

SEP 15 1943

My dear Mr. Secretary:

This is in reply to your letter of September 9, 1943, attaching airgram dated July 22, 1943, from the American Embassy at Chungking, reporting that the Executive Yuan of the Chinese Government is now considering a plan for the sending of seven hundred students annually to the United States for a period of five years to be trained as technical personnel, all expenses to be paid by the Chinese Government.

The Treasury Department agrees that the carrying out of this plan would be of advantage both to China and to the United States.

The financial aid agreement entered into March 21, 1942, sets forth the purposes for which the \$500 million could be used and the training of Chinese students in the United States clearly appears to be consistent with the purpose to "effect further social and economic measures which promote the welfare of the Chinese people". The Treasury, therefore, has no objection to your indicating to the Chinese authorities that the Treasury Department would agree to a request from the Chinese Ministry of Finance, if such a request were made, that the sum of \$20 million be earmarked from the \$500 million financial aid to China for the purpose of financing this project.

There are still sufficient sums in the \$500 million financial aid that have not been utilized or earmarked for other purposes to permit the setting aside of \$20 million for this project.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

ISF/efe 9/13/43

CONFIDENTIAL

DEPARTMENT OF STATE
WASHINGTON

refer to

September 9, 1943

My dear Mr. Secretary:

I am attaching hereto an airgram, dated July 22, 1943, 12 noon, from the American Embassy at Chungking, reporting that the Executive Yuan of the Chinese Government is now considering a plan for the sending of seven hundred students annually to the United States for a period of five years to be trained as technical personnel, all expenses to be paid by the Chinese Government.

The Department of State believes that the carrying out of this plan would be of advantage both to China and to the United States and the Department would be prepared to offer its good offices in all appropriate ways to insure the success of the plan. A prerequisite to the success of the undertaking would be a reliable financial foundation and it occurs to the Department that it would be advisable, if the Treasury perceives no objection thereto, to intimate to the Chinese authorities through the Embassy at Chungking that the Treasury Department would agree to a request from the Chinese Ministry of Finance, if such a request were made, that a sum adequate to carry out a program of technical training in the United States be earmarked from the credit of \$500,000,000 already extended to China. It is roughly estimated that the carrying out of the project would require an expenditure of approximately \$20,000,000 over a period of five or six years.

The Department would appreciate learning from the Treasury Department whether there remains the sum of \$20,000,000 in the credit mentioned that is not utilized and not earmarked for other purposes and, if so, whether

the Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

- 2 -

the Treasury Department would approve a notification to the Chinese Government in the sense indicated.

Sincerely yours,

Cordell Hull

Enclosure:

Airgram no. A-19,
dated July 22, 1943,
from Embassy, Chungking.

RC:fe
mat

From: American Embassy,
Chungking

Date: July 22, 1943

Rec'd: Aug. 4, 4 p.m.

SECRETARY OF STATE,
WASHINGTON.

CONFIDENTIAL

19, July 22, 12 noon

According to recent Chinese press reports which have been confirmed by Chinese officials a plan has been submitted to the Executive Yuan by the Ministry of Education for sending one thousand Chinese students each year for the next five years to the United States and Great Britain. Informed sources state that 700 students will be sent to the United States and 300 to Great Britain each year under this plan. Of this number 500 are to be chosen by examination and 500 are to be appointed by institutions, with the approval of the Ministry of Education. Those appointed are generally to be older persons up to the age of 40 and will include professors, who must have engaged in study within the previous 15 years, and government officials. Students to be eligible for examination must have graduated from college within two years previously or must be among the first three in recent graduating classes. Government officials will be drawn from the Ministries of Economic Affairs, Communications and Agriculture and Forestry and from the National Health Administration. Women will be eligible for examination and appointment. All expenses will be paid by the Chinese Government and students are to be sent for two-year periods, subject to extension.

The

The project has arisen from the lack of trained technical personnel in China and the anticipated needs for the post-war reconstruction program. An informed Chinese states that at the beginning of the Sino-Japanese war, the Chinese Government adopted a policy of discouraging the sending of students and technicians abroad on the ground that their services were needed in China. It subsequently developed that through the deterioration of Chinese university standards during wartime the caliber of Chinese graduates was lowered and trained technical personnel became inadequate.

Dr. Wang Shih-chieh, Secretary General of the People's Political Council and of the State Planning Board, is reliably reported as having urged that 30 per cent of the students to be sent abroad under the plan should be in the social sciences but a member of the Executive Yuan states that approximately 80 per cent of the students will be in technical fields.

A qualified foreign observer views the insistence upon such a large number of technical students as a bid by the CC clique for a share in the Chinese post-war industrialization and technological development. This observer feels that the National Resources Commission and the Ordnance Department include most of the technical skill needed for Chinese industrialization; that the weakness of the CC leaders has lain partly in their lack of technicians capable of building a new China; and that this program represents their effort to achieve a dominant position in post-war development. An informed Chinese source takes a similar view but feels that

the

Chung Hsueh Hsi group (so-called Political Science group) is too strong a hold in the technical field through Dr. Wong Chao, the National Resources Commission and industrial plants under his control to lose its leading place in the economic development of China. While Tseng Yang-fu, Minister of Communications, is a member of the CC group, the technicians of his Ministry are said by this Chinese to be followers of Dr. Wong.

The Embassy feels that this plan which is expected to receive the approval of the Executive Yuan offers an opportunity to the Division of Cultural Relations to accomplish an effective extension of its cultural relations program for China. Plans could be made to bring to the appointees an appreciation of the American way of life and a personal interest could be taken in them which would make their stay in the United States more than a pure study of technical subjects. Only a small number of students may be expected to be sent this year, full effectuation of the program to be achieved in 1944.

ATCHESON

CS/hrr

CC

MLR

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

Bombay

Dated September 15, 1943

Rec'd 1:09 p.m.

Secretary of State,
Washington.

630, September 15, 5 p.m.

Your 356, August 19 for the Treasury Department.

(#)A September 15 gold rupees 73 annas 8 per tola fine, silver rupees 117 annas 8 per 100 tolas.

Reserve Bank of India has sold to date approximately 800,000 tolas of gold bullion.

DONOVAN

MR

(#) Omission (serviced)

CORRECTED COPY

AMT

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DOHOVAN

MRM

eh:copy
9-17-43

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 305

Information received up to 10 A.M., 15th September, 1943.

1. NAVAL

Not known that the U.S. and H.M. Cruisers reported damaged in OPTEL No. 304 were both damaged by rocket bombs. A naval party landed at CAPRI on the 12th and occupied the island. An Italian squadron of 2 battleships, 4 cruisers and 4 destroyers was sailed from MALTA to ALEXANDRIA under escort yesterday. U.S. aircraft sank a U-boat on the 12th southwest of SARDINIA. 20 of the crew were seen in the water.

2. MILITARY

ITALY. 5th Army. On 13th afternoon heavy German counter attacks led to confused fighting on either side of the River SELE. U.S. forces were withdrawn slightly to conform with the British withdrawal from BUTTAPAGLIA. 56th Division positions consolidated and linked with U.S. Division on right. On 13th/14th 2 battalions of 82nd U.S. Airborne Division landed successfully by air at mouth SELE River. On 14th a deep salient about 2 miles wide was made in U.S. front astride the River SELE. A naval barrage was used to break up an enemy tank offensive 3 miles from the beach. The unloading of M.F. ships in the southern area had been stopped and store ships made ready to move out of range of shore batteries. At one A.M. this morning General Clark reported he had visited the front areas north and south of SELE and that the situation north was favourable although a further withdrawal had been necessary. The position south was vulnerable but every effort was being made to correct the situation. SALERNO Port under shell fire and at present out of use.

8th Army. The 8th Army has advanced further, Canadian patrols being more than 12 miles beyond COIFOONE while British leading elements have pushed on west COSENZA to BELVEDERE. In PARANIO Sector our troops advanced some 20 miles to the southwest of BARI without meeting opposition. Roads in this area were clear of traffic.

3. AIR OPERATIONS

EASTERN FRONT. 14th. Fighter bombers attacked shipping off HOLLAND and FRANCE. An armed auxiliary vessel, 2 small naval craft, 3 coasters and 2 tugs were damaged. Enemy casualties 2, 0, 1. 14th/15th. Aircraft despatched - BLEN 8 Mosquitoes, one missing, Intruders 8, Anti-shipping 7, one missing. A small naval craft was sunk and 4 locomotives and 6 barges damaged.

ITALY. 14th/15th. 131 Medium and Light bombers attacked objectives and roads at POTENZA, ANILETA (20 miles west-south-west of POTENZA), and CASTELBUONO 25 miles northwest of CAPRI dropping 186 tons. 34 other light bombers attacked a concentration of 100 A.T. southwest of POTENZA at SPINZA. 13th. 53 heavy and 119 medium bombers attacked communications in the NAPLES and POTENZA areas.

ROMA. On 14th/15th and 15th heavy and medium bombers attacked railway objectives in the MAREMMA area and at PRINZERA 200 miles north of ANCONA. On the 14th/15th and in the MAREMMA area many river craft were sunk or damaged.

September 16, 1943
9:00 a.m.

GROUP

Present: Mr. Bell
Mr. Gaston
Mr. White
Mr. Thompson
Mr. Blough
Mr. O'Connell
Mr. Sullivan
Mr. Haas
Mr. Smith
Mrs. Klotz
Mr. Paul

H.M.JR: One of the things that disturbed me - I only have a few minutes as I go to the White House at nine-thirty - was that - did you read that statement from Lehman?

MR. WHITE: From England?

H.M.JR: From Governor Lehman.

MR. WHITE: The telephone conversation?

H.M.JR: Yes.

MR. WHITE: Yes, I did. We have something prepared for you.

H.M.JR: I don't want - why should I ask - when we send a cable over should a cable be held two or three weeks in the State Department?

MR. WHITE: Because there have been a lot of telephone conversations at a lower level, which indicates difficulties there, and we just drafted a letter.

- 2 -

I just gave it to Herbert and asked him if he thought it was too strong. We were all in favor of a strong letter. We wanted to talk to you about it, if you want to glance at it.

H.M.JR: This will be my only chance today. If anybody has got anything pending that is important that won't wait until Monday, they had better holler.

(Draft of letter addressed to Secretary Hull handed to the Secretary by Mr. White.)

H.M.JR: That is all right.

MR. WHITE: I am a little bit - do you think it is strong, Herbert?

MR. GASTON: It is a fairly stiff letter. My real objection to it is the repetition of the word "such" in there.

MR. WHITE: Well, let me work it over with Herbert.

MR. GASTON: The last paragraph might be modified slightly.

MR. WHITE: They shouldn't have acted that way, there is no question about holding these cables for that long without getting an official request. We got it at levels which show that somebody is passing the buck there and doesn't want to take the matter up. And the mere fact that we got our information through Lehman to you about what they want from you and the request that they want from you - judging from that conversation, I think it is inexcusable.

So if there is agreement--

(Mr. Paul entered the conference.)

H.M.JR: Of course there is another way to do it - not make a record of it but just call Hull on the phone.

September 16, 1943
9:08 a.m.

HMJr: Hello.

Operator: Mr. Hull is not there. Mr. Stone is on the line.

HMJr: All right.

Operator: There you are.

John
Stone: Good morning, Mr. Secretary.

HMJr: Hello, Mr. Stone.

S: Mr. Hull isn't in yet, sir. Can I have him call you?

HMJr: No. I'll make it easy for him.

S: All right, sir.

HMJr: I'll give you the message.

S: All right, sir.

HMJr: Have you got a pencil?

S: Right, sir.

HMJr: On August 30th I transmitted to Mr. Livesey....

S: Yes, sir.

HMJr:a cable to be sent to our Mr. Adler in Chungking.

S: Yes, sir.

HMJr: And I've been informed through the "grapevine" that it hasn't gone.

S: For heaven's sakes!

HMJr: Now, I'd like to know why.

S: I'll check into it, Mr. Secretary.

HMJr: Wait, there's another one. On September 4th I sent to Mr. Bernard Meltzer of your office - M-e-l-t-z-e-r....

- 2 -

S: Yeah.

HMJr:a cable I wanted sent to Bern and I understand that hasn't gone.

S: Right, sir.

HMJr: Now, if you could let me know why....

S: I'll look into it right away, Mr. Secretary, and - and call Mrs. Klotz back?

HMJr: If you would - and here - here's - if - this is for future - if I send over a request for a cable, I think it's just plain courtesy to let me know within the same day if it's not going to go.

S: Exactly. I....

HMJr: I think it's an unheard of - that somebody should hold up the cable of the Secretary of the Treasury without advising him.

S: Naturally. I understand perfectly, Mr.....

HMJr: And - uh - just plain courtesy to me to say, "Well...."

S: If for no other reason.

HMJr: Yes. So, if you would transmit that to Mr. Hull, I'd appreciate it.

S: I'll be glad to, sir.

HMJr: Thank you so much.

S: Good bye, Mr. Secretary.

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MR. GASTON: I think that might be an excellent thing, to call Hull up.

H.M.JR: There are two cables, one--

MR. WHITE: One about Shanghai, and the other to Bern, Switzerland. You see, this is quite within your administrative and legal authority under the Trading-with-the-Enemy Act. It is something that you would be expected to do in a routine, regular way.

H.M.JR: Let me just get hold of Hull and mention these two cables. I would like to know if they have been sent and if not, why not. I think it should have been done the same day.

MR. WHITE: It was.

H.M.JR: No, for them to let me know.

MR. WHITE: Oh, it has been weeks.

H.M.JR: They should let me know the same day.

Norman?

MR. THOMPSON: I have a deferment case, Mr. Hoffman, Assistant Director under Pehle. He is over in North Africa. He is going to be there for the duration.

(The Secretary held a telephone conversation with Mr. Stone, secretary to Mr. Hull.)

MR. WHITE: Of course they did let us know, but lower down the line. It is all right.

H.M.JR: Mr. Hull didn't let me know. Listen, one minute you want me to be strong-- (Laughter)

MR. WHITE: No, that was all right.

(Deferment papers of Mr. Michael L. Hoffman handed to the Secretary by Mr. Thompson.)

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H.M.JR: I can't do this. If this boy is so valuable, I think he ought to put on a uniform.

MR. THOMPSON: Well, we have had a lot of discussion along that line, and I don't know - the board may draft him if you don't ask for a deferment. He probably will be drafted out there. They won't commission him, apparently.

The War Manpower Commission - the review committee has been unwilling to definitely settle it. This fellow is in the war zone, and they won't say whether we should defer him or shouldn't.

