French people is reported virtually to have vanished. Laval has taken the opportunity, both in his recent speech and through the press, further to discredit Great Britain and the De Gaullist movement, which he characterizes as being essentially British.

Although some Frenchmen feel that Laval's speech (*The War This Week*, June 18-25, p. 12) was simply an oratorical concession in his negotiations with Hitler, it appears that the speech may have cost Laval much prestige, particularly his criticism of Giraud, who is now pictured as virtually a national idol. Within the Vichy government itself, Laval's reference to the Martinique negotiations as intervention by the United States is reported to be resented by Foreign Office officials. Pétain is also said to have been angered, claiming that he had no foreknowledge of the provocative sections of the speech with which Laval publicly associated him. It is pointed out, nevertheless, that the Marshal always denies a foreknowledge of whatever may later prove unpopular with the French people, although this time he may have been actually deceived. One thing, however, appears to be quite certain: Laval has so entrenched himself in the government that neither Pétain, nor any other Frenchman, can remove him without the aid of the Germans.

French Economic Collaboration

Laval is now very much occupied with fulfilling German demands for further economic aid. In order to meet the constant Nazi request for French skilled labor, as many as 1,300 plants have been shut down, according to one source. This has been accomplished, it is claimed, in order to centralize and eliminate unprofitable industries, but also, it is suggested, to force French workers to go to the Reich and thus avoid having them drafted by the Germans. Conse-

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quently, Laval has placed French labor in the position of either going to work in Germany or permitting badly needed agricultural workers to remain in German prison camps. At the same time the Germans have asked for, and have obtained, further French food supplies, railroad rolling stock in large quantities, and automobiles.

With the "Anti-Bolshevist Legion" renamed the "Tricolor Legion" and given semi-official status, an important Paris collaborationist newspaper remarks that the Legion will be constituted to fight not only in Russia but in French Africa, in France, and wherever Anglo-Saxon and American "Imperialism" may penetrate.

The North African Balance

In North Africa also the Axis drive into Egypt has made a deep impression. Many sympathizers with the Allied cause are reported as angry and disheartened, while those favoring the Axis appear to have received new encouragement. However, the renewal of the shipments between New York and Casablanca has come at a fortunate moment, according to American observers in North Africa, and high French officers are said to be very appreciative and state that the renewed agreement permits them greater freedom of action in dealing with German demands. Noguès, the Moroccan Resident General, who appears to put his official position above all else, is an exception and is said to be more pro-Laval and anti-British than ever.

The Vichy government has acceded to German demands for powers of control over shipping at Casablanca similar to those exercised in Algiers, according to diplomatic sources. Since the Armistice agreement allows German control of French foreign shipping, Vichy may have done well to secure promises that German personnel would not be increased at

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Casablanca, and that ships going to Dakar would be excluded from this control. It is feared that the Egyptian success will stimulate the demands and activities of the Axis group in the whole Mediterranean area.

General de Gaulle and the Post-War Settlement

General de Gaulle's recent political declaration is a noteworthy document demanding the end of totalitarianism, the establishment of a post-war organization for the maintenance of peace, the restoration of the liberties of the French people, and the establishment of women's suffrage for the election of a National Assembly "which will decide in full exercise of its sovereignty what course the future of the country shall take." It is consistently reported, however, that there is, in Unoccupied France at least, little enthusiasm for the Free French. The latter appear to have suffered from the close association which they have been obliged to maintain with the British.

Suñer's Visit to France and Italy

Suñer's current trip to France and Italy has caused wide speculation. His conversations with the Pope are believed to have dealt with the selection of Spanish bishops. It is felt by some observers that Suñer may be seeking foreign support in France and Italy against a movement for a general amnesty and a monarchical restoration with which Franco is said by Laval to be in sympathy. Other rumors attribute economic and minor military purposes to Suñer's visits.

The Nazi Drive South of Kharkov

On the Russian front, the capture of the rail junction of Kupyansk, 60 miles southeast of Kharkov, apparently repre-

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sents a concerted effort on the part of the Nazis to free their north-south communications lines—perhaps as a preliminary to a general offensive. Although the attackers claim to have launched their drive as early as June 22, they withheld any definite news until they were able to announce the Soviet withdrawal from Kupyansk and the consequent clearing of the triangle between the Donets and Oskol rivers. It is not clear whether they have also taken Izyum, near the base of the triangle. But since the Germans have announced the successful completion of their operations in this sector, it seems likely that they have achieved their main objective of freeing the railroad running east from Kharkov to Kupyansk and thence north to Belgorod, Kursk and Orel.

A similar purpose appears to have dictated their latest attack in the Kursk sector. Thus far each side has refrained from mentioning any specific localities. Reports suggest, however, that the Nazis are trying to eliminate one or more Soviet salients cutting the north-south railroad in the vicinity of Kursk.

Timoshenko's Offensive in Retrospect

With the German advance to the Oskol, the armies of Marshal Semyon Timoshenko have been thrown back east of the position from which they began their original offensive more than a month ago. The current Nazi attack now brings into focus the results of this earlier campaign, as estimated by an American military observer.

Our observer finds that Marshal Timoshenko, using a large mobile component of three armies, made a rapid frontal penetration—his advance elements apparently reaching the vicinity of Krasnograd, and his right flank putting strong pressure on Kharkov itself. Despite the severe shock of this advance, coupled with a considerable disruption of communications,

the Germans staged a heavy counter-attack from the south which succeeded in cutting off one Soviet army. Russian losses probably amounted to 30 percent of the forces initially committed. German losses may have been somewhat lighter.

As to the success of the offensive, our observer is uncertain. On the one hand, he finds that the Soviets failed to maintain their advance and suffered heavy casualties. On the other hand, they disengaged about two-thirds of their forces without German pursuit. The only reliable indication of the extent to which they achieved their mission of disorganizing the Nazi forces around Kharkov, he concludes, will be the rate of Axis advance during the coming months. The current German attack—launched perhaps from a bridgehead east of the Donets established in the wake of Timoshenko's retreating forces—would suggest that the original Russian drive was a futile and wasteful operation.

The Great Offensive Still Hangs Fire

From Kuibyshev comes a reliable report that the ground is still wet before Moscow—more than a month after it is normally dry. To those who believe that the Nazis will not restrict their main operations to southern Russia, this report offers a more convincing reason for their continued delay than the problematical success of Timoshenko's Kharkov offensive. Yet there is a final possibility—that with the startling Nazi advance in Libya, the Eastern Front may, for the present at least, become merely a sideshow in Axis grand strategy. In the opinion of Pierre Laval, the Nazi high command is right now hesitating as to which front it should exploit to the limit.

Outside the Ukraine, the Nazis have likewise held the initiative. In the Volkhov area south of Leningrad they claim the encirclement of one Soviet army and parts of two

others. Around Sevastopol, successive German communiqués reporting the crossing of the Severnaja bight, the storming of Mt. Sapoun, southeast of the city, and the fall of Balaklava and Fort Malakov, have culminated in the announcement of the capture of Sevastopol itself. This claim the Russians have not as yet confirmed. In celebration of victory, Hitler has ordered that a special medal be issued to those who participated in the attack, and has promoted their commanding general, Von Mannstein, to the rank of field marshal.

Submarine Warfare in the Baltic

Three recent reports from Stockholm point to intensified Soviet submarine activity in the Baltic Sea. One relates that the Nazis have begun to convoy shipping in these waters. Another tells of the escape of one or more Russian submarines through the minefields around Kronstadt; four, it appears, of the group that originally attempted the dash failed to get through, and were sunk by mines. A third despatch reports the sinking of a Swedish merchant vessel, almost certainly by a Russian submarine. Observers at Stockholm predict that when the submarines begin to run out of fuel and ammunition, they will either surrender or go to Swedish ports for internment—although a desperate break for Great Britain through the heavily guarded waters of the Skagerrak is not entirely out of the question.

German Submarine Production and the Battle of the Atlantic

The rapid expansion of German submarine building facilities during the first two years of the war is only now beginning to make itself fully felt. The Germans began the war with about 60 ocean-going U-boats (500 tons or more) and had increased that number to 261 by the beginning of May this year, according to a current study of the Economics Division

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of the Office of Strategic Services (see Appendix I). It is now estimated, however, that the latter figure will move steeply up to a total of more than 430 submarines by the end of this year, an increase of more than 65 percent. If the same proportion of undersea craft is maintained in the Atlantic patrol, the latter would increase in size from 48 (as of April 21, 1942) to between 85 and 95 by the end of the year. This figure carries very significant implications for the future course of the Battle of the Atlantic and for the relation of our own shipbuilding program thereto.

German Tank Strength

German tank strength stands at about the same level now as in June 1941, although production has presumably declined somewhat from the "high" of roughly 1600 per month recorded a year ago, according to a current study by the Economics Division of the Office of Strategic Services (see Appendix II). Present strength is now about 23,000 modern tanks, the larger part of them in Russia. Of the total, 8500 are assigned to 28 Panzer divisions (200 tanks each) and to about an equal number of GHQ armored brigades (100 tanks each). Another 8500 constitute the active reserve. The remainder is variously distributed.

Permanent German losses, it is estimated, have varied from about 5 percent per month of tanks engaged in the Polish campaign to about 11 percent per month of those engaged in the Russian campaign (June-December, 1941). The total number of tanks damaged during periods of active combat is much greater than these figures would suggest, but the bulk of these machines are repaired and returned to action.

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Claims of Victory in China

In the Far East, Tokyo claims that Japanese columns pushing forward from the cities of Kuei-chi and Shang-jao have effected a junction at Heng-feng, thus bringing to a successful conclusion the seven weeks old Japanese campaign for possession of the Chekiang-Kiangsi railroad. Chungking denies that the entire railway is in Japanese hands but admits that the Japanese have narrowed the gap between their forces to some twenty-five miles. The Japanese advance comes after a period of inactivity which has led some Chinese officials to speculate on the possibility of a Japanese withdrawal toward Nanchang and Hangchow. But even these observers predicted that the Japanese would continue in control of the regions containing landing fields which might be used as air bases for raids on Formosa or Japan. In pursuit of the latter objective, a Japanese column driving south from the Chekiang-Kiangsi railway has occupied the town and air base at Li-shui, last of the big air bases held by the Chinese in Chekiang.

Meanwhile, both Chungking and Tokyo are claiming impressive victories as a result of fighting in the mountainous country on the Shansi-Honan border. Operations centered about the town of Lin-hsien in Honan, north of the Yellow river and west of the Peiping-Hankow railroad. The situation is still somewhat confused, but probably the Japanese characterization of the campaign as a "large-scale mopping-up operation" is not entirely inaccurate. The Japanese are apparently engaged in an attempt to strengthen their positions on the railroad, possibly as a preliminary to a drive southward along that line.

Chinese Opposition to Aid From Russia

Chinese army officers have halted and turned back to Sinkiang a caravan of some 60 Russian trucks carrying gasoline to Lanchow in Kansu province, where they expected to load strategic commodities for the return trip to Russia via Hsing-hsing-hsia on the eastern border of Sinkiang. This information, which comes from a highly placed American observer at Chungking, illustrates the fact that Russian fear of offending Japan is not the only obstacle to aid for China via Russian supply routes. The Chinese themselves are far from unanimous in their attitudes toward Russian assistance and cooperation.