H.M.JR: How many other cases--

MR. THOMPSON: Pehle is very strongly of the opinion it should be given.

H.M.JR: Was the time up on this?

MR. THOMPSON: About two weeks ago. I am holding the board up on it.

MR. O'CONNELL: Who is this?

MR. THOMPSON: This is Hoffman.

MR. O'CONNELL: He is one of the three top men in Foreign Funds.

MR. THOMPSON: He is going right into Sicily, and he is right in the fighting zone. Perhaps there is justification for it.

MR. GASTON: I should think it is all right if that is the way those people over there want to handle those things.

MR. THOMPSON: We have been trying to get the War Manpower Commission people to give us a policy on all of these people abroad, but they won't do it. They let it

- 5 -

ride. That is all we can get out of them.

MR. GASTON: I don't see much difference between his working over there as a civilian in the war zone and his working in the same kind of work with a uniform on.

H.M.JR: Why don't I call up McNutt and ask him?

MR. THOMPSON: We can't get very far with it.

H.M.JR: He follows these things, himself.

MR. BELL: Didn't we have an understanding with these fellows that went into North Africa that they had to make peace with their own draft boards?

MR. O'CONNELL: We have requested deferments for a couple of the lawyers over there. Some draft boards have written and asked us what the status of these people was, and we write back and say it is not our intention to request a deferment but that they have been sent to North Africa at the request of the War Department.

I think Hoffman was one who was sent at the request of the War Department.

MR. PAUL: That puts a different complexion on it. If Hoffman is over there at the request of the War Department that is different.

MR. O'CONNELL: He was specifically requested by the War Department.

MR. WHITE: Hoffman of Foreign Funds?

MR. O'CONNELL: The ones we sent were - Murphy and two or three others. I was under the impression Hoffman was in the same category.

MR. THOMPSON: The draft boards do not act uniformly.

MR. WHITE: We have pursued that - we have said we would not ask for deferment and that it was up to the draft board.

- 6 -

MR. THOMPSON: One difficulty is that the draft boards now are not supposed to defer anyone. As a matter of fact, the law provides that they shall not defer on occupation grounds unless the deferment request first is submitted.

MR. WHITE: I think there is more justification for asking for deferment than we ever had because the Army is cooperating a hundred percent in taking persons you ask them to and putting them in uniform. So we haven't the argument of saying they are not being utilized.

H.M.JR: It isn't inconsistent, but - well, I mean, here is a boy twenty-eight years old, and let's say he gets four or five thousand dollars. He is doing the work, maybe, of a first lieutenant who gets, maybe, twenty-three hundred dollars.

MR. PAUL: He is doing more valuable work than that.

MR. THOMPSON: He is a sixty-five-hundred-dollar man.

H.M.JR: All right, he is a sixty-five-hundred-dollar man. That is the salary of a general.

MR. BELL: A colonel.

H.M.JR: Why hasn't he become part of General Hilldring's outfit?

MR. BELL: He is in the State Department activity, isn't he?

MR. WHITE: He is in the civilian.

(The Secretary held a telephone conversation with Mr. McNutt.)

H.M.JR: So easy! No recommendation from me - just send it over there. We will see what happens.

- 6 -

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(The Secretary held a telephone conversation with Mr. McNutt.)

H.M.JR: So easy! No recommendation from me - just send it over there. We will see what happens.

September 16, 1943
9:14 a.m.

HMJr: Hello.

Operator: Mr. McNutt.

HMJr: Hello.

Paul
McNutt: Hello.

HMJr: Paul?

M: Yes.

HMJr: Henry Morgenthau.

M: Yes, Mr. Secretary.

HMJr: How are you?

M: I'm fine, thank you.

HMJr: Let me ask you this - I know you follow these draft cases so closely.

M: Yes.

HMJr: We've got a man 28 years old in Foreign Funds over in Africa and are now sending him into Sicily.

M: Yes.

HMJr: Now, he does work and they say he's very valuable on the Foreign Funds end and my own people have asked me now to request a six month's deferment....

M: Yes.

HMJr:but you must have a lot of cases there of civilians who are working, so-to-speak, under the supervision of the State and Treasury.

M: That's right. There a good many of those.

HMJr: Now, have you got a policy?

M: Yes, and those cases are being taken up one by one.

- 2 -

HMJr: Yeah.

M: And where they are skilled and cannot be replaced, we have recommended deferment.

HMJr: Yeah.

M: So, if you will let me have the information on this particular man, I'll go into it immediately.

HMJr: Would you do that?

M: Yes -- be glad to.

HMJr: Well, I just want to do -- I mean I want to be in tune with what's being done, but then I....

M: There are a number of those cases in the State Department.

HMJr: Yeah. Because - I hesitate to ask for his deferment, but I'll send it over to you.

M: All right. We'll - we'll handle it right away.

HMJr: Thank you so much.

M: All right.

HMJr: Bye.

M: All right.

SEP 16 1943

Dear Mr. McNutt:

In accordance with our telephone discussion on draft deferments, I am sending you the enclosed papers in the case of Michael L. Hoffman, an Assistant Director, Foreign Funds Control.

I will appreciate your advice as to the appropriate action to be taken in this case under your policies controlling draft deferments.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Paul V. McNutt,
Chairman,
War Manpower Commission,
Washington, D. C.

Enclosures.

WNT:aja

SELECTIVE SERVICE SYSTEM

AFFIDAVIT—OCCUPATIONAL CLASSIFICATION (Industrial)

(Affidavit—Occupational Classification (General), Form 42, is provided for use in activities where the items on this form are not applicable)

Name of Registrant Michael L. Hoffman

Selective Service Order No. 967 Age 28

Local Number 4 Lorain Oberlin Ohio
(Number) (County) (City) (State)

Title of present job Assistant Director, Foreign Funds Control, U. S. Treasury. Also Treasury Representative, Financial and Control Division, North African Economic Board.

State whether journeyman, apprentice, helper, certificated, licensed, professional engineer, etc.:

Describe duties actually performed (See attached sheet.)

(Be specific—include name of machine or machine tool, process, materials, etc.)

Date employed June 17, 1941 Date entered present job June 17, 1941
 Previous assignments differ from present job primarily in degree of responsibility.
 Annual rate of pay, \$6500 (plus overtime) Average hours worked per week Official 48; actual approximately 60 - 70.

First work experience Research and graduate work with Social Science Research Council in fields of international trade and international economic relations. Several years college teaching of economics at Trinity, Oberlin, and University of Chicago. Employed by Treasury since June, 1941, part of this time as a special consultant on a per diem basis.

Educational background B.A., Oberlin, 1935; Ph.D., University of Chicago, 1942. Three years graduate study in foreign exchange and related fields on fellowship granted by Social Science Research Council.
(Fill out if necessary to establish employee's qualifications for a particular job)

How long will it take you to replace this employee? (See attached sheet)

What steps have you taken to secure or train a replacement for this registrant? (See attached sheet)

AFFIDAVIT—OCCUPATIONAL CLASSIFICATION (Industrial)—Continued.

Name of company U. S. Government, Treasury Department
(Corporation, partnership, individual—if self-employed, so state)

Address of company Washington, D. C.
(Location of plant, office, or division where registrant is employed)

Description of the activities of this company Self evident.

State specifically what proportion of your products currently produced are:
(a) for use in the war effort _____
(b) for civilian use _____

Is expansion or further conversion contemplated in war production? _____

Number employees now _____ Number additional needed in next 6 months _____ Number additional needed in next year _____
Explain _____

Is a replacement training program in operation? _____ Contemplated? _____
Explain _____

This form was completed at the plant or office of the company located at _____
and all correspondence relative to this affidavit should be so addressed.

I, _____, do solemnly swear (or affirm)
that I am _____ of the above-named company, and that the
(Official position)
foregoing statements are true to the best of my knowledge and belief.

GOVERNMENT REQUEST

Agency: Treasury Department
By Agency Committee _____
(Signature)

Subscribed and sworn to before me this _____ day of _____, 19____

.....
Chairman _____
(Signature of official administering oath)

Date.....
.....
(Official designation of official administering oath)

INSTRUCTIONS: This form is to be filled out by an employer or other person who has knowledge of the registrant's status. If the registrant is deferred, the employer must notify the Local Board promptly of any change in the registrant's job status, or if his employment is terminated.

Describe duties actually performed.

As Assistant Director of Foreign Funds Control, Mr. Hoffman is a member of the top policy-forming staff of Foreign Funds Control, United States Treasury Department, and reports directly to Mr. Pehle, Assistant to the Secretary, and Director of Foreign Funds Control.

Foreign Funds Control occupies a pivotal position in this country's program of economic and financial warfare against the Axis powers. It exercises control over \$8,500,000,000 of foreign-owned assets in this country as well as the multitude of financial transactions effected daily which involve such assets. It also administers controls over all international financial transactions involving persons or enterprises who are on the Proclaimed List or who are in enemy, enemy-occupied, or the neutral countries of Europe.

Foreign Funds Control also cooperates with the War Department and other appropriate Government departments in making plans for coping with the complex monetary and financial problems to be encountered in the occupation by our armed forces of territory now controlled by the enemy. It also plans and assists in the execution of programs of economic and financial controls which are or will be instituted in liberated areas. For example, Foreign Funds Control personnel are now in North Africa in connection with such matters.

Mr. Hoffman is now in North Africa, with headquarters in Algiers, as the senior representative of Foreign Funds Control. He is a member of the Financial and Control Division of the North African Economic Board, which division is responsible for the initiation, preparation, and execution of programs relating to currency, monetary, fiscal, and exchange control, trading with the enemy matters, and the control of undesirable commercial and financial transactions in the Mediterranean theater. Mr. Hoffman was sent to North Africa at the specific request of the United States military authorities in that area. He has now had over six months of practical experience in North Africa and participated in the planning and execution of the programs applied in Tunisia immediately after its occupation by United Nations forces. Mr. Hoffman is about to be assigned to Sicily and we expect to use him in other liberated areas as necessary.

How long will it take you to replace this employee?

Should we be able to procure a person with similar native ability and formal training in the appropriate fields of economics, which is practically impossible at this time, approximately a year would be required to give such person adequate training and experience of a highly specialized character to enable him to fulfill the responsibilities now being carried by Mr. Hoffman.

What specific steps have you taken to secure or train a replacement for this astronaut?

Every attempt is being made to build up a staff of people not acceptable to Selective Service call who will have the ability, training, and technical knowledge necessary to plan and execute the financial programs which are the responsibility of the Treasury Department in connection with the occupation and control by military forces of enemy or enemy-occupied territory.

- 7 -

Paul, do you want to take two or three minutes and tell this gang how you made out last night?

MR. PAUL: We had a meeting in Doughton's room before the meeting, and that is where we had our hardest job. Stam didn't want to go along with us. He finally agreed to do it, with some changes in that statement, not for us but for the President of the United States and for Mr. Justice Byrnes, whose name I brought into it as jointly requesting the deferment.

H.M.JR: You used his name?

MR. PAUL: I think I made it clear to him that the President would hear that he blocked it if he didn't go along with us.

Then we went into the big meeting. We brought that question up first. Doughton was very cooperative, and I think you ought to call him up about it.

H.M.JR: Who did you speak to first?

MR. PAUL: Stam - well, Doughton and Stam. We had some razzing, but the tone, the general climate, was friendly rather than hostile. I was afraid it would be hostile.

Of course Knutson and some of the Republicans did a lot of kidding - more kidding than real razzing.

Gearhart of California said, "Why don't you be frank with us and tell us that you are doing this on account of the bond drive?"

I said, "Well, I wouldn't say that that wouldn't be incidentally beneficial to the bond drive, but"--

(The Secretary held a telephone conversation with Mr. Doughton.)

September 16, 1943
9:18 a.m.

HMJr: Hello.

Operator: Mr. Doughton.

HMJr: Hello.

Robert
Doughton: Hello, Henry.

HMJr: How are you all?

D: Oh, about so-so thank you. How are you, Henry?

HMJr: About the same.

D: All right.

HMJr: I just wanted to call up and tell you how much I appreciated what you've done -- what you did last night.

D: Well, I thought we worked it out pretty smoothly.

HMJr: I thought it was Bob Doughton at his best.

D: Well, I thank you. Well, the boys cooperated fine, you know. Both Stam and Paul or Paul and Stam -- they functioned just fine as could be and everything went along all -- I talked to the boys, you know, and laid the foundation before we got in -- some of our key men.

HMJr: Yeah. Paul said you fixed it up nicely.

D: Well, we did -- I think we got it all right.

HMJr: Well, that gives us all a chance to really get together. We're anxious to get together.

D: Well, I know that and we've got to do it. I think our folks will work along something on tax work next week.

HMJr: Yeah.

D: Some of them may have a few executive -- some want an executive session to talk over a few of the matters among ourselves.

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HMJr: Yeah.

D: And that will give you all more time and we can put in some time on renegotiation and I hope we won't lose any time in the end.

HMJr: I don't think we will.

D: Get ready up there as soon as you can though.

HMJr: We'll do that.

D: Fine, thank you, Henry. Thank you for calling.

HMJr: God bless you.

D: Good bye.

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H.M.JR: That last was for your (White's) benefit.
(Laughter)

MR. WHITE: Ambiguous compliment - "Doughton at his best."

H.M.JR: Watching Harry was like this woman the other night - it was so insincere - thinking of myself. Well, anyway, it doesn't cost anything, Harry.

Just remember, when I call you up, Harry, and say, "That was wonderful, that was White at his best."
(Laughter)

MR. GASTON: Well, that is different. (Laughter)

MR. WHITE: I'd say, "Oh, yeah?" - but not so that you could hear it. (Laughter)

MR. PAUL: They took this matter up first in the meeting, and then I - and they made a motion to adjourn subject to Doughton's call after conferring with the staffs. And then I got out. I was afraid somebody would bring up the question if I stayed there.

Roy and Stanley stayed on.

MR. BLOUGH: Nothing happened, but I think you should know that Doughton would very much like to get started on the 27th. He is very dubious about waiting until the 4th. He asked us to canvass that possibility and see whether it would be feasible to get started on the 27th.

H.M.JR: What is the 27th?

MR. GASTON: That is a week from Monday.

MR. WHITE: Does that open up any date for going before these committees next week?

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H.M.JR: Gee, Harry, I don't know. These fellows yet haven't told me where else they want me to speak. I will know before I leave.

MR. WHITE: I think it would be--

MR. BELL: Speaking at Los Angeles on the 25th?

H.M.JR: I don't think so. These men have suddenly gotten serious about the war, and they don't want me to go to San Francisco. Last night's speech made them serious. (Laughter)

MR. PAUL: I even got home in time to hear that. It was fine.