The present controversy does not directly involve American aid, but hinges rather on the question of allowing Russian trucks to proceed as far as Lanchow in carrying out a previous Russo-Chinese trade agreement (*The War This Week*, June 18-25, p. 17). There are some indications, however, that the truck incident may be the occasion for a test of strength among opposing Chinese views regarding cooperation with Russia.

Three attitudes are represented at Chungking. The minister of war, Ho Ying-chin, and his followers are bitterly opposed to any dealings with Russia. This group appears to oppose Russian assistance even more than the prospect of enforced cooperation with the Japanese. H. H. Kung, minister of finance, Weng Wen-hao, minister of economics, and many others feel that no obstacles should be placed in the way of whatever aid can be secured for the war against the Japanese—from whatever source. They would be willing to let the Russians use Lanchow immediately as a terminus without awaiting "wider" negotiations.

Chiang Kai-shek, who represents the third point of view, would be willing to let the Russian trucks come as far as

Lanchow, if such a concession were made part of a larger agreement in which the Russians should promise to forward lend-lease shipments over the Turk-Sib railroad. Chiang has lost none of his aversion to communism, and inclines to resent the necessity of negotiating for Russian aid. But the Generalissimo is so thoroughly committed to opposition to Japan that promises of substantial lend-lease assistance would suffice to outweigh the ugly fact that the Russians would necessarily be given some credit for delivering the supplies. To some observers this situation again emphasizes the fact that the United States cannot rely on Russia to relieve it of responsibility for supplying the Chinese directly with whatever aid the American government believes the Chinese should have.

Spiralling Inflation in China

Meanwhile, rising prices and currency depreciation continue their ominous course and emphasize the mounting difficulties on the home front. Wholesale prices, on the basis of an index of 100 for the period January-June, 1937, rose to 1400 in June 1941; 2400 in December 1941; 4300 in April 1942; and on May 14 were estimated to have risen to between 5000 and 5500.

Despite this extraordinary situation, the observer at Chungking previously cited believes the Chinese will continue to carry on the war as best they can "for a while yet." Crops are excellent, an important factor in a country 80 percent agricultural. In China currency inflation is less disruptive than it would be in a highly industrialized nation.

The Effect of United States Credits

So far the currency inflation has not been relieved by the recent large United States dollar credit established for

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China, of which US\$100,000,000 is to be used to back Chinese savings certificates and an equal amount to secure Chinese war bonds. Sales of both have been slow and limited. Several reasons for this situation are advanced. Prospective buyers suspect that Chinese government exchange controls will ultimately apply to holders of the bonds, perhaps making them payable in Chinese rather than American currency. Buyers also are not pressed for time, since no limit has been placed on the period during which the securities might be purchased at favorable rates. Perhaps more important than these reasons, however, are the continued tendency to put money into physical goods and the higher ratio of profit which can be obtained from business investments.

Russo-Japanese War of Words

Although no significant military changes have been reported in the Manchurian-Siberian theatre, recent Japanese and Russian radio broadcasts indicate steadily mounting tension. For the past several months, Tokyo broadcasts have become more bold in their treatment of Russia whenever Allied reverses have occurred. On June 21, for example, Tokyo radio announced that recent Axis victories encourage the belief that "Russia will get no help in the vital six months ahead". The next day, the anniversary of Hitler's invasion of Russia, that station declared that Japan is "fervently praying for Germany's continued success" and is "observing all possibilities for the purpose of absolute security," while *Nichi Nichi*, the big popular daily in Tokyo, stated flatly—the first time since December—that Japan must be concerned with the European war because she is a party to the Anti-Comintern pact.

With Japan's increased interest in Axis solidarity and the current threat to Siberia, Moscow has launched a counter-

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blast on the radio, placing the blame on a Japanese submarine for the sinking of the Russian freighter *Angarstoi* on May 1. At that time and repeatedly in the latter part of June, the Japanese alleged that an American submarine had sunk the vessel in order "to wheedle the Soviet Union into war with Japan."

The style of the Russian broadcast, as well as its timing, is significant. Its factual tone is in striking contrast to the emotional reactions of Soviet publicity following events, such as Pearl Harbor and the von Papen bomb trial, concerning which the Russians quite obviously intended to take no action. The further dissemination of the accusation through all domestic propaganda channels, from regional to front-line papers, is in accord with past Russian practice when forming public opinion on some issue of vital importance—in this case, the Russian attitude toward Japan.

Watchful Waiting in India

With Gandhi still carefully preparing the ground for the coming meeting of the Congress Working Committee, advices from New Delhi suggest that Nehru has not yet abandoned his efforts to steer the Mahatma in a moderate direction. Gandhi's letter to Chiang Kai-shek, it seems, may have been actually drafted by Nehru as a last effort to reach an understanding with the British Raj. Rajagopalachariar has also been in consultation with Gandhi—urging his program of armed resistance to Japan and peaceful settlement with the Moslem league. In view of this continued divergence of opinion, the outcome of the Working Committee meeting cannot be forecast. It may end in a victory either for immediate civil disobedience or for compromise—or even in a schism within the Congress itself.

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In the first case, our informant suggests, the government would have to proceed with caution—employing troops and arrests only sparingly. But in the third case, the administration would probably be able to cope with the activities of Gandhi and the intransigent wing of the party, although it might feel obliged to imprison the Mahatma himself. Government leaders apparently feel that Gandhi is reckoning on a Japanese invasion, and that if this fails to materialize, the Mahatma's plans may well go awry. Meantime, the administration is apparently reaching out for support to elements of the left, weak in leadership, but committed to a vigorous war effort.