MR. WHITE: I didn't hear the speech, but I heard the press commentators repeat some very substantial portions of it - very substantial portions.

MR. PAUL: I thought your voice was the best I have ever heard it.

MR. BLOUGH: A very substantial portion of it was in the eleven o'clock news. That was the first I was able to get to.

MR. PAUL: "Morgenthau at his best." (Laughter)

MR. SMITH: The front page of the Tribune - did you see that two column head? The earlier edition - it was on the inside of the Times. It was about half a column long though.

MR. WHITE: Well, I think it would be highly desirable to see them before the British Mission gets through, because it will be much more difficult after they are through.

H.M.JR: I will let you know before I leave town.

MR. SULLIVAN: You recall the Budget turned down the use of the President's emergency funds for that survey

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you wanted made. They said they would approve our using the Expense of Loans funds if we got prior approval from Ludlow and Taber.

We discovered yesterday that the Department of Labor thinks that this should be a survey of five thousand families rather than thirty-five hundred, and the ante is up from a hundred fifty thousand to two hundred and fifty thousand. I didn't want to go up yesterday afternoon without clearing with you, but if you say so, I will see them this morning.

H.M.JR: I wouldn't raise the ante.

MR. SULLIVAN: You would keep it down?

MR. HAAS: In order to get an adequate sample to cover the situation as we thought it should be covered, we increased it to five thousand, so we are responsible.

H.M.JR: I didn't know the Budget turned me down. Nobody told me that the Budget turned me down.

MR. THOMPSON: Informally they turned us down.

H.M.JR: You want five thousand families?

MR. HAAS: Yes, sir.

MR. SULLIVAN: I will try to see them this morning.

H.M.JR: Paul, have you got time to talk to me as I go across, because I am not going to be able to see you? I finally got somebody at eleven.

MR. PAUL: All right.

MR. SULLIVAN: Is our date off with Helvering this morning?

H.M.JR: No, no. Anybody who wants to come in at eleven-fifteen who has a candidate to succeed Commissioner Helvering is welcome. (Laughter)

September 16, 1943
11:50 a.m.

THIRD WAR LOAN SPEECHES

Present: Mr. Bell
Mr. Gaston
Mr. Smith
Mr. Gamble
Mr. Albee
Mrs. Klotz

H.M.JR: What I want to talk to you people about - I told Doob - he is not coming?

MR. GAMBLE: He is in New York.

H.M.JR: Let's settle what you people want me to do next week. I am going to leave here now maybe in half an hour. They want us to leave early.

MR. GAMBLE: One thing I suggest that you do next week is to go to New York.

H.M.JR: You know, I want to - to send me clear out to St. Louis to talk to five hundred workers - I think it is crazy.

Now, I don't want to go up to New York and talk to workers. I don't think that that is what I should do.

MR. GAMBLE: I don't think going to St. Louis and talking to five hundred fifty workers is crazy, because it is the normal type of meeting you would arrange for at this time of year in that part of the country. You can't safely hold a meeting out of doors.

It is not just the type of job that is to be the setting for a national broadcast, and certainly it seems to me that it is much more helpful that you talk to the

- 2 -

leaders of this work and this drive out there than just talk to just a handful of the people you might put into an auditorium inside.

H.M.JR: Well, let's do St. Louis.

Was there something else you wanted me to do out in St. Louis?

MR. GAMBLE: We have this plant luncheon tentatively arranged. Nothing is definite until you approve. They would like to have a luncheon tomorrow noon at the cartridge company out there. They employ forty thousand people. We would like to - I don't think you should do any more than that because of your speech. I don't think you should attempt any visits tomorrow.

H.M.JR: Cartridge company?

MR. SMITH: Whose is it?

MR. GAMBLE: I believe it is the Federal Cartridge Company.

H.M.JR: Will I meet with the workers or just sit down with the executive workers?

MR. GAMBLE: You will have lunch at the plant and meet with the workers.

H.M.JR: Can I eat in their lunch room?

MR. GAMBLE: Yes, I think that can be arranged.

H.M.JR: I don't want to sit down with a lot of stuffed shirts. I can't take it.

MR. SMITH: Tom Lane had a suggestion this morning. He said your story got awfully good play in the St. Louis papers. He says they have hundred percent blocks out there, where everybody that lives on a block has bought bonds. He suggested that you might go to one of those blocks and go in and see some of the people. That might be a good thing.

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H.M.JR: That could be settled when we get out there.

MR. SMITH: Yes, there is no problem.

H.M.JR: What advantage is it to go to the cartridge plant?

MR. GAMBLE: Only the fact that you are going to be visiting a plant that has forty thousand people on the pay roll.

H.M.JR: What do you think?

Well, if they have a company cafeteria and I can go in and sit with the workers and eat my lunch there with the workers, I would like to do it; but I don't want to sit up in the front office in an air-conditioned palace like I did at the Ford Company and have to sit next to one of these stuffed shirts. But, if I can go in and eat with the working men and women, I would be willing to do that.

MR. GAMBLE: I think that is right. I think that is the way to do it. There is no point in your going out and having lunch with half a dozen executives of the Federal Cartridge Company or any other plant.

H.M.JR: Who suggested the Federal Cartridge?

MR. GAMBLE: Mr. Head, the chairman. He suggested it only because I started to make preliminary checks with them about whether or not such an arrangement could be made and if we decided, which we usually do, at the eleventh hour to do something like that, I wanted to have a little groundwork. I purposely left it open.

H.M.JR: Well, talk up, people. On account of this change in time - I had planned on leaving at two-thirty or three.

MR. ALBEE: I have no objection to your talking to only five hundred people, since we are really talking to eight or ten or twelve million on a national hookup.

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H.M.JR: What time do I speak?

MR. GAMBLE: Nine-fifteen to nine-thirty.

MR. SMITH: Their time.

MR. GAMBLE: It is ten-fifteen here.

H.M.JR: What station?

MR. GAMBLE: It is on the Blue Network. There is no one else on the program except the introducer.

H.M.JR: We will do the Federal Cartridge, provided--

MR. GAMBLE: I understand.

H.M.JR: And this other block thing - I might even do that tonight. But don't let them commit me.

MR. GASTON: Why not let them pick some people with fine records on War Savings or Pay Roll Allotment to sit at the table with you from the plant?

H.M.JR: That is right.

MR. ALBEE: Tonight if you are feeling well enough we might go out and call at one of these blocks with one of the salesmen, and actually the Secretary could make kind of a salesman's visit himself along these blocks. That might be a pickup for newspapers tonight - give them something to talk about before we have the speech tomorrow. That is an opportunity we miss - reporters are always meeting the plane, and we don't give them anything. We should give them something when we get off the plane, too.

MR. GASTON: Take the home of a sailor or soldier family.

H.M.JR: My inclination is this, to talk tomorrow night and make a report on the war loan. That is my inclination.

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MR. ALBEE: There is not an awful lot to report. You can't report for fifteen minutes.

MR. GAMBLE: That can be handled, so long as the subject--

H.M.JR: You will have the figures through tomorrow night, won't you?

MR. GAMBLE: Yes, and they will be upwards - past the half-way point by tomorrow night when you speak.

H.M.JR: We can start off with that.

MR. ALBEE: We just had a chat with Lindow. He said that half way is very misleading because the big money is in now, and from here on the struggle is going to be tough. So let's not indicate any false optimism by saying we are over the half-way mark.

MR. GASTON: No. It is going to be tough on the individual and tough on the E bonds, particularly.

MR. ALBEE: Lindow said that if we wanted to say anything like that we must point out that the big money has come in and now this is just the beginning of the tough part of the job.

MR. GASTON: They told me in Chicago that they were going to have a tough job to get their E bond quota.

MR. GAMBLE: They all are. It is a terrific chore.

H.M.JR: All right. Now we will have to do the best - what about next week?

MR. GAMBLE: I still would like to have you visit New York.

MR. BELL: Why New York, Ted?

MR. GAMBLE: I will tell you why New York.

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MR. BELL: He has been there once, hasn't he?

MR. GAMBLE: Not during the drive, and New York has had more excitement over this drive than anything that has ever happened in New York. Every day in New York there are little rallies of hundreds of thousands of people who are involved in this program, and they have plans now for activity throughout the rest of the drive that are more ambitious than what their plans have been up to date. They have Grover Whalen on the committee and have been meeting all morning to arrange a show on the 28th, an Army parade to wind this show up in an impressive fashion. They have this war center, a military display.

They bring their workers over and talk to them. They have all the organized groups in New York active, and I think it is only proper that the Secretary, sometime during that operation, should visit the most important sales office he has - in New York. I think it is a story. The New York press has been magnificent all through this operation. It has just been the biggest thing that has happened in New York since the war.

The head man ought to go there and spend a few hours during this drive.

MR. ALBEE: What would you think of a flying visit? He just drops in on New York because it is so important. He makes a flying visit, a talk at the city steps at noon for two or three minutes, says "Get in there and pull," and then we get in and go on.

MR. GAMBLE: I think you ought to go to the war bond center in New York.

MR. SMITH: I agree with that.

H.M.JR: Is this something you are pushing or something Burgess is pulling for?

MR. GAMBLE: We are jointly working on it, and I am just as interested in it as Burgess. I think it is a good thing to do.

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MR. SMITH: You wouldn't even need a speech for it.

MR. GAMBLE: Not a formal speech. He can get up and talk as he does very well when he gets up and talks four, five, or six minutes to these people, and that is all; there is no occasion for an address.

H.M.JR: What time of day?

MR. GAMBLE: Any time you want to set. I recommend that it be in the early afternoon.

MR. ALBEE: What sort of radio facilities - local radio - do they have?

MR. GAMBLE: I wouldn't have any radio. I am not now thinking in terms of a job we are going to do for the country; I am thinking of a job we are going to do for the people working right in New York City, the sales force.

MR. GASTON: What about your job for the country next week, before the last week of the drive starts?

MR. GAMBLE: We don't have a definite plan for it. We have several tentative plans. Then we held them up pending this Fairbanks program.

H.M.JR: Fairbanks?

MR. GAMBLE: Fairbanks, Alaska. We didn't go any further because of that. And other cities that might properly be visited during the drive - I would like to see you hit the South, New Orleans, possibly, or Atlanta.

H.M.JR: Well, I think if I am going to go to New York I am either going to do the thing just sort of passing - pass through New York or else do it properly. I don't think I ought to go into a tent and just get up and make a few casual remarks. I might put my foot in it. There are plenty of radio stations up there.

MR. GAMBLE: I am not against that, you understand. To me that is a by-product of the meeting. The important thing from my point of view is your visiting this big sales office and having the New York workers and New York press feel--

H.M.JR: I have never been in New York yet where it has gone off well. That is why I am sort of reluctant to go.

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I want to do it early in the afternoon, because you don't get the afternoon or morning papers.

MR. BELL: Would lunch hour be a good time?

MR. GAMBLE: Lunch hour is a good time - from twelve to one, or one to two.

H.M.JR: Would lunch hour - or would six to seven be better?

MR. GAMBLE: Lunch hour.

MR. BELL: Everybody thinks about getting home at six or seven.

MR. SMITH: I think that it is silly to waste time just doing it for New York. I think you have got to do it for the country if you are going to do it at all.

MR. GAMBLE: Then I would be inclined to do it in the evening.

MR. SMITH: I think six to seven would be a good time and rig up kind of a "town meeting" and prime people ahead of time so that you really have got something that will go out over the air; then it can continue from the standpoint of just unrehearsed discussion a little bit later. But you could set up something like that and it would work out all right.

MR. GAMBLE: Why don't you decide to go to New York next Thursday and I will prepare several programs and submit them to you when you return?

H.M.JR: What do you people think?

MRS. KLOTZ: I think you should.

MR. BELL: Yes.

MR. GASTON: I would make a real day out of it as is suggested now, rather than just make it a casual visit.

H.M.JR: If I am going to do it I would do it - and I don't agree with you (Gamble) because the country is too

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big. I mean, if I am going to go I will make as much impression on New York as I can, but I think it should go out through the whole country.

MR. GAMBLE: I am not against that. I only meant New York is important enough to justify your going.

H.M.JR: Well, let's say you are right. Then I say - but if we are going to go, let's--

MR. GAMBLE: Add to it?

H.M.JR: Yes. My inclination would be, so these people can get home, to talk to them about six o'clock in the evening.

MR. SMITH: I think that would be good, and let all of the people and you make a speech for a change, instead of just you - just set up a formal, informal meeting.

H.M.JR: Town meeting?

MR. SMITH: That is what it amounts to. I think it would be good for news. I think it would be interesting - be something different.

MR. GAMBLE: Give me a little latitude on it and I will work it out and submit it to you.

MR. ALBEE: The Secretary is good on the question and answer business.

H.M.JR: Who runs the best town meeting?

MR. GAMBLE: George Denny.

H.M.JR: He is good, isn't he?

MR. GAMBLE: Very good.

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H.M.JR: Why couldn't we get him to run the meeting?

MR. SMITH: No reason why you can't. You have got that whole crew up there, and between them and Denny you ought to have a pretty good setup.

MR. GAMBLE: I would let New York run the meeting.

H.M.JR: Yes, but I want to know - I think this idea of a town meeting of Fred's, and maybe my idea of letting Denny run it, and then questions and answers and not too much formal talk - I think it would be good.

MR. BELL: You mean just do it informally?

H.M.JR: Yes. He could say, "Mr. Morgenthau, do you want to answer that?" I would say, "No, I will let Mr. Lindow answer that one."

MR. GASTON: The way he runs those - I presume you know - he usually has two or three set speeches - short speeches, about five or ten minutes - and then gets the questions from the audience and passes them to the appropriate speaker.

MR. SMITH: You could do that. You could extend that and go out through your tent there. You could get some good people.

H.M.JR: They ask me something on taxes and then I am sunk.

MR. GAMBLE: Denny has been trying for years to get you on a tax program.

MR. SMITH: This is strictly bonds.

MR. GAMBLE: That is why I would not introduce that sort of thing.

MR. SMITH: I am talking about a formal, informal meeting. I am talking about a show. I don't think you

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would dare go on completely unrehearsed, without knowing what the questions are. All of those have to be set up, and the people have to be picked. For an hour you could carry on, and it would sound on the outside like a perfectly informal thing, but all lead in the right direction.

MR. GAMBLE: I will give you a tentative schedule when you return.

H.M.JR: That is going far enough in advance, isn't it?

MR. GAMBLE: Yes, you wouldn't want to go any further.

H.M.JR: Will you get the figures to me tonight?

MR. BELL: Yes.

H.M.JR: Where am I staying?

MR. GAMBLE: At the Park Plaza, I am sure. The meeting is at the Chase Hotel.

You have no objection to a reception committee meeting you at the plane when you get there?

H.M.JR: Oh, I don't know - must I go through all that?

MR. GAMBLE: I think you almost have to, Mr. Secretary, when you go out to these big cities. It is the usual thing.

H.M.JR: All right.

MR. GAMBLE: And I will keep your evening completely open. You will have dinner at the hotel by yourself and have nothing this evening. Mr. Head won't be there at your arrival. He will check with you at nine o'clock tomorrow morning.

September 16, 1943

Congressman Celler came in to see me today, and wanted me to go to the President about the Macdonald-White Paper that is coming up in London. I told him to go to see Judge Rosenman, and that I could not take this up with the President.

9/16/43

Ted Gamble

Secretary Morgenthau

Some of the people from my office went to the Arena last night, and they couldn't hear me very well. It is unfortunate that they can't organize a meeting of that kind so that the loud speakers really work. Please have the matter looked into, and issue instructions to whoever is responsible, so that the next time I speak at a meeting like that the audience will be able to hear me clearly and distinctly.

I realize that you were not personally responsible for this, but I direct this memo to you because I know that you like to care of things like this yourself.

U. S. CARTRIDGE COMPANY
3rd War Loan Drive

September 16, 1943.

The results of the 3rd War Loan Bond Drive up to 4:00 P. M. September 16th were approximately as follows:

	<u>Employees</u>	<u>Maturity Value</u>
Additional subscriptions secured to the regular pay roll savings plan (approximately a ninety day period)	16,674	\$679,975.00
Cash subscriptions	1,405	94,450.00
	<u>18,079</u>	<u>\$774,425.00.</u>
Total Employees on payroll	29,548	
% Subscriptions -	61.18%	

The effect on the Pay Roll Savings Plan is as follows:

Average Pay Roll (per week)	1,150.250.00	
Average Pay Roll Subscriptions (per week)	105,000.00	9.12%
Subscriptions above		
\$679,975.00 ÷ 12 = 56,663.		
Less 1/4 14,164	<u>42,500.00</u>	<u>3.69%</u>
Weekly Average	147,500.00	12.81%
Cash Subscriptions (this week)	<u>94,450.00</u>	<u>12.18%</u>
Bonds to be Issued (this week)	<u>241,950.00</u>	<u>24.99%</u>

The total of bonds issued to employees on completed subscriptions including the present week aggregate \$5,057,550.00 at maturity value, or \$3,793,162.50 in cash deductions.

Russ J. Meem
Controller

SEP 16 1943

My dear Mr. Secretary:

On December 8, 1942, you were good enough to order Lieutenant Commander George Gordon Fisher, (SC) USNR, to report to me for duty as the assistant to the Chairman of the Interdepartmental Committee for the Voluntary Pay Roll Savings Plan for the purchase of War Savings Bonds by civilian employees of the Federal Government. As you know, this Committee was established by the President on April 16, 1942.

Mr. E. F. Bartelt, Chairman of the Interdepartmental Committee, has informed me that Lieutenant Commander Fisher has rendered invaluable service as Field Coordinator for the Committee. He has successfully organized Coordinating Committees of Government officials in over twenty cities where there are large concentrations of Federal employees. His enthusiasm and wholehearted interest in this work have won the cooperation and support of officials in each city he has visited, and his efforts have gone a long way in stimulating increased bond purchases by Government employees. The groundwork Lieutenant Commander Fisher has accomplished should have a very wide effect in materially assisting our Bond Program.

As Lieutenant Commander Fisher is reporting to the Navy Department for duty, I want you to know how much I appreciate your courtesy in making his services available to the Interdepartmental Committee and to the Treasury Department.

Very truly yours,

(Signed) H. Mergenthau, Jr.

Secretary of the Treasury

Honorable Frank Knox
Secretary of the Navy
Washington, D. C.

9/14/43

FORM NO. 10-220

SEP 8 1943

40570

To: The Chief of Naval Personnel.
Lieutenant Commander George G. FISHER, SC-V(S), USNR,
Office of the Secretary of the Treasury,
Treasury Department.

Via:  Secretary of the Treasury.

Subject: Change of duty.

1. When directed by the Secretary of the Treasury you will regard yourself detached from duty as Assistant to the Chairman of the Interdepartmental Committee for the Voluntary Payroll Savings Plan for the purchase of War Savings Bonds, Office of the Secretary of the Treasury, Treasury Department, and from such other duty as may have been assigned you; will report to the Chief of the Bureau of Supplies and Accounts, Navy Department, for temporary duty.

RANDALL J. GOES

Copy to:
USNA.

Jacket Copy
Pink Copy
Para-3107
Para-3101

1st Endorsement

166900

Para-310-220

September 15, 1943

Treasury Department

Delivered. Duty completed this date.

Secretary of the Treasury

SEP 16 1943

To New York Dairy Farmers:

As producers of one of the most vital Victory foods, you are well aware that the war is being fought not only on the firing line but on the factory and farm front.

Unlike most factory workers, you must not only operate but also finance your farm plant, hence you have an added reason to invest in War Bonds—to store up credit for future herd, equipment and building replacements.

In spite of labor and equipment shortages, dairy farm returns are now at a high level. Much of this return you are receiving, however, is not real income but a return of working capital. Normally you would be using increased returns from good years to replace hard stock, to repair and replace buildings and equipment. But because of urgent war needs, many replacements are out for the duration.

This period of favorable returns furnishes you an excellent opportunity to "Back The Attack" of our boys "over there" and strengthen your own farm future "over here." The War Bonds you invest in today help finance the war and your future too.

There are many ways to determine the size of your War Bond investment. Some farmers estimate the wear and tear on their land and equipment and invest the amount in bonds as "depreciation reserves." Others invest in bonds a certain percentage of each milk check, cream check, or other farm produce check. Still others invest now in bonds for the things they have always wanted and are unable to buy because of war restrictions. Through bond purchases they are postponing, but assuring, the later possession of a new car, home, landscaping, or interior decorations. Another good reason for investing in War Bonds is to build up insurance against losses resulting from such hazards as flood, drought, insect pests and diseases.

I sincerely recommend that you follow a four-point wartime program as endorsed by agricultural leaders: First, produce all you can; second, get your debts into shape; third, avoid speculation; fourth, save all you can—in War Bonds.

(Signed) Henry Morgenthau, Jr.

Henry Morgenthau, Jr.
Secretary of the Treasury

June Price of \$3.03

U.S.A.

THE MARKET ADMINISTRATOR'S

New York Metropolitan
Milk Marketing Area

BULLETIN



Federal Order No. 27
as amended

C. J. Blanford, Administrator
205 East 42d Street, New York 17, N. Y.

Revised State Official
Order No. 126

June & July, 1943

Vol. 3, No. 12

Within the last two months, the pricing provisions of the federal-state marketing orders governing the handling of milk produced for distribution in the New York metropolitan milk marketing area have been twice amended by the favorable votes of dairy farmers in successive referendums.

The first of the amendments, styled Amendment No. 1 to Federal Order No. 27 by the War Food Administration, revised primarily the formula for determining the price of milk used in making cheddar cheese (Class IV-B). Favored in the final count by a producer vote of 32,163

Amendments Revise Pricing in New York's Milk Orders

to 768, the amendment became effective May 16. Favorable votes were 97.67 per cent of the qualified ballots.

Designated Amendment No. 2, the second revision added an entire new section, 927.10, to the federal order which, in effect, prevented producer prices from decreasing as a result of the rollback in butter prices directed by the Office of Price Administration. A final tally of the producer vote showed the amendment was approved 31,505 to 60. Qualified votes in the affirmative were 99.81 per cent of those cast.

The text of each amendment has been printed and distributed to handlers, cooperatives, and interested persons in the New York milkshed. Additional copies are available at the office of the Market Administrator.

Issued May 10 by Chester C. Davis, then War Food Administrator, the first revision was approved by James F. Byrnes, then Director of Economic Stabilization. Fred M. Vinson, successor to Mr. Byrnes, approved Amendment No. 2, and it was issued June 21 by Jesse W. Tapp as Acting War Food Administrator.

(Continued on Page 4)

MARKET ADMINISTRATOR MOVES TO NEW ADDRESS IN NEW YORK

Quarters Now Located at 205 East 42d Street

The office of the Market Administrator of the New York metropolitan milk marketing area is now located at 205 East 42d Street, and mail to the administrator should be addressed, as follows:

Market Administrator
New York Metropolitan Milk Marketing Area
205 East 42d Street
New York 17, New York

A new telephone number also has been assigned to the administrator, and it is: MURray Hill 2-3103.

Allocation of New York's Winter Supply

Whether New York City will be able to command enough milk in November to supply its fluid needs is today a question mark — a large, black question mark. If the answer were production and production for the New York market alone, the probabilities favor an opinion that the metropolitan market could travel through the short season with little inconvenience and perhaps with an ample margin beyond its requirements. But production is not the only problem involved in maintaining an adequate supply. Nor is New York City the sole market that is looking to it (looked for supplies).

A statement by the Market Administrator, New York metropolitan milk marketing area, at a food forum sponsored by the Dairyman's League Cooperative Association, Inc., in New York, N. Y.

Demands for milk from the metropolitan pool for fluid and manufacturing uses are at an all-time high. These extraordinary demands, arising largely outside the peace time orbit of distribution of the New York milkshed, could create a crucial condition next November when production is at its seasonal ebb. The plain fact cannot be escaped that the milkshed cannot produce enough in the short season to satisfy all calls for milk. A short supply means simply that the markets offering dealers the largest profit will get the milk while other markets go begging.

(Continued on Page 4)

COURT UPHOLDS RECLASSIFICATION OF CREAM USED IN MAKING BUTTERMILK AT WADDINGTON

Allegations of the Waddington Milk Company, Inc., that reclassification of its receipts at a higher price forced the company to pay more for milk than competing handlers contrary to the legal intent of the New York marketing order have been denied in an opinion from Judge John Bright of the United States District Court, Southern District of New York, that concluded with the observation that the higher cost "merely establishes the fact that the other handlers had been too leniently dealt with."

Agreeing that the Agricultural Marketing Agreement Act limits the price-fixing powers of the Secretary of Agriculture to the establishment of minimum prices "uniform to all handlers," Judge Bright declared, however, "it does not make such uniformity depend upon the method of doing business."

The controversial revaluation, which added \$1,142.55 to the cost of the milk received at the company's plant at Waddington, N. Y., in July, October, November, and December 1939, stemmed from the company's practice of adding cream to buttermilk manufactured from skim milk at that plant. The milk from which the buttermilk and the cream were made was received at that plant. The milk from which the added cream was separated was reported as fluid cream (Class II-A), but the Market Administrator revalued it in Class I, the highest priced class in the marketing order, because the cream was embodied in a product that, when it left the plant for distribution in New York City, was neither whole milk nor cream.

Reclassification was based on the "catch all" provision of the order which places in Class I any milk used in a form for which a specific class has not been established. At the time of the reclassification, cultured milk drinks, of which buttermilk is one, were unclassified. Judge Bright declared that "the uncontradicted facts seem to me to compel the determination and classification made."

Judge Bright disposed of the argument that the milk should have remained in Class II-A because it was cream on hand at the plant by declaring that the provision of the order classifying cream on hand merely referred "to cream on hand at the end of the month."

"In order to be Class II-A milk," the opinion said, "it would have to be utilized in the form of cream. The milk was not utilized as cream. It had ceased to be cream or whole milk. The form in which, and the purpose for which, it was used was buttermilk. It was utilized at the plant to make buttermilk, and it was moved therefrom as such. And buttermilk is not classified separately in any of the subdivisions . . . of the order. [Cultured milk drinks are now classified in Class I or Class II-A, depending on the amount of butterfat they contain.] It falls, therefore, within the 'catch all' clause."

Pointing out that reclassification increased its cost of making buttermilk, the company declared that other handlers could buy cream to manufacture buttermilk of equal quality, paying only the Class II-A price when the cream was separated at another plant. Judge Bright agreed, saying: "It is clear that the ruling . . . makes

the plaintiff (Waddington Milk Company) pay more for the milk . . . than another handler who performs the two operations at different plants, though both use the milk for the same purpose; accomplish the same result, and sell in the same area."

The court, however, refused to agree that the higher cost was discriminatory and contrary to the provision of the Agricultural Marketing Agreement Act specifying that marketing orders should fix minimum uniform prices which all handlers shall pay. Commenting that a superficial conflict existed between the ruling and the law, Judge Bright cited the interpretation of the Department of Agriculture that "uniformity is required only as to handlers doing business in the same or similar way." The department further argued that, as the company elected to make its cream-enriched buttermilk at the plant at which the milk was received instead of shipping cream to New York City for that purpose, "it must, therefore, bear the burden of the classification that resulted therefrom."

"This leaves as the remaining question that of alleged discrimination or arbitrary classification," Judge Bright concluded. "The classification . . . was not arbitrary but in conformity with the act. If it was correctly made as against the plaintiff, and I have so held, it was not discriminatory. The fact that other handlers who mix cream and skim milk at different plants are charged less does not establish discrimination against the plaintiff, if the classification as to him is correct."

Prior to the argument before Judge Bright, Waddington Milk Company appealed to the Secretary of Agriculture from the Administrator's ruling. The Secretary sustained the reclassification, and the company thereupon brought suit in the Federal District Court.

MT. JOY COOP PAYMENTS SUSPENDED

Cooperative payments due Mount Joy Farmers Cooperative Association of Mount Joy, Pa., have been suspended by the Market Administrator and will be held in the reserve until the Secretary of Agriculture has ruled on the qualification of the association.

Payments to the association, which has been collecting them at the rate of 4 cent a hundredweight as an operating cooperative, were suspended on the grounds that the association has failed to meet its suspended obligations under the federal-state marketing order and does not operate the plants to which its members deliver milk. The suspension was effective June 24.

JUNE PRICE OF \$3.03 CREDITED FLUSH SEASON WITH NEW SERIES OF PRICE AND YIELD RECORDS

Announcement of a uniform price of \$3.03 a hundredweight for June rounded out the 1943 flush season with uniform prices of \$3 or better and assured prices higher than that level through September to complete the first twelve months of the operation of the New York federal-state marketing orders in which consecutive uniform rates will have exceeded the three-dollar mark. The series began last October with \$3.01.