Moslem Realignments

In the Moslem camp, there are at least two indications that Mr. Jinnah's Moslem league—advocating Pakistan (the establishment of a separate Moslem state)—is meeting increased opposition from other Moslem leaders. Fazlul Huq, premier of Bengal, whom Jinnah recently expelled from the Moslem league, has announced that he will organize his own All-India Progressive Moslem league—pledged, at least by implication, to oppose Pakistan. Huq has issued invitations to the premiers of Sind and of the Northwest Frontier province and to other prominent Moslems associated like himself with the Azad Moslem conference (which opposes Jinnah). Our observer suggests, however, that these leaders will probably prefer to sit on the fence for the present—in view of the fact that Huq's influence is limited to Bengal, a province that enjoys a somewhat unsavory political reputation. Nor is Huq himself generally trusted, and the other Moslem leaders possibly feel that his current proposal is simply an effort to bolster his own doubtful political position in Bengal.

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Another Moslem prime minister, Sir Sikander Hyat Khan, of the Punjab, has arrived at a *modus vivendi* with the Sikhs of this province—on the basis of freezing all controversial issues for the duration of the war and granting the Sikhs specified representation in the ministry. Such a development represents a significant strengthening of the government's position, since the Punjab is India's most important recruiting area. In reaching this agreement, however, Sir Sikander has directly violated Jinnah's principle of postponing local provincial settlements until the main question of India's future organization has found a solution.

Argentina Hews to the Neutral Line

The sinking of the Argentine S. S. *Rio Tercero* and the announcement of Germany's blockade of the east coast of the United States has subjected Argentina's "prudent neutrality" policy to great strain. Opposition parties in the Chamber of Deputies are making full political capital out of these events, and their searching questions are reinforced by the widespread popular opposition to Castillo. Nonetheless a diplomatic break with the Axis appears neither imminent nor probable (as some press dispatches indicate). Should Germany comply with the Argentine protest about the *Rio Tercero*, which according to press reports includes demands for reparations and the payment of full honors to the Argentine flag, the Castillo government seems prepared to allow the incident to be settled and to accept Germany's promises of non-repetition.

The east coast blockade is potentially more serious for Argentina, since that country's export trade is now largely oriented toward the United States. If, however, Argentina can direct her vital exports to United States west coast or Gulf ports, which are outside the announced blockade area,

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the economic effects of the blockade may be sufficiently mitigated so that she will feel justified in continuing to follow her policy of strict neutrality. There are already definite indications that Argentina will use the route to the Gulf ports, with the expectation that, despite heavy sinkings of United Nations merchant tonnage in the Caribbean, Argentine ships will be unmolested if they observe the rules for neutral shipping and remain outside the formally declared blockade zone.

The resignation of ailing President Ortiz has no direct connection with these events. Nevertheless, it points up the dispute over foreign policy and long overdue domestic reforms. Popular dissatisfaction with the Castillo government has been handicapped all along by the lack of effective leadership, especially in the Radical party, numerically the strongest group in Argentina. Ortiz' resignation may force the Radicals to reorganize the party or to submit to the repressive measures of the Conservative groups.

Chile Persists in Her Neutrality

The Chilean Senate's virtually unanimous approval of the administration's policy of neutrality revealed once again this week the determination of large elements in the country to keep out of the war. The Senate also rejected a motion calling for a break in relations with the Axis.

It is true that the Foreign Office announced that any further Axis attacks on Chilean shipping would be regarded as hostile acts. But since Chilean vessels carried less than five percent of Chile's trade with the United States in April, the Foreign Office's exclusive reference to Chilean shipping did much to minimize the significance of its announcement. There was nothing in the official statement to justify subsequent assurances in the United States press, based on "in-

formed" Chilean sources, that Chile would declare war on the Axis in the event of an attack on the Panama Canal, or on any west coast point south of it, or on ships of any American nation plying the coastal waters in that area.

The Senate action is an apparent rebuff to leftist forces whose drive for a break with the Axis has acquired new impetus during the past fortnight. One of the highlights of that drive was a mass meeting of 20,000 in Santiago on June 21, organized by the Chilean Confederation of Labor for the purpose of urging anti-Axis measures. On June 23 a National Democratic Front of all leftist political and labor groups was formally established to promote a stronger anti-Axis policy.

In the opinion of some qualified observers, the possibility of a change in Argentina's neutral stand, as a result of Axis attacks on her shipping, might make Chile unwilling to face the odium of being the sole surviving neutral American nation. At present, however, it appears that only a willful attack on her shipping or on her coast could induce Chile definitely to break with the Axis.

Axis Sinking Arouses Colombia

German sinking of a Colombian vessel, the *Resolute*, and the loss of part of her crew have evoked an emphatic note of protest from the Colombian government. Public opinion has been considerably agitated over the affair, and the newspaper *El Tiempo*, which is the organ of President Santos, favors a declaration of war.

Colombia severed relations with the Axis powers last December, and President Santos is strongly committed to the cause of the United Nations. His government has recently required all Axis nationals to move inland from the coast and has frozen Axis funds. President-elect Alfonso López, who

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advocated support of the United Nations in his presidential campaign, is expected to arrive in Washington on July 10 as the guest of the United States government.

Canadian Political Situation Improves

The middle course adopted by Prime Minister Mackenzie King on the explosive issue of conscription for overseas service apparently has succeeded for the present in averting a crisis, according to a highly placed American observer in Canada. Mr. King's position—"not necessarily conscription but conscription if necessary"—appears to have been accepted by both the pro-conscription and the anti-conscription factions in his cabinet, and by the majority of parliament.