The flush season prices — twin rates of \$3.04 for April and May and \$3.03 for the final month — were the direct result of the action of the United States Department of Agriculture in suspending the seasonal variation in the formula for figuring the price of fluid (Class I) milk. Otherwise the fluid rate would have dropped 25 cents from \$3.50 to \$3.25 a hundredweight.

Maintaining the rate at \$3.50 where it had been since November 1, 1942 assured dairy farmers of \$1,737,294.53 in dairy farm income they would not have received if the lower price had taken effect. The additional income was worth 9.8 cents a hundredweight on all the milk in the New York pool in April, 9.5 cents in May, 8.9 cents in June. And the uniform rates, of course, would have been less by those respective sums if the seasonal variation had not been suspended.

Aided by the additional income flowing from the higher fluid price, the New York pool set a record in farm value in May and then bettered it when the June return reached an all time high. April deliveries, however, yielded a farm return of only \$17,514,354 and fell somewhat short of matching the record yield of \$17,800,000 for May 1942. April managed, nevertheless, to earn a record with its rate of \$3.04. According to a compilation of farm prices prepared by Cornell University, farm prices of April milk since 1910 have never exceeded \$3, and that figure was reached only in April 1919.

The value of May deliveries, however, soared above that of May 1942 to reach a high net farm return of \$20,166,113.21. June shattered that record, however, when the farm value of the later pool, based on preliminary figures, mounted to \$20,873,697.62. The net values of the April and May pools include butterfat and location payments and have been adjusted to the actual zones of delivery. The preliminary evaluation of the June pool does not contain location payments from handlers and has not been adjusted to delivery zones.

Gains in farm income in the flush season ranged from a low of 13.5 per cent for May to a high of 29.2 per cent for June. The gain for April was in between at 21.5 per cent. The farm value of the 1942 flush pools were: April, \$14,410,839.71; May, \$17,772,306.38, and June, \$16,158,418.28. The latter evaluation is figured on a basis comparable to the preliminary farm return from the current June pool.

Comparison of the uniform prices of both years is a further indication of the ascent in the value of milk and milk products. The April rate of \$3.04 was 32.7 per cent higher than the price of \$2.30 for April 1942. The gain for May was 29.9 per cent with this year's rate at \$3.04 against last year's \$2.34. The 71-cent

(Continued on Page 10)

COUNTRY MILK PLANTS CHANGE HANDS

Changes in the ownership of four milk plants in the New York milkshed and one pasteurizing plant in New York City have been reported to the Market Administrator in recent weeks. Four of the transactions were purchases, and the fifth was the result of a merger.

Titles to the milk plants of Wallingford and West Pawlet, Vt., were transferred June 1 to the Vermont Milk and Cream Company, Inc. The former operators of the plants were, respectively, Vermont Farms, Inc., and Pawlet Creamery Corporation.

Borden Farm Products Division of the Borden Company also became on June 1 the owner of a pasteurizing plant at 798 East 133rd Street, New York, N. Y. The plant was formerly operated by C. J. Fayan.

Middletown Milk and Cream Company, Inc. is now the handler of record of the plant at Fort Edward, N. Y., which was operated by Dellwood Products Corporation. The corporations have merged, and the transfer in title became effective June 1.

Muller Dairies, Inc., has reported the purchase of the plant of the Ivesica Milk Company, Inc., at Montgomery, N. Y. According to the handler's report, the change in ownership was effective July 1.

Temporary approval to ship milk to Westchester County has been granted by that county's health department to the plant of Mohrhan Dairies Cooperative, Inc., at Brier Hill, N. Y.

CHENANGO PAYMENTS AWAIT FIVE PATRONS

Checks in the amount of \$32.69 are still being held by the Market Administrator for distribution to five former patrons of the plant at South New Berlin, N. Y., of Chenango Farm Products Company, Inc., to make up underpayments for milk delivered between September 1938 and May 1942.

Five other former patrons or their heirs have been located and paid sums amounting in all to \$36.62.

The patrons whose whereabouts are unknown are their last known addresses are, as follows: Grant Lee Binghamton; Pearl Lunn and Clyde Nichol, South New Berlin; and A. Astrom and C. Rollin Lee, Chenango. The accounts which have been paid are those of Earl C. L. J. George, Leon Hurburt, Evelyn B. . . . Lloyd Gates.

ALLOCATION OF NEW YORK'S SUPPLY

In view of the fact that the market for New York City supply of food has been so tight, the following is a summary of the situation in that city.

In November of last year, the market received 200,000 bushels of wheat. The market received 200,000 bushels of wheat in the first six months of 1942. The market received 200,000 bushels of wheat in the first six months of 1942. The market received 200,000 bushels of wheat in the first six months of 1942.

All this year's production probably will not amount to 100,000 bushels and it is estimated that the market will receive 100,000 bushels of wheat in the first six months of 1942. The market will receive 100,000 bushels of wheat in the first six months of 1942.

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COOPERATIVE ASSOCIATION PATRIMONY

April 1942		May 1942		June 1942	
Item	Value	Item	Value	Item	Value
Wheat	100,000	Wheat	100,000	Wheat	100,000
Barley	50,000	Barley	50,000	Barley	50,000
Oats	25,000	Oats	25,000	Oats	25,000
Rye	12,500	Rye	12,500	Rye	12,500
Feed	12,500	Feed	12,500	Feed	12,500
Other	12,500	Other	12,500	Other	12,500
Total	200,000	Total	200,000	Total	200,000

ASSOCIATION OF NEW YORK'S SUPPLY

A report that will be of interest to the market is that the market will receive 100,000 bushels of wheat in the first six months of 1942.

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Feed	12,500	Feed	12,500	Feed	12,500
Other	12,500	Other	12,500	Other	12,500
Total	200,000	Total	200,000	Total	200,000

AMENDMENTS BEMSE PRICING

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POSTPONEMENT OF TENTATIVE HEARING ANNOUNCED WITHOUT REASON OR DATE

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FOR VICTORY
Buy United States War Bonds and Stamps

THE MARKET ADMINISTRATOR'S BULLETIN IS PUBLISHED BY THE FEDERAL RESERVE BOARD OF RESERVE BANKS OF NEW YORK AND IS AVAILABLE TO MEMBERS OF THE BOARD AND TO THE PUBLIC BY MAIL. THE BULLETIN IS PUBLISHED BY THE FEDERAL RESERVE BOARD OF RESERVE BANKS OF NEW YORK AND IS AVAILABLE TO MEMBERS OF THE BOARD AND TO THE PUBLIC BY MAIL.

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COMPUTATION OF UNIFORM PRICE OF \$3.04
Per hundredweight of milk testing 3.5% butterfat at the 201-210 mile zone
APRIL 1943

HANDLERS MUST PAY \$17,604,626.96*

Class of milk	Name of product	Pounds of milk	Per cent of milk	Class prices	Value of class prices	Differential for		Total amount handlers must pay for milk	Class price per cwt.
						Extra butterfat	Transportation		
I	In marketing area	213,392,226	37.95	\$3,500	\$ 7,468,727.91	\$136,208.42	\$ 22,379.84	\$ 7,627,316.17	\$1.28
	Outside non-federal	33,931,067	6.03	3,240	1,099,431.27	37,344.13	13,670.74	1,130,446.24	.72
	Relief	6,364,791	1.33	2,930	186,486.38	1,321.71	1,491.73	189,301.82	.04
II-A	Outside federal	1,326,292	.24	3,324	44,086.26	794.26	—	44,880.52	.04
	Cream in marketing area	32,934,609	5.86	2,550	839,832.53	25,851.86	— 8,379.90	857,284.49	.16
	Milk drinks	416,841	.08	—	10,629.50	662.11	— 42.85	11,334.26	.03
II-B	Plain condensed	1,268,926	.23	—	30,814.90	1,424.48	— 131.58	32,127.81	.03
	Frozen desserts and homogenized mixtures	16,499,227	2.93	2,430	400,931.22	10,864.67	— 5,162.57	406,633.32	.17
II-C	Storage cream	48,211,372	8.57	—	1,171,535.37	43,825.43	— 10,189.82	1,205,190.98	.24
	Cream in special cream area	7,274,463	1.29	2,158	156,982.91	5,942.91	— 932.54	161,993.28	.03
II-D	Frozen desserts and homogenized mixtures	9,507,302	1.59	2,154	204,787.29	7,376.18	— 5,961.65	206,200.82	.02
	Cream	7,580,919	1.35	—	162,293.00	— 1,084.80	— 4,991.05	156,217.29	.02
II-E	Frozen desserts and homogenized mixtures	2,941,651	.52	2,058	60,539.18	— 1.76	— 2,047.58	58,489.84	.01
	Cream	7,873,062	1.40	—	162,027.62	5,269.79	— 4,816.66	162,480.75	.02
II-F	Frozen desserts and homogenized mixtures	12,826,406	2.28	2,058	264,006.60	7,174.75	— 9,354.11	262,429.24	.04
	Cream cheese	11,832,746	2.11	—	243,517.91	15,196.43	— 8,756.76	249,957.58	.04
	Evaporated	35,028,701	6.23	—	939,820.21	26,945.14	—	966,765.35	.17
III	Sweetened condensed	3,249,320	.58	—	87,179.26	5,353.97	—	92,533.23	.04
	Milk chocolate	15,763,435	2.80	2,681	422,932.96	27,924.55	—	450,857.51	.08
	Milk powders	39,917,602	7.10	—	1,070,989.26	41,340.40	—	1,112,820.66	.18
IV-A	Cheese—except cream or cheddar	5,335,602	.95	—	143,690.02	5,508.73	—	151,196.75	.02
	Butter	40,924,324	7.26	1,796	733,294.66	29,458.82	—	767,753.48	.19
IV-B	Cheddar cheese	7,992,937	1.42	2,126	189,929.84	— 1,254.24	—	188,675.60	.03
	Total	562,322,760	100.00	—	\$16,075,492.26	\$438,946.09	\$—23,159.23	\$16,488,279.13	\$2.93
Skin milk—Class V-A		2,920,945**	—	1,041	30,407.04	—	— 329.13	30,077.91	.005
	V-B	178,957,155**	—	407	1,086,269.92	—	—	1,086,269.92	.19
Total value					\$17,192,169.32	\$435,946.09	\$—23,488.35	\$17,604,626.96	\$3.10

*In addition to this amount handlers are required to pay \$20,860.03 for premiums to nearby producers.
**Corrected figures.

HOW THE UNIFORM PRICE IS FIGURED

	Pounds of milk	Value of adjustment	Total value	Adjustment per cwt.	Rate per cwt.
Total amounts from totals above	562,322,760		\$17,604,626.96		\$3.10
Less: Payments to producers for butterfat in excess of 3.5 per cent		\$—328,135.30		\$—.058	
Payments of premiums to nearby producers	61,721,093	—124,644.25		—,022	
			—452,779.55	—,080	
Add: Freight adjustment to 201-210 mile zone			17,151,847.41	3.050	
			+ 63,897.99	+ ,011	
			17,215,745.40	3.061	
Less: Payments to cooperative associations	353,967,786	— 96,361.53		—,017	
			17,119,383.87	3.044	
Add: Cash in producer settlement fund			+214,176.94	+ ,039	
			17,333,560.81	3.050	
Less: Reserve			—238,948.91	—,041	
Payments to producers at the Uniform Price	562,322,760		\$17,094,611.90		\$3.040

COMPUTATION OF UNIFORM PRICE OF \$3.04
Per hundredweight of milk testing 3.5% butterfat at the 201-210 mile zone
MAY 1943

HANDLERS MUST PAY \$20,262,860.90*

Class of milk	Name of product	Pounds of milk	Per cent of milk	Class prices	Value of class prices	Differential for		Total amount handlers must pay for milk	Class price per cwt.
						Extra butterfat	Transportation		
I	In marketing area	226,721,936	35.21	\$3,500	\$ 7,939,267.76	\$192,424.34	\$ 28,326.19	\$ 8,156,018.49	\$1.267
	Outside non-federal	32,980,454	5.28	3,240	1,100,966.71	46,324.80	13,680.97	1,150,972.48	.880
	Relief	6,502,239	1.01	2,930	190,515.60	2,446.56	1,479.03	194,435.19	.030
II-A	Outside federal	1,497,658	.23	3,448	51,633.31	996.57	—	52,629.90	.028
	Cream in marketing area	33,693,381	5.26	2,530	864,281.22	49,173.39	— 7,947.33	905,507.28	.041
	Milk drinks	374,219	.14	—	22,292.58	1,614.51	— 189.95	24,097.04	.004
II-B	Plain condensed	684,778	.11	—	16,640.11	924.73	— 201.25	17,363.59	.002
	Frozen desserts and homogenized mixtures	24,018,490	3.73	2,430	583,649.31	23,029.61	— 6,592.30	601,086.62	.023
II-C	Storage cream	80,051,634	12.43	—	1,948,254.71	98,450.96	— 19,690.84	2,026,015.03	.314
	Cream in special cream area	11,938,252	1.85	2,158	257,627.48	9,112.51	— 2,581.07	264,158.92	.041
II-D	Frozen desserts and homogenized mixtures	16,102,470	2.50	3,172	349,745.65	10,905.45	— 10,099.67	350,561.44	.024
	Cream	4,634,422	.72	—	100,659.65	930.66	— 3,018.94	98,471.37	.015
II-E	Frozen desserts and homogenized mixtures	2,700,536	.49	2,058	55,517.03	1,492.96	— 1,733.74	55,134.25	.008
	Cream	5,853,791	.91	—	120,471.02	6,139.46	— 3,513.88	123,096.60	.019
II-F	Frozen desserts and homogenized mixtures	14,800,423	2.30	2,058	304,992.71	20,576.60	— 10,049.52	315,099.79	.049
	Cream cheese	14,049,221	2.18	—	289,133.09	20,855.51	— 10,415.57	299,582.73	.047
	Evaporated	39,433,828	6.12	—	1,060,375.53	44,726.27	—	1,105,101.90	.172
III	Sweetened condensed	7,042,582	1.09	—	189,375.03	12,132.08	—	201,507.11	.021
	Milk chocolate	12,757,336	2.36	2,689	343,044.77	24,217.66	—	367,262.43	.057
	Milk powders	50,005,640	7.77	—	1,344,650.58	77,362.47	—	1,422,013.05	.221
IV-A	Cheese—except cream or cheddar	4,046,265	.63	—	108,804.63	7,418.55	—	116,219.18	.018
	Butter	35,183,444	5.46	1,796	631,894.69	30,099.58	—	661,994.27	.103
IV-B	Cheddar Cheese	5,984,461	.87	2,126	110,725.64	748.55	—	111,474.19	.019
	Cheddar Cheese	11,579,031	1.80	2,295	265,726.76	1,611.83	—	267,338.59	.043
Total		643,936,480	100.00	—	\$18,350,917.69	\$684,665.72	\$—32,479.97	\$18,703,103.44	\$2.935
Skin milk—Class V-A		2,390,169	—	1,041	24,881.68	—	— 63.76	24,817.92	.004
V-B		219,924,137	—	607	1,314,939.64	—	—	1,314,939.64	.207
Total value					\$19,610,738.91	\$684,665.72	\$—32,543.73	\$20,262,860.90	\$3.146

*In addition to this amount handlers are required to pay \$33,837.81 for premiums to nearby producers.
†Premium of \$2.126 applied May 1-13, inclusive; \$2.295, May 16-31, inclusive.

HOW THE UNIFORM PRICE IS FIGURED

	Pounds of milk	Value of adjustment	Total value	Adjustment per cwt.	Rate per cwt.
Total amounts from totals above	643,936,480		\$20,262,860.90		\$3.146
Less: Payments to producers for butterfat in excess of 3.5 per cent		\$—498,973.98		\$—.077	
Payments of premium to nearby producers	67,675,612	—136,652.06		—,021	
			—635,626.04	—,098	
Add: Freight adjustment to 201-210 mile zone			19,627,234.86	3.048	
			+ 79,019.63	+ ,012	
			19,706,254.49	3.060	
Less: Payments to cooperative associations	403,630,803	— 110,137.23		—,017	
			19,596,117.26	3.041	
Add: Cash in producer settlement fund**			+251,898.51		
			19,848,015.77	3.052	
Less: Reserve			—272,346.71	—,042	
Payments to producers at the Uniform Price	643,936,480		\$19,575,669.06		\$3.040

**Includes cheese industry payments of \$1,314.63.

Milk of average butterfat test (3.64588 per cent) received in April at the average distance of delivery from New York City (229.6 miles) was worth \$3.09 a hundredweight at the values determined by the federal-state orders.

JUNE PRICE OF \$3.03 SETS NEW RECORDS

(Continued from Page 3)

margin by which this year's June price exceeded the rate of \$2.32 for June 1942 is a rise of 30.6 per cent.

Gains in price surpassed gains in farm income in April and May because the pools of each month contained less milk this year. The volume in April was down 7 per cent. The decrease in pool production in May, as compared with May 1942, was even larger. The pool report showed 11.2 per cent less milk. The June volume, however, exceeded that of a year ago by one-half of one per cent, but the gain in value fell short of the gain in price because June milk this year contained less butterfat.

With the advance of the flush season, each pool successively contained a larger quantity of milk until the peak was reached in June. The crest in production in 1942, however, came in May, and that month's volume of 725,304,622 pounds is a record that went unbroken in 1943. The April pool, first in the flush series, contained 562,322,760 pounds against an estimated volume of 562,000,000. The estimate that the May deliveries would not exceed 635,000,000 had the widest deviation of the three forecasts. The May pool weighed 643,936,480 pounds, and a rapid climb in production in the last few days of the month, following an extended period of cold, rainy weather, accounted for the unexpected rise. The June volume of 672,057,283 pounds was only 57,283 over the estimated quantity.

The forecasts in price also were within close range of the actual prices that were computed three weeks after the estimates were projected. The April estimate of \$3.01 was three cents under the price, but only one cent measured the difference between the May estimate of \$3.03 and the June estimate of \$3.02 and the prices that applied to each of those months.

With a rate of \$3.04 for March likewise, the spring of 1943 produced unexpectedly an unprecedented series of identical uniform prices in three consecutive months. Only once before had production, class prices, and utilization been in such adjustment that the same uniform rates applied to successive months, and that was when

the price of \$1.92 was computed for September and October 1940.

Computation of the uniform prices of April and May, shown in side-by-side tables on pages 8 and 9, indicates that increased use of milk in the higher valued classes in May was sufficient in the main to hold the May price at the April level. The increase in volume of 81,613,720 pounds from April to May, in accordance with the advancement of the flush season, ordinarily would have reduced the uniform price in the later month.

Class prices in both months remained exactly at the same level with the exception of the rates applying to four classes. Those prices, moreover, were higher in May than in April in contrast with the usual downward trend in pricing in flush seasons. The value of fluid milk sold in federal markets other than the metropolitan area advanced from \$3,324 to \$3,448 as a result of fluid price increases in the orders regulating those markets. The price of milk used as cream and ice cream mainly in New Jersey and Pennsylvania (Class II-D) rose from \$2.154 to \$2.172. An increase of six mills was recorded in the price of milk used in the manufacture of evaporated milk, whole milk powder, and other products associated together in Class III. The price shifted upward from \$2.683 to \$2.689. Amendment of the federal order formula pricing milk used in cheese-making (Class IV-B) lifted the rate to \$2.295 for the last 15 days of May. The price in April and the first part of May was \$2.126.

That higher valued classes absorbed the bulk of the seasonal increase in production is attested by the rise of 13,400,000 pounds in volume of fluid milk in the marketing area and nearly 40,000,000 pounds in the volume utilized as ice cream in New York City and (storage

(Continued on Next Page)

CONSOLIDATION OF HANDLERS REPORTED

The Market Administrator has been informed that Morrisonia Farm Products, Inc., and Public Farm Products, Inc., New York City handlers, have been consolidated. The consolidation was effective June 1, and the organization will operate under the name of Morrisonia Farm Products.

COMPARATIVE STATISTICS

	March 1943	April 1943	May 1943	May 1942	May 1941
Total deliveries (pounds)	531,031,053	562,322,760	643,936,480	725,304,622	700,078,175
Class I in marketing area (pounds)	221,975,433	213,392,226	226,721,936	218,519,532	215,175,938
Deliveries per day per dairy (pounds)	217	347	383	407	376
Uniform price per hundredweight	\$3.04	\$3.04	\$3.04	\$2.34	\$1.83
Number of handlers	134	135	135	143	151
Number of plants	464	462	462	479	492
Number of producers	53,967	53,951	54,268	57,477	60,131

PREMIUMS TO NEARBY PRODUCERS

Rate of payment per cwt.	April 1941			April 1942			April 1943		
	No. of Producers	Total pooled milk	Total payment	No. of Producers	Total pooled milk	Total payment	No. of Producers	Total pooled milk	Total payment
		Pounds	Dollars		Pounds	Dollars		Pounds	Dollars
6	388	2,553,820	1,776.91	—0—	—0—	—0—	—0—	—0—	—0—
20	4,786	62,826,690	125,653.78	4,854	66,283,443	132,566.83	4,586	60,519,038	121,038.09
30	100	1,351,983	4,061.95	81	1,083,942	3,251.82	87	1,202,058	3,806.16
Total	5,274	66,734,693	130,992.64	4,935	67,367,385	135,819.65	4,673	61,721,092	124,844.25

JUNE PRICE OF \$3.03 SETS NEW RECORDS

(Continued from Page 10)

cream (Class II-B). Fluid milk, of course, is the ranking price in the order, while Class II-B is the third primary class from the top. The value of the milk in Class II-B in April and May, incidentally, was only slightly less than the uniform price. The class is priced at \$2.43 in the computation tables, but the value of remaining skim milk, expressed only as skim milk for manufacturing use outside the marketing area (Class V-B), is 60.7 a hundredweight.

Aside from the increased utilization in fluid and other high-valued classes, the most significant shift in the usage of New York-area approved milk was the rise in the quantity manufactured into whole milk powder in April and May. The April production of dried whole milk in the New York milkshed required 39,717,602 pounds of milk and was 367.2 per cent larger than a year earlier. In May, the whole milk powder plants absorbed 50,005,600 pounds, which was 405.3 per cent more than the quantity dried last year.

For the use of the milk in all the various classes, the handlers accounted to the area's equalization fund for milk worth \$17,604,626.96 in April. In May, their utilization required them to account for \$20,262,860.90 in approved milk. Aside from the sums deducted each month to set in reserve for the succeeding pool, virtually all the money represented obligations directly to dairy farmers. The sole exception was the amount taken out each month for cooperative payments. In April, it amounted to \$96,361.53 and was equivalent to 1.7 cents a hundredweight. The amount in May was \$110,137.23 and also was equivalent to 1.7 cents a hundredweight.

PREMIUMS TO NEARBY PRODUCERS

Rate of payment per cwt.	May 1941			May 1942			May 1943		
	No. of Producers	Total pooled milk	Total payment	No. of Producers	Total pooled milk	Total payment	No. of Producers	Total pooled milk	Total payment
		Pounds	Dollars		Pounds	Dollars		Pounds	Dollars
6	291	3,618,300	1,509.10	—0—	—0—	—0—	—0—	—0—	—0—
20	4,705	68,490,007	126,740.14	4,851	72,810,126	145,860.85	4,614	66,374,737	147,532
30	99	1,582,617	4,687.85	81	1,216,342	3,649.63	88	1,680,444	5,025.54
Total	5,195	73,690,924	132,937.09	4,932	74,026,468	149,510.28	4,702	68,055,181	152,557.58

LOCATION AREA RECEIPTS BELOW 1941 AND 1942 LEVELS

The milk delivered in April and May to plants in the marketing area and adjacent territory earned producers \$326,994.67 in location payments from the producer settlement fund of the New York metropolitan milk marketing area and the handlers that received the milk. Deliveries in those months amounted to 129,396,705 pounds.

The larger part of the sum was paid for May deliveries which weighed 67,675,612 pounds. The pool-paid premiums on those deliveries came to \$136,652.06 at the rate of 30 cents a hundredweight in the marketing area and 20 cents in the nearby counties. The handlers paid additional premiums in the amount of \$33,837.81 at the flat rate of 5 cents a hundredweight.

May receipts at location-area plants, incidentally, were less in 1943 than in either 1941 or 1942. The producers who shared this year's May payments numbered 4,702 and also were fewer than in 1941 and 1942 when 5,195 and 4,932 dairy farmers delivered.

The payments for April deliveries were shared among 5,637 dairy farmers who delivered 61,721,092 pounds of milk. The number of producers and the pounds of milk that they delivered likewise were less than in 1941 and 1942. The payments the producers received from the pool came to \$124,644.25. The handler paid premiums amounted to an additional \$30,860.55.

POOLED MILK BY STATE AND CLASSES, MAY 1943

Table with 6 columns: Class, N.Y., Pa., N.J., Vt., Conn. & Mass., Total. Rows include classes I, II.A, II.B, II.C, II.D, II.E, II.F, III, IV.A, IV.B, and Total.

With this issue, the Market Administrator's Bulletin, a government publication, completed its third year and its third volume. The first issue of the Bulletin was dated July 1940. Since then the Bulletin has been published regularly.

POOLED MILK BY STATES AND CLASS, APRIL 1943

Table with 6 columns: Class, N.Y., Pa., N.J., Vt., Conn. & Mass., Total. Rows include classes I, II.A, II.B, II.C, II.D, II.E, II.F, III, IV.A, IV.B, and Total.

NORTHERN NEW YORK COUNTIES INCREASED PRODUCTION IN APRIL

The decrease in the volume of New York-area pooled milk in April was spread over nearly all the milked with the exception of the five counties in Northern New York and Westchester County in the prevailing area.

The 74-cent rise in the uniform price, however, was large enough to credit every county but one, Cortland, New York, with an increased return. Rises in returns ranged upward to Westchester's peak of 86.6 per cent.

Table with 6 columns: State and County, April 1942, April 1943, Percentage change, April 1942, April 1943, Percentage change. Rows include New York counties (Albany, Rensselaer, etc.), Pennsylvania, Massachusetts, Vermont, and Connecticut.

MILK RETURNS EXCEEDED PREVIOUS YEAR IN MAY

Gains in the value of the milk delivered in May were recorded for all but one of the milkshed's 43 principal dairy counties. The exception was Cortland County in New York, where the value at the uniform rate, as compared with May 1942, was down 12.4 per cent. The largest gain was credited to Westchester County, also in New York.

Decreased deliveries, moreover, were recorded for every other major county in the milkshed. With the exception of Cortland, where the decrease amounted to 32.6 per cent and was mainly due to the withdrawal of plants to serve other markets, the reductions in volume ranged from a low of 1.3 per cent in Clinton, New York, to a high of 18 per cent in Greene, New York.