The more fundamental issue has not of course been settled. An order in council proclaiming "overseas conscription" a "national necessity" would again bring the crisis to a head. But it is obvious that for the present the ardent pro-conscriptionist elements have decided not to press their case. The spreading realization in British Canada that Quebec's opposition is not political opportunism so much as a "deeply felt emotional reaction" has strengthened the prime minister's compromise position, our observer states. British Canadians now feel that too callous handling of this sentiment in Quebec would result in serious disorders, or in other ways would slow Canada's war effort—a result they would risk only with the greatest reluctance.

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APPENDIX I

GERMAN U-BOAT STRENGTH, 1942

1. Submarine Strength, May 1, 1942

On the basis of construction activity throughout the war period in German and German-controlled shipyards, it is estimated that Germany's total strength in ocean-going submarines, 500 tons or more, had increased from 60 at the beginning of the war to 261 by the beginning of May, 1942. This estimate assumes that the Germans lost an average of three submarines per month from beginning of the war until the end of 1941, and four submarines per month thereafter. The figure of 261 compares closely with an estimated total strength of 258, derived independently from operational intelligence.

2. Estimated Additions from German Shipyards, May 1-December 31, 1942

A survey of submarine slips in Germany, conducted in April, 1942, by aerial reconnaissance, affords a basis for estimating prospective accretions to German submarine strength during the last eight months of 1942. These estimated additions total 197.

Construction in German shipyards

1942		1942		1942	
	Submarines launched	Ready for service		Submarines launched	Ready for service
January	22		August	29	30
February	24		September	18	23
March	36		October	33	18
April	29		November	23	20
May	25	22	December	28	27
June	24	18			
July	16	33		307	197

The following intervals (in months) for building and fitting-out are believed to apply in the German yards, in 1942:

500-ton vessels		750-ton vessels		1,000-ton vessels	
Bldg.	Fitting out	Bldg.	Fitting out	Bldg.	Fitting out
7	2	8	3	12	4

A further two-month interval is allowed for trial runs between completion and entry into service.

The estimated average rate of launchings per month for all German yards (including Danzig and Elbing) is about 26 for the whole of 1942. This figure compares with an estimated rate of 18 in 1941 and of 5 in 1940. For the years 1940 and 1941, building periods for 500-ton and 750-ton U-boats were estimated to have been one month longer, and for 1,000-ton U-boats two months longer. The increase in launchings in 1942 over the former years is due chiefly to an expansion of the number of U-boats building at any one time. This latter figure rose from about 23 at the beginning of the war to about 180 by August, 1941, when the number of ways levelled off. The most recent reconnaissance (June 1942) reveals that the Germans are utilizing 28 new submarine ways which were not in use in April. This is a notable addition to German building potential, but it is probable that none of these craft can be completed by the end of the current year.

3. Estimated Additions From Dutch and French Yards, May 1-December 31, 1942.

In addition to the accretion of 197 submarines built in German yards and commissioned in the period May through December, 1942, some 33 are believed to be building in Dutch and French yards. It is reported that work on these craft is proceeding slowly, but it is possible that some of these submarines will be completed by the end of the year. With one further submarine whose completion is expected at Stettin, an addition of more than 200 submarines to the German fleet in the eight months, May-December, 1942, is indicated.

4. The German Submarine Fleet at the End of 1942.

If the present estimated loss rate of 4 per month were maintained, the German submarine fleet would thus consist of more than 430 submarines at the close of 1942 (a figure derived by adding to the May total of 261, a figure of 200-plus, and deducting 32 sinkings for eight months). This figure is capable of being reduced by bombing operations, sabotage, shortage of trained crews, or the imposition of a higher loss rate on the German U-boat fleet.

5. Estimated Growth of the Atlantic Patrol, April-December 1942.

Operational intelligence available at this time (report of April, 1942) indicates that no less than three times the number of U-boats on patrol are in bases, training school, on trials, or working up. In February, 1942, the ratio of U-boats on patrol to total strength was even smaller. If the same distribution of U-boats among different areas is assumed, the number of submarines on patrol in the Atlantic will increase from 48 (as of April 21, 1942) to between 70 and 80 by September, 1942, and to between 85 and 95 by the end of the year.

APPENDIX II

GERMAN TANK STRENGTH

1. Present Strength

A study of divisional organization, order of battle reports, and production, loss and repair estimates suggests that German tank strength is as great now as it was a year ago. The Nazis now have perhaps 28 Panzer divisions (23 in Russia, 2 in Libya, 3 in Germany) and about an equal number of GHQ armored brigades, similarly distributed. These divisions probably comprise 200 tanks each, as compared with about 400 during the French and Polish campaigns. GHQ brigades—believed to have been organized after the French campaign—are thought to comprise around 100 tanks each. In addition, the Wehrmacht apparently tries to maintain reserves equal to 100 per cent of all tanks in assault units.

2. Tank Production

German tank production apparently began experimentally in 1933 and rose to 450 a month by September 1939. Production then increased rapidly to a level of about 1590 per month in June 1941. Since then it has presumably declined slightly.

In the above estimate, the presumed German production curve follows the general form of the American tank production curve (both conforming to a well known type of growth curve). Unfortunately the only "solid" point in this curve is a carefully prepared British estimate for 1941. The shape of the curve before and after this date, however, takes into consideration political, economic, and military factors which are thought to have influenced tank production over the past nine years. Furthermore, it takes account of other estimates, on the assumption that figures for total tank strength, arrived at from a production curve after adjustment for losses, should be compatible with the best available intelligence reports on German tank strength at various dates.