State and County	Volume of Pooled Milk			Value of Pooled Milk		
	May 1942	May 1943	Percentage change	May 1942	May 1943	Percentage change
	Pounds	Pounds	Percent	Dollars	Dollars	Percent
New York						
Allegany	9,628,137	8,430,322	- 12.4	225,298.41	256,281.79	+ 13.2
Broome	11,679,563	10,444,426	- 10.6	273,301.77	317,510.55	+ 16.2
Cattaraugus	16,093,571	14,083,072	- 12.5	376,589.56	428,125.39	+ 13.7
Cayuga	9,137,163	8,189,575	- 10.4	213,809.61	248,963.08	+ 16.4
Chemung	4,118,056	3,486,583	- 15.3	96,362.51	105,992.12	+ 10.0
Chenango	31,485,587	27,232,251	- 13.5	736,762.74	827,860.43	+ 12.4
Clinton	16,094,919	15,884,841	- 1.3	376,621.10	482,899.17	+ 28.2
Columbia	7,349,800	7,222,143	- 1.7	171,985.32	219,553.15	+ 27.7
Cortland	25,862,771	17,432,699	- 32.6	605,188.84	529,954.05	- 12.4
Delaware	42,627,401	39,761,470	- 6.7	997,481.18	1,208,748.69	+ 21.2
Dutchess	14,222,192	13,119,752	- 7.8	332,799.29	398,840.46	+ 19.8
Franklin	16,941,726	16,502,764	- 2.6	396,436.39	501,684.03	+ 26.5
Greene	4,780,697	3,920,982	- 18.0	111,868.31	119,197.85	+ 6.6
Herkimer	21,531,342	18,703,933	- 13.1	503,833.40	568,599.56	+ 12.9
Jefferson	32,375,129	30,103,237	- 7.0	757,578.02	915,138.40	+ 20.8
Lewis	18,710,026	17,608,685	- 5.9	437,814.61	535,304.02	+ 22.3
Livingston	8,111,293	7,297,986	- 10.0	189,804.26	221,858.77	+ 16.9
Madison	29,328,622	24,347,030	- 17.0	686,289.75	740,149.71	+ 7.8
Montgomery	18,021,864	15,659,875	- 13.1	421,711.62	476,060.20	+ 12.9
Oranget	32,411,557	27,898,983	- 13.9	758,430.43	848,129.08	+ 11.8
Oneida	7,130,978	6,664,369	- 6.5	166,864.89	202,596.82	+ 21.4
Oranget	21,653,175	20,953,430	- 3.2	506,684.30	636,984.27	+ 25.7
Orange	11,732,446	11,040,950	- 5.9	274,539.24	335,644.88	+ 22.3
Oswego	23,911,185	21,106,401	- 11.7	559,521.73	641,634.59	+ 14.7
Otsego	5,839,183	5,339,473	- 8.6	136,636.88	162,319.98	+ 18.8
Rensselaer & Saratoga	42,884,717	40,593,123	- 5.3	1,003,502.38	1,234,030.94	+ 23.0
St. Lawrence	14,630,552	13,313,335	- 9.0	342,354.92	404,725.39	+ 18.2
Schoharie	11,569,033	10,571,603	- 8.6	270,715.37	321,376.73	+ 18.7
Steuben	9,230,512	8,790,024	- 4.8	215,993.98	267,216.73	+ 23.7
Sullivan	6,568,994	5,740,570	- 12.6	153,714.46	174,513.33	+ 13.5
Tioga	3,496,236	3,270,605	- 6.5	81,811.92	99,426.39	+ 21.5
Ulster	9,291,165	8,542,651	- 8.1	217,413.26	259,696.59	+ 19.4
Washington	1,216,542	1,300,845	+ 6.9	28,467.08	39,545.69	+ 38.9
Westchester	10,134,080	9,566,035	- 5.6	237,137.47	290,807.47	+ 22.6
Finger Lakes Region	21,644,840	19,303,946	- 10.8	506,489.26	586,839.96	+ 15.9
Total	571,445,054	513,427,969	- 10.2	13,371,814.26	15,608,210.26	+ 16.7
Pennsylvania						
Bradford	18,698,680	15,646,416	- 16.3	437,548.64	475,651.04	+ 8.7
Susquehanna	12,996,706	11,839,091	- 8.9	304,122.92	359,908.37	+ 18.3
Tioga	16,685,815	15,430,722	- 7.5	390,448.07	469,093.95	+ 20.1
Wayne	11,753,575	10,682,543	- 9.1	275,033.66	324,749.31	+ 18.1
Other Penn. Counties	38,410,173	30,121,286	- 21.6	898,798.05	915,687.09	+ 1.9
Total	98,544,929	83,720,058	- 15.0	2,305,951.34	2,545,089.76	+ 10.4
New Jersey						
Sussex	9,066,466	7,650,342	- 15.6	212,155.30	232,570.40	+ 9.6
Warren	7,528,180	6,583,295	- 12.6	176,159.41	200,132.17	+ 13.6
Other N. J. Counties	3,186,630	3,398,366	+ 6.6	74,567.14	103,310.32	+ 38.5
Total	19,781,276	17,632,003	- 10.9	462,881.85	536,012.89	+ 15.8
Vermont						
Addison	14,340,730	13,009,950	- 9.3	335,573.08	395,502.48	+ 17.9
Bennington & Rutland	11,570,905	10,034,627	- 13.3	270,759.18	305,052.66	+ 13.7
Other Vt. Counties	5,132,390	2,906,261	- 43.4	120,097.93	88,350.34	- 26.4
Total	31,044,025	25,950,838	- 16.4	726,430.19	788,905.48	+ 8.6
Conn. & Mass.	4,489,338	3,205,612	- 28.6	105,050.51	97,450.60	- 7.2
Grand Total	725,304,622	643,936,480	- 11.2	16,972,128.15	19,575,668.99	+ 15.3

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

o Secretary Morgenthau

September 16, 1943

FROM Fred Smith

The Harry Sherman ad ran in 191 newspapers. It was also sent out in proof form to three thousand newspapers, offering mats if the newspaper cared to run the advertisement.

MS

September 16, 1943

Dear Mr. Sherman:

I have seen your ad "Shall We Let Him Come Home to This," in several newspapers.

I want you to know that I think these advertisements are going to be very helpful in the Bond drive, and on the whole inflation front. It is one of the best contributions that have been made to date, in my estimation. I really think it is a very patriotic thing to do.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Harry Sherman
Book of the Month Club
385 Madison Avenue
New York, New York

FS:gr
9-16-43

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE
September 14, 1943

TO Fred Smith.
FROM The Secretary.

I think that Harry Sherman certainly ought to get a nice letter from me on his ad "Shall We Let Him Come Home to This." I understand it's in several hundred newspapers. Will you get the facts and then write me a nice letter of appreciation? I really think he's doing something very patriotic and deserves a letter as well as some of the Hollywood stars.

10 OFFICE AND PLANT MANAGERS: Tear out this page and display it on your bulletin board, or wherever it can be read by those who may never have understood this additional reason for obtaining every dollar possible in more War Bonds now.

This advertisement has been contributed to the Third War Loan Drive by The Doers of the Month Club, Inc., 585 Madison Ave., New York 17, N. Y.



SHALL WE LET HIM COME HOME TO THIS?

We cannot allow Inflation, a great and disorderly rise in all prices, to occur in this land.

Either during the war or after it.

That is the supreme reason—among many other sound ones—why every man and woman of us should put every dollar that can be reasonably spared into additional War Bonds now.

It may be shocking to discover that you, personally, may have been actively contributing to bring on such a national tragedy; by mere PARTIAL support of the Government in its efforts to raise money for the war.

Here is a simple basic truth, about the nation's monetary affairs, which every American must understand:

Every available dollar which we fail to put into War Bonds compels our Government to CREATE A NEW DOLLAR—to take the place of the one we do not lend.

This manufacture of new money in great quantities has been the root cause of every disastrous inflation recorded in history.

It is now going on in this country by the billions of dollars monthly.

Our active money supply has ALREADY increased \$43,000,000,000 since the war began. It has more than doubled in that time.

If all of us—individuals and business firms—do not lend the Government far more than we did in 1942, this increase WILL GO ON at an estimated rate of at least \$30,000,000,000 each year the war lasts.

Should this happen, with two more years of war, our money-supply would be inflated to a total almost FOUR TIMES what it was in 1939.

You do not need to be an economist to realize that this progressive enormous inflation of the nation's money-supply

is at the same time piling up the difficulties of preventing a great and disorderly rise in prices.

This wartime manufacture of new money must be LESSENED GREATLY, if such a disaster is to be averted.

It is that necessity which explains the WHY behind the Government's colossal taxation and borrowing program.

You surely know that our Government, if it is forced to do so, could get the extra money it needs to pay its current war bills by running the money off the printing presses, the way Germany did in the twenties.

Have you ever thought, "Why doesn't it? Why does it tax me so heavily? Why does it bother me continuously about loans?"

The answer is: the Government, in your long interests, must do everything possible TO KEEP TO A MINIMUM this wartime creation of new money.

The best way to lessen this perilous swelling of our money supply is by taxation. The next best way is for all of us—every individual and every business firm—to lend the Government every dollar we can reasonably spare.

Whatever you pay in taxes, whatever you lend, LESSENS BY SO MUCH the new money the Government is obliged to create.

This is the crucial role each one of us, as an individual, plays in safeguarding the future of the nation at home, while our boys do so abroad.

Whatever else you may be humbly doing for your country, in this momentous period, this basic responsibility of a citizen must be added to it.

It is hard—and may get harder—on everybody. But whatever the inconveniences and sacrifices may be, how will they compare with what will have been done by the 10,000,000 young men and women who, at their best years, have broken their careers to win the war?

What kind of land shall we let these boys come home to?

THE SUPPORTING FACTS

What amounts spent as the active money supply in use by the American people totaled \$10,000,000,000 at the end of 1939. It totaled around \$41,000,000,000 on June 30th last. Currency in circulation had risen from \$7,000,000,000 to \$17,000,000,000, as of June 30th. Adjusted demand deposits of all banks (that is, excluding deposits) had risen from \$12,000,000,000 to \$24,000,000,000 as of June 30th.

HOW THE INCREASE TAKES PLACE: This swelling of our money supply has been almost entirely caused by governmental borrowing from the commercial banks. That is why—in the present War bond campaign—the effort is to raise the entire sum of \$15,000,000,000 from individuals and business concerns. The Government is trying to stay away from the banks in such a possible because borrowing from these sources "disturbs" the banks, which can buy war-bond yields gradually could buy.

WE MUST THINK NOW ABOUT AFTER-THE-WAR: During the war price-risings, wage-stops, production-controls and rationing can keep the disastrous increase of money from having its ordinary effect in greatly increased prices. But when "rationing" ceases to keep us habitually without completely cheapening the nature of American life. Then is why—during the war, the real cause of an inflation after-the-war must also be dealt with. Right now the increase of our money supply must be kept to the lowest possible level, because now is the time the Government is making plans.

INFLATION CAN SIMPLY BE AVOIDED: The responsible monetary authorities in Washington know exactly how it can be done, and (on the whole) the nation is on the right track. There have been numerous proposals, as has happened from other times before, and the "standard" in present wartime conditions has been commonly accepted. Over the long period,

however, outside evidence of a disastrous inflation is impossible without greatly increased loans from the public.

YOUR PRIVATE INTERESTS AND PATRIOTIC CONSCIENCE: These cannot well be a true when United States Bonds will not be paid off dollar for dollar, or another later great the federal cash dollar will buy, in goods and services, in the future, than if all of us, through being militarized or apathetic, except the Government now to add lots of billions of dollars yearly to the money supply, that is the very way to lessen the future value of the dollar. The very way every disinterested inflation in history has been done. Accordingly, the best possible protection to your present savings and your future income—whether from salary or wages or otherwise—is paying heavy bond now and lending all you can spare to the Government. The only certain way for you, please, to help to "beat inflation" is to help every day, and this is the only certain way to avoid it.

COMMON SENSE:

EVERY DOLLAR YOU PUT INTO WAR BONDS DOES THREE VITAL THINGS: IT HELPS TO WIN THE WAR QUICKLY, IT PROTECTS YOUR OWN FUTURE AS AN INVESTMENT, IT PROTECTS THE NATION AGAINST INFLATION—DURING THE WAR AND AFTER IT.

September 16, 1943

Dear Mr. Mardikian:

I received your inspiring letter, and I want you to know how much I appreciate your considerable contribution to our Third War Loan Drive. I have asked the Treasurer of the United States to have these Bonds issued to you by the Federal Reserve Bank in San Francisco. You can expect to get them very shortly.

Your letter was very interesting, and I am sure my father would be glad to read it. I am passing along a copy to him.

It is the sum total of people like yourself, with an ambition to be a good American, that have made our country what it is. I want to congratulate you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. George Magar Mardikian
Omar Khayyam's
196 O'Farrell Street
San Francisco, California

FB:gr
9-16-43

Mrs. McHugh

(25)

DWB

Sept 15, 1943

Mr. William A. Day,
President,
Federal Reserve Bank,
San Francisco, California.

Dear Mr. Day:

I am enclosing herewith photostatic copy of a letter, dated September 10, 1943, to Honorable Henry Morgenthau, Jr., Secretary of the Treasury, from Mr. George M. Mardikian, Proprietor, Omar Khayyan's, in San Francisco, with which he tenders his check in the amount of \$20,000 for the purchase of 2½% Treasury Bonds of 1964-69. The check, which is endorsed payable to the order of your bank, is also enclosed herewith.

Please collect the check and issue the bonds as promptly as possible after communicating with George M. Mardikian to determine whether he desires coupon or registered bonds.

Authority is hereby given to waive any interest accruing after September 15 in connection with this purchase.

Very sincerely yours,

(Signed) D. W. BELL

Under Secretary of the Treasury.

Enclosures.

OOB: hg
9/15/43

142 285 14 42 22

Omar Khayyam's at 196 O'Farrell Street in San Francisco
And 927 Van Ness Fresno
George M. Mardikian

September 10, 1943

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

Dear Mr. Secretary:

While your father was ambassador to Turkey, he tried to save my father and other Armenian leaders of Constantinople from being sent into exile. I will always be grateful for that.

Magar Mardikian was one of the few survivors of those three hellish years but died as the result of the maltreatment soon after his return home.

"Ambassador Morgenthau's Story" or "Secrets of the Bosphorus" told the tragic story of those massacres. It was translated into Armenian by my neighbor and good friend Shamdanjian. I am grateful for that permanent record. Naturally I have followed your career with high esteem and deep personal interest.

After fighting with the Russians against the Turks and then with ill fated Armenian Legion, I was taken prisoner and all but killed by starvation and exposure to zero temperatures.

Another American whom I had known through Boy Scout work, saved my life. Again, my gratitude. I escaped and came to America in 1922. Seeing the Statue of Liberty and later receiving my citizenship papers were the two greatest moments in my life. Both increased my thankfulness that there was such a country as the United States on earth.

Like other millions, I have found unlimited opportunities here. I have tried to express my gratitude by becoming a good American -- by doing everything I could to help the country which was and is so good to me.

Because you are such a worthy son of a worthy father, I want this subscription to go to you personally. Here is my check for \$20,000.00 to pay for twenty Treasury Bonds of 1964-69. This brings up to date my pledge to invest every cent of profits in War Bonds.

May it thank you and all other real Americans for permitting me to enjoy Life, Liberty and the Four Freedoms.

Gratefully

(Signed) George Magar Mardikian

P.S. When in San Francisco, please give me the honor to cook you a real Armenian-American meal.

G.M.

WORKING-PRESS REPORTERS.

FOR THE THIRD WAR LOAN
NEWS ROOM 387-391 TREASURY BLDG.
WASHINGTON, D. C.

FOR RELEASE AFTERNOON NEWSPAPERS,
Wednesday, September 22, 1943.

RELEASE NO. 145.

WASHINGTON, --- Secretary of the Treasury Henry Morgenthau, Jr., received a check today for \$20,000 for the purchase of bonds from an American with a special and personal reason for investing in the Third War Loan.

The check's signer was "George Magar Mardikian", of San Francisco, whose letter accompanying the check told a story of undying gratitude.

"While your father was Ambassador to Turkey," he wrote Mr. Morgenthau, "he tried to save my father and other Armenian leaders of Constantinople from being sent into exile. I shall always be grateful for that. My father was one of the few survivors of three hellish years, but died as the result of maltreatment soon after his return home.

"After fighting with the Russians against the Turks and then with the ill-fated Armenian legion, I was taken prisoner and all but killed by starvation and exposure to zero temperature," continued Mardikian. "Another American, whom I had known through Boy Scout work, saved my life. Again my gratitude. I escaped and came to America in 1922.