3. Tank Losses

Permanent German battle losses from all causes have been estimated to be the following percentages of the number of tanks in the Theater of Operation (TO):

	(Total number of tanks in TO)
Poland, 5 percent per month.....	3,500
France, Belgium, Holland, 7 percent per month.....	7,000
Balkans, 5 percent per month.....	3,500
Russia to 1/1/42, 11 percent per month.....	14,000
Russia, 1/1/42 to 5/1/42, 7 percent per month.....	14,000
Libya, for the 6 or 7 months of battle activity during the period November 1940 through May 1941, 10 percent per month.....	1,200

The above estimate is primarily based on British experience in Libya up to June 1, 1942. Consideration has also been given to other available estimates and

to the varying conditions of other campaigns. Seasoned observers in Libya maintain that permanent tank losses average only 30 percent a year (as compared with 84 percent used by the American army). This British estimate, however, presumably applies to a "typical" calendar year, in which there are only four or five months of battle activity. This fact has been taken into account in deriving the figures in the foregoing table, which are designed to apply only to months in which active combat occurred. Other adjustments have also been applied.

Further considerations in arriving at an estimate of German losses are the sinking of Axis supply ships in the Mediterranean, obsolescence of tank design, and the number of tanks in transit, at training centers, and in other minor uses. A final factor is the reported effectiveness of German repair organizations. United Nations observers in Libya maintain that one can reckon as permanently lost only those German tanks which are "burned out" or captured. The result is a rate of permanent wastage much lower than the rate of damage during periods of active combat.

4. Estimated Distribution of German Tank Strength:

In T O:

	June 1941	June 1942
1. In assault units		
a. In divisions	5,000	4,600
b. In GHQ armored brigades	2,600	2,400
c. In divisional and brigade maintenance shops		600
	<u>7,600</u>	<u>7,600</u>

2. Reserves

a. At supply points and in transit towards the front ¹	7,600	3,800
b. At or in transit to advance base workshops		760
c. In transit to base workshops		1,520
d. At base workshops		1,520
	<u>7,600</u>	<u>7,600</u>

Sub-total tanks in T O..... 15,200 15,200

Outside T O:

In transit to T O	1,660	1,660
Allocated to Training and Testing	1,125	1,183
Divisions and Brigades in Germany	1,880	1,880
Stored and Depot Reserves in Germany (Residual Item)	2,826	3,743
Allocated to Air Fields and Home Guards	(?)	(?)
Allocated to Occupational Troops	(?)	(?)

Sub-total tanks outside T O..... 7,501 8,466

Total modern tanks..... 22,701 23,666

¹ Excludes new tanks coming in for replacement of tanks permanently lost.

² No independent basis for estimate; included in stored and depot reserves.

In addition to the modern tanks in the foregoing table, the Germans probably had in June, 1941 about 3,000 obsolescent tanks (defined as those more than three years old) and about 5,300 of the same category in June, 1942. Captured tanks similarly do not appear in the table. The Germans presumably assign these obsolescent tanks to training units, airfields, and other similar uses, or convert them to assault gun carriers or flame throwers.

The table further reveals the effect of battle operations on the distribution of reserves. During periods of combat activity, a large percentage of available reserves is immobilized in workshops as a sort of "hospital pool" (the figures used are based on Libyan experience). Moreover, the number of tanks in the supply line to an important theater of operations probably equals the losses of a month of combat—since the average time spent in transit is approximately one month. Training and testing, and the equipment of airfields and home guards (not considered organic units) use up a further percentage of reserve strength in Germany itself. In addition, there is always presumably a "buffer" pool of stored and depot reserves. Such factors naturally limit the extent to which the Germans will be able to organize new organic tank units.

5. German Tanks: Order of Battle

	June 1941	June 1942
In Russia	14,000	14,000
In Libya	1,200	1,200
In Transit to T O	1,660	1,660
In Germany	5,841	6,806
Occupational Troops and Other	(?)	(?)
Total modern tanks	<u>22,701</u>	<u>23,666</u>

The above figures include reserves, whether in combat condition or not. Furthermore, in the absence of direct evidence to the contrary, the geographical distribution in June 1942 is assumed to be approximately the same as a year ago.

APPENDIX III

THE SINARQUISTA MOVEMENT IN MEXICO

Mexico has its own vigorous totalitarian movement with about 500,000 members, which is committed to overturning the government of a country now our ally. The members of the *Unión Nacional Sinarquista* insist that they are not a political party but a movement of regeneration, dedicated to reconstructing the country as a new, corporative, Christian order under which Mexico will become a world power, labor unions will be reorganized into state syndicates, the Church will be given all of its lost privileges, and foreign influence will be driven out, according to a study by the Latin American Section of the Office of Strategic Services.

¹ No basis for independent estimate; included in category "In Germany."

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Ideology

The Sinarquistas have a high regard for Spain as it has been organized under the Franco regime, and they preach Pan-Hispanism, which is being used by the Nazi and Falangist movements as a counter-appeal to Pan-Americanism. They also attack the land distribution program of the Mexican government, and promise to substitute a wiser method of redeeming the poverty of the peasants in their new order. Except for parades, strategically located colonization, and a successful weekly, the activities of the *Unión* thus far have been concerned almost exclusively with organization and propaganda. How the movement will gain power has never been stated.

Sinarquista propaganda, although more cautious at present, has been markedly anti-American in the past. The movement is suspected of having close ties with Nazi agents. Its activity in the United States has resulted in a noticeable slackening of enthusiasm for the war effort in Mexican communities in the country.

Origin and Growth

The *Unión* was founded on May 27, 1939, in the city of León, State of Guanajuato, when two Spanish Falangists, a Nazi engineer, and a group of anti-government, proclerical young Mexicans registered a constitution before a notary public. Sinarquismo, from the Greek, means "with government," as opposed to anarchy, "without government."

Stressing every cause for discontent with the present administration of Mexico, the Sinarquista leaders have recruited followers rapidly. They have had their greatest success among the adherents of the 1926-1927 Church rebellion against the government and among peasants who have not yet shared in the general distribution of lands. Within a year after the movement was founded, the national leaders moved their headquarters to Mexico City and founded a weekly newspaper *El Sinarquista*, which has one of the largest circulations in the country.

Since 1940 growth of the movement has accelerated. The Sinarquistas stage mammoth semi-military demonstrations in which columns assemble outside a given city and march from different quarters to the central square. Recently they have established two colonies: one in Lower California and the other in Sonora close to the Gulf of California.

Organization

The public leaders of the movement are a group of hard-headed young lawyers from the State of Guanajuato. They are determined, ambitious, and energetic. Behind them is a secret organization whose composition and extent are not generally known to foreigners but whose existence has been definitely established.

The movement is organized on an authoritarian basis, each member swearing absolute obedience to his superiors. The national chief is theoretically absolute master. Beneath the national chief is a hierarchy of chiefs. Each region, corresponding roughly to a state, is administered by a regional chief; each municipality by a municipal chief; and so on down to the smallest units—the rural sub-chief supervising a village and the block chief having jurisdiction over a square

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block in a city. Assisting the chiefs are committees consisting of members charged with correspondence, propaganda, education, organization among children, and work among women. In addition, there are special delegates who have roving commissions to organize new units and recruit members in untapped areas.

Sinarquista centers are strategically located. They are especially numerous and powerful in the agricultural area of the Bajío (Guanajuato, Querétaro, Michoacán, and Jalisco) and the neighboring state of Aguascalientes, where they form a compact cluster dominating the railroad and highway communications between Mexico City and the United States. Their second largest concentration, in the states of Puebla, Tlaxcala, and Hidalgo, controls the railroad and highway routes between Mexico City and the Gulf ports. There are active centers in all cities along the United States-Mexican frontiers. The movement has also spread among the Mexicans in the United States, and there are now branches in the regions of El Paso, San Diego, Los Angeles, Bakersfield, San Francisco, and Chicago.

APPENDIX IV

A NOTE ON THE RUBBER OF THE AMAZON

Military needs and the Japanese conquest of areas from which the United States drew over 90 percent of its rubber supply have lent an importance to the rubber production of the Amazon out of all proportion to the amounts involved. A contest, whose weapons are diplomacy and price inducements, is developing between the United States and Argentina for the exportable surpluses of the Amazon countries—Brazil, Bolivia, Colombia, Peru, and Ecuador. The negotiations have been complicated by the necessity of supplying some of these countries, such as Ecuador and Colombia, with manufactured rubber, if the United States takes over their entire production and stocks of crude rubber. In several instances, Argentina has bettered United States proposals, not only as to price, but as to the amount of manufactured articles promised.

Argentina, with a rubber industry of its own, desires, like Brazil, to keep its rubber factories functioning as usual. There are even indications that Argentina may be using Chile as an intermediary for obtaining small amounts of rubber, and it is not impossible that some rubber might find its way to the Axis from Argentina.

The production of wild rubber in the Amazon, cradle of the world's rubber supply, cuts an unimpressive figure in the supply picture of our modern age of motor vehicles and plantation culture, as the following data show:

Maximum world production:	Long tons
Natural rubber (1940).....	1,400,000
Synthetic rubber: Axis Europe, Russia, United States (1942) estimated.....	200,000+

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	Long Tons
United States consumption (1940):	
New rubber.....	648, 500
Crude rubber content of reclaimed rubber (55%).....	104, 000
Synthetic rubber, estimated.....	4, 500
Total.....	757, 000
Latin American production:	
Amazon basin (1937-1941 average).....	18, 000
Maximum, all kinds (various years).....	71, 300
Maximum annual potential of jungle rubber.....	150, 000

Even if an adequate supply of labor could be found, the maximum rubber potential of accessible regions in all Latin America would not be more than 75,000 tons, and to attain that figure would require several years of organizational development. This calculation is based on the addition of the maximum production figures (actually exports) of the various countries:

Country:	Maximum year	Production (actually exported) in long tons
Brazil.....	1912	41, 627
Mexico.....	1910	17, 481
Bolivia.....	1917	5, 750
Peru.....	1917	3, 244
Ecuador.....	1925	1, 095
Colombia.....	1917	990
Venezuela.....	1912	442
Central America.....	1910	679
Total.....		71, 308

Note.—Negligible production in the Guianas and West India is not included.

The rubber production of the Amazon shrank from nearly 50,000 tons per year before the World War to less than 20,000 tons in recent years, while world production soared from about 100,000 to 1,400,000 tons (1940). In the fabulous rubber emporium of the Amazon, Manaus, streets were overgrown with vegetation, and its opera house stands as a mute witness of vanished prosperity.

A change has come during the past crop year, however. Simultaneous with the heightened demand for rubber, a severe drought in northeastern Brazil threw many out of work—some 30,000 in the State of Ceará alone—and the Brazilian and United States governments have offered travel assistance to the unemployed who will migrate to Manaus. But since a rubber gatherer averages 500 pounds or less per year, an annual increment in jungle production of 5,000 tons would require at least 20,000 additional tappers, approximately the number which, according to estimates, it is hoped may annually be recruited and equipped.

Production, therefore, may be expected to increase by about 5,000 tons a year—to 25,000 tons this year and possibly 40,000 tons by 1945. Since an increasing amount—8000 tons in 1941—goes to the expanding tire and rubber manufactures of Brazil, the surplus available for the United States this year may not exceed 15,000 tons. Even this small amount is of great importance because there are certain uses to which synthetic and reclaimed rubber are either not adapted at

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all or only adapted when blended with new natural rubber. This amount is approximately the annual pre-war production of all Africa, including the Firestone plantations in Liberia. The only other natural sources of importance available to the United Nations are Ceylon, with an annual peacetime production of about 60,000 tons, and Mexico, which produces a limited amount of guayule rubber. Double tapping, as an emergency measure, will substantially increase the output of existing plantations, and there are some plantations already under way, such as the Ford development on the Amazon, but a plantation starting from scratch requires six years to come into bearing.

APPENDIX V

CZECHOSLOVAK POLITICS IN THE UNITED STATES

The politics of Czechoslovakia grow active in the United States, ostensibly over the issue of centralism or decentralism in the Czechoslovakia which is to be reconstituted after the war, according to a current memorandum of the Foreign Nationalities Branch of the Office of Strategic Services. Naturally, behind the ostensible issue, personal ambitions are in play.

The head of the Czechoslovak government-in-exile in London, Dr. Eduard Beneš, personifies the idea of a centralized administration at Prague, largely in Czech hands. His *hommes de confiance* in the United States are Dr. Jan Papánek of the Czechoslovak Information Service and Dr. Arne Laurin in the Czechoslovak Consulate General; also Dr. Jan Masaryk, minister of foreign affairs and formerly envoy to the United States, who is now here as a visitor.

The idea of decentralization in a future Czechoslovakia is represented by Dr. Milan Hodza, a Slovak, who was prime minister of Czechoslovakia from 1935 to 1938. Dr. Hodza first arrived in the United States last autumn but has not been in good health and only recently became active in support of his conception of a "self-governing" Slovakia in a Czechoslovak Republic.

Czechs versus Slovaks on American Soil

The Czechs in the United States show a virtual unanimity in favor of a reconstituted Czechoslovak Republic and they consistently follow the lead of President Beneš; the American Slovaks are badly divided. The Slovak National Alliance (about 90,000 members) cooperates with the Czechoslovak National Alliance and supports the government-in-exile. The Slovak League (about 150,000 members) is anti-Beneš, anti-government-in-exile, and anti-Czechoslovakia.

The Czechs regard Dr. Hodza as a sinister figure and opportunist working under the cloak of his propaganda for a post-war federation while he intrigues for the support of American Slovaks in behalf of his own political ambitions. What seems to be happening among the Slovaks is that those who favor a reconstituted democratic republic see in Dr. Hodza a worthy leader of a democratic people who want to run their own local affairs without opposition from a centralized government dominated largely by Czechs. Those Slovaks who are uncompromisingly nationalistic and anti-Czech see in Dr. Hodza a threat to their leadership of American

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Slovaks. The quarrel is thus concerned solely with the internal political set-up of Czechoslovakia. The varying plans of Dr. Hodza and Dr. Beneš for post-war reconstruction are not a significant issue, although it is known that Dr. Hodza is actively seeking support for his federation plan from other Central European groups, and it is possible that he may at some future date be able to use support from Polish and Yugoslav circles as a means of bolstering his own prestige.

In so far as Dr. Hodza's efforts are aimed at breaking the control of the leadership of the Slovak league, his actions tend to unify American Slovaks behind our war effort. In so far as his activities are directed toward creating a bloc to support him against Beneš, he is instrumental in causing the problems of European politics to be fought out on American soil.

Approaching Test of Strength

The conflict between the two ideas and the two statesmen seems likely to come to a head at Newark, New Jersey, on July 5, next, when the Czech Sokols will meet to celebrate the eightieth anniversary of their inauguration in the United States. At the same time the Slovak National Alliance will hold its annual session. A preliminary test of strength took place several weeks ago when the executive committee of the Slovak National Alliance convened in Detroit. This committee was asked to endorse invitations by local chapters of the Alliance to Dr. Hodza to lecture on his ideas respecting the future of their country. The forces of Dr. Papanek, and therefore of Dr. Beneš, sought a postponement of the decision, but Dr. Hodza succeeded in obtaining a favorable vote without delay, though the opposition was considerable.

The issue will be drawn again in a more decisive form at Newark. Those who are opposed to Dr. Hodza profess to believe that they have the situation already in hand, but the outcome has been considered to be so important and uncertain that the Czechoslovak government in London has asked permission for Dr. Juraj Slavik to visit the United States at this time. Dr. Slavik, one of the ministers of state in the government, is, like Dr. Hodza, a Slovak; he does not advocate "self-government" for Slovakia within the Republic, however, but favors a continuance of the more centralized system which prevailed from 1920 onward.

Dr. Hodza rests his advocacy of decentralization in the future Czechoslovakia upon a resolution which he asserts was voted by the Czechoslovak cabinet under his presidency in July 1938. The resolution called for a Slovak parliament to deal with the local affairs of Slovakia, while "common affairs," such as defense, foreign relations, etc., would still be managed at Prague. Hodza claims to have won wide support for this program among the Slovaks in the United States, including at least two important Catholic societies, though the Catholics have in general been his political opponents. Dr. Hodza is a Protestant.

ERRATUM

Issue of June 18-25, 1942: In the map on petroleum resources the circles for Abadan and Haft-Kel should be interchanged. The large oil fields are in the vicinity of Haft-Kel and the refineries are on the Persian gulf at or near Abadan. The pipe-line running along the Caspian shore north of Baku was planned before the war, but information is not available concerning whether it has actually been completed.

BATTLE for EGYPT