"Seeing the Statue of Liberty and later receiving my citizenship papers were the greatest moments of my life. Both increased my thankfulness that there is such a country as the United States on earth. Like other millions, I have found unlimited opportunities here. I have tried to express my gratitude by becoming a good American.

"Because you are the worthy son of a worthy father, I want this subscription to go to you personally. Here is my check for \$20,000 to pay for twenty Treasury Bonds of 1964-69. May it thank you and all other real Americans for permitting me to enjoy Life, Liberty and the Four Freedoms."

And then, adding a further personal note, Mardikian wrote the Secretary, "When in San Francisco, please give me the honor to cook you a real Armenian-American meal."

25

September 22, 1943.

Dear Mr. Mergenthau:

The Secretary felt that you would be interested in seeing a copy of a letter he has received from Mr. George Nagar Mardikian, of San Francisco, as well as a copy of his own reply, and I am very glad to forward the correspondence to you.

With best regards,

Sincerely yours,

(Signed) W. S. Klotz

Mr. Henry Mergenthau,
1155 Fifth Avenue,
New York, New York.

Enclosure. ^{copies of} letters from Mr. Mardikian

KP/dbs

HENRY MORGENTHAU
1133 FIFTH AVENUE
NEW YORK CITY

September 24, 1943

Mrs. Henrietta S. Klotz
Treasury Department
Washington, D. C.

Dear Mrs. Klotz:

Mr. Morgenthau received your letter of the 22nd with the Mardikian correspondence enclosed. That's real gratitude and Mr. Morgenthau was very much interested. Thank you for sending it.

With best wishes,

Sincerely yours,

Emily Veit

25

September 16, 1943.

Dear Mrs. Watson:

Now that I am back in Washington, I want to tell you how much I enjoyed my delightful stay with you while I was in Charlottesville. Your home is such a charming one, and your hospitality was so warm that I felt it a privilege to be with you during my brief visit there. I shall always look back on it with a great deal of pleasure, and thank you again for all that you did to make my stay a pleasant one.

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mrs. Edwin H. Watson,
The Kennedy-Warren,
2133 Connecticut Avenue, N.W.,
Washington, D. C.

P. S. Tell the general I still fly in a "Lockheed"

GEF/dbs

September 16, 1943.

The Honorable Sam Rayburn
House of Representatives

Dear Mr. Speaker:

In the absence of Secretary Morgenthau from the city
I have the following message from him for delivery to you:

"The Honorable Sam Rayburn
Speaker of the House of Representatives
Congress of the United States

I congratulate a great Speaker on three years
of most distinguished service to his people and
his country.

Henry Morgenthau, Jr.
Secretary of the Treasury"

Very truly yours,

Herbert E. Gaston
Assistant Secretary of the Treasury.

Foreign Relief Row May Lead Lehman to Quit

State Department Plan to Co-ordinate Agencies Seen Leaving Him Figurehead

By Bert Andrews

WASHINGTON, Sept. 15.—An article appearing in the current issue of an authoritative State Department publication, "The American Foreign Service Journal," served today to lend credence to persistent reports that some new trouble has developed in the department as a result of a fight over control of the various economic agencies operating in foreign countries.

The talk has largely revolved around reported differences between some persons within the State Department and the Office of Foreign Relief and Rehabilitation Operations, headed by former Governor Herbert H. Lehman of New York, and it has waxed so warm that the O. F. R. R. O. has received repeated inquiries as to whether Governor Lehman has resigned.

Mr. Lehman has denied he intends to quit, but it is said to be

an open secret that he may change his mind if pending reorganization plans involving the various agencies make him too much of a figurehead, since he believed when he took the job that he would be the top man in handling foreign relief, both in recaptured countries during the war and generally after the war.

Mr. Lehman's friends say he has been displeased by reports that a broad plan for co-ordinating the Office of Foreign Economic Co-ordination, the O. F. R. R. O., the Office of Lend-Lease Operations, the Office of Economic Warfare

and the foreign economic activities of other government agencies would leave the O. F. R. R. O. without separate powers.

A hint that such action is contemplated was contained in "The Foreign Service Journal." Articles in the publication must be approved by a board of editors. Furthermore, when they involve existing or possible controversies, they must be approved by higher-ups. Thus the article was widely regarded today as representing the thoughts of persons powerful in the department.

The article emphasizes that it is the duty of the State Department, "as the agency responsible for the nation's policy," to co-ordinate and develop the activities of various affected agencies "into implements of that very foreign policy."

"The absence of any such co-ordinating agency," the article adds, would create a situation as disastrous as a ten-horse chariot without a charioteer, or as difficult as (that of) the man who leaped on his horse and rode off rapidly in all directions.

"No organization is successful where uncertainty of authority exists nor where temporary emergency creations are not recognized as such. In the management of anything so complex as foreign policy, the simplest possible organization recommends itself."

The article does not mention the O. F. R. R. O. or lend-lease by name, but on the general question of co-ordination it says:

"Foreign policy in time of war is to hate one's enemies; in time of peace to love one's friends. But just as the activity of army divisions and naval ships must be followed and co-ordinated within the framework of war by a carefully selected general staff, so must the activities of the various peace agencies be followed and co-ordinated within the framework of peace by a carefully selected personnel in a ministry for foreign affairs."

FEDERAL RESERVE BANK OF
NEW YORK

September 16, 1943

CONFIDENTIAL

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

I am enclosing our compilation for the week ended September 8, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke,

L. W. Knoke,
Vice President.

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

Enclosures

COPY

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

Week Ended September 8, 1943.

Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				DEBITS			CREDITS				
	Total Debits	Transfers to Official British A/C	Others	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds (f)	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds (f)	
First year of war (a)	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 (b)	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
Third year of war (c)	425.8	0.2	425.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
1942																
Sept. 7 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2	56.5	-	56.5	80.8	14.4	-	-	66.4	+ 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8
Dec. 3 - Dec. 30	48.2	-	48.2	43.9	2.9	-	-	41.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4
1943																
Dec. 31 - Feb. 3	52.5	-	52.5	217.1	-	125.0	-	92.1	+ 164.6	16.2	8.0	8.2	17.3	-	17.3	+ 1.1
Feb. 4 - Mar. 3	35.1	-	35.1	101.2	-	37.7	-	63.5	+ 66.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1
Mar. 4 - Mar. 31	36.2	-	36.2	51.6	-	-	-	51.6	+ 15.4	7.1	5.0	2.1	6.7	-	6.7	- 0.4
Apr. 1 - Apr. 28	29.0	-	29.0	29.6	-	-	-	29.6	+ 10.6	16.4	15.1	6.3	19.3	-	19.3	+ 2.9
Apr. 29 - June 2	79.9	-	79.9	95.8	-	-	-	95.8	+ 15.9	21.8	19.0	2.8	20.1	-	20.1	+ 1.7
June 3 - June 30	53.8	-	53.8	77.2	-	-	-	77.2	+ 23.4	20.0	20.0	-	27.3	-	27.3	+ 7.3
July 1 - July 28	102.1	-	102.1	61.8	-	-	-	61.8	- 40.3	19.2	16.0	3.2	12.5	-	12.5	- 6.7
July 29 - Sept. 1	139.1	-	139.1	84.7	-	7.7	-	77.0	- 54.4	13.8	11.0	2.8	27.4	-	27.4	+ 13.6
AVERAGE WEEKLY EXPENDITURES																
August 18	113.1	-	113.1	14.5	-	7.5	-	7.0	- 98.4	0.2	-	0.2	0.3	-	0.3	+ 0.1
" 25	2.2	-	2.2	18.6	-	-	-	18.6	+ 16.4	0.1	-	0.1	3.6	-	3.6	+ 3.5
September 1	12.1	-	12.1	20.1	-	0.2	-	19.9	+ 8.0	0.9	-	0.9	12.6	-	12.6	+ 11.7
" 8	4.7 (a)	-	4.7	27.6 (d)	-	4.1	-	23.5 (f)	+ 22.9	15.7	14.0	1.7	0.5	-	0.5	- 15.2

Average Weekly Expenditures

First year of war 6.2 million.
Second year of war 8.9 million.
Third year of war 10.1 million.
Fourth year of war (through September 8, 1943) 9.6 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
(b) For monthly breakdown see tabulations prior to October 8, 1941.
(c) For monthly breakdown see tabulations prior to October 14, 1942.
(d) Reflects changes in all dollar holdings payable on demand or maturing in one year.
(e) Does not reflect transactions in short term U. S. securities.
(f) Includes \$ 12.7 million deposited by War Supplies, Ltd. and \$ 10.6 million received from N. Y. accounts of Canadian Chartered Banks.

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of dollars)

Strictly
Week Ended September 8, 1943 Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)									BANK OF FRANCE			
	DEBITS				CREDITS					Net Incr.(+) or Decr.(-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of		Transfers from Official Australian Account	Other Credits (c)				
					Gold	Securities (Official) (b)							
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Sept. 3 - Sept. 30	56.1	37.1	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7
Oct. 1 - Oct. 28	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3
Oct. 29 - Dec. 2	96.6	35.5	-	61.1	89.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.1
Dec. 3 - Dec. 30	20.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-
Dec. 31 - Feb. 3	168.6	20.9	125.0	22.7	38.9	-	-	8.0	50.9	- 109.7	-	-	-
Feb. 4 - Mar. 3	87.2	17.8	37.7	31.7	120.8	-	-	15.0	105.8	+ 33.6	-	-	-
Mar. 4 - Mar. 31	35.3	12.9	-	22.4	64.4	-	-	5.0	59.4	+ 29.1	-	-	-
Apr. 1 - Apr. 28	37.0	16.3	-	20.7	87.4	-	-	15.1	72.3	+ 50.4	-	-	-
Apr. 29 - June 2	90.4	74.3	-	16.1	103.4	-	-	19.0	84.4	+ 13.0	-	-	-
June 3 - June 30	31.6	11.6	-	20.0	130.7	-	-	20.0	110.7	+ 99.1	-	-	-
July 1 - July 28	33.0	18.2	-	14.8	100.5	-	-	16.0	84.5	+ 67.5	-	-	-
July 29 - Sept. 1	51.1	27.4	7.7	16.0	131.5	-	-	11.0	120.5	+ 80.4	-	-	-
WEEK ENDED:													
August 18	19.6	8.1	7.5	4.0	12.9	-	-	-	14.9	- 6.7	-	-	-
" 25	4.6	1.9	-	2.7	64.9	-	-	-	64.9	+ 60.3	-	-	-
September 1	7.4	5.4	0.2	1.8	5.6	-	-	-	5.6	- 1.8	-	-	-
" 8	18.1	8.8	4.1	5.2	19.6(j)	-	-	14.0	5.6(j)	+ 1.5	-	-	-

Average Weekly Expenditures Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) \$21.3 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, 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 current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) Includes \$3.1 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Sept. 16, 1943

TO Secretary Morgenthau
FROM Mr. White
Subject: Conditions in Spain and Germany

The following represent the observations of a confidential agent, based on a recent trip through Spain:

- (1) The fall of Mussolini created a sensation but the public was not demonstrative, due to fear of repression.
- (2) The mass of the Spanish people, as well as the intellectuals and the middle classes, is opposed to Franco, but leadership and a plan for action are lacking. While the Army is somewhat undermined by discontent, no uprising is probable except with strong outside assistance. Fear of a violent revolutionary movement resulting in anarchy and civil war is a major factor keeping Franco in power.
- (3) General opinion ^{is} that Great Britain favors restoration of the monarchy in Spain, whereas the United States favors a republic.
- (4) Spanish nationalists greatly fear the spreading of communism in Europe, and visualize the Iberian Peninsula as a base for defense, or for operations against Russia.
- (5) From conversations with Germans it was ascertained that internal demoralization of Germany has set in, though offset somewhat by hopes of a new weapon against air offensives, combined with resumption of submarine warfare. Fear of air raids is spreading. This informant states that all Germans to whom he has spoken "declare that before the Allies can get to Berlin they will open the doors to Russia so that they can get their revenge for defeat through Russia."

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 306

Information received up to 10 A.M., 16th September, 1943.

1. NAVAL

MEDITERRANEAN. 13th/14th. Two French Destroyers landed 600 French troops at AJACCIO at present occupied by Italians who are fighting Germans in North, West and Centre of CORSICA. BASTIA and part of the Island still under German control. Unloading over beached at SALENNO continued satisfactorily on 14th with less enemy shelling of the port. Two of H.M. Battleships bombarded objectives in SALENNO area yesterday. During 14th and 15th 28 more small Italian naval craft arrived at PALERMO. The hospital ship reported set on fire in OPTEL No. 304 has now sunk.

2. MILITARY

ITALY. 5th Army. No further details received of fighting in SALENNO bridgehead. During 14th our air forces heavily bombed the enemy's positions in the battle area which were also subjected to intense naval gunfire. As a result no further serious enemy attack developed. Our troops continue to be reinforced. 8th Army. Good progress maintained during 14th. Patrols of 5th Division reached SCALEA on the west while Canadians occupied SAN GIOVANNI and pushed on to a point 7 miles east of SPEZZANO. In TARANTO Sector situation is satisfactory.

RUSSIA. Additional to communique. In ROSLAVL area Russians are approaching River DESNA. They have crossed the River SULA at several places and occupied SENCHA 20 miles northeast of LUBNI. Further south GULYAI POLYE 50 miles east-south-east of ZAPOROZHE, POMROYESKOYE 50 miles east-north-east of ZAPOROZHE and KUIBESHAVO have been occupied by the Russians.

3. AIR OPERATIONS

WESTERN FRONT. 15th. PARIS. 138 Fortresses attacked Hispano Suiza Works with good results and also Renault. 370 tons were dropped. 76 more Fortresses dropped 212 tons at ROMILLY-SUR-SEINE airfield and 125 heavy and medium bombers attacked other airfields in Northern France. From these operations six heavy bombers and three fighters are missing.

15th/16th. Aircraft despatched - Dunlop tyre factory MONTLUCON 374, 3 missing; DORTMUND-EMS Canal embankment at GREVEN, north of MUNSTER 8 Lancasters escorted by five fighter Mosquitoes (5 Lancasters missing); BERLIN 7, Leaflets 13, Intruders 57 (2 missing, one enemy aircraft destroyed). At MONTLUCON there was medium cloud over the target but a fair bombing concentration is reported. Of the 3 Lancasters which returned from GREVEN, two attacked the objective but saw no breach in the embankment. 17 enemy aircraft operated over home counties, 3 penetrating to LONDON. 30 more were sea-mining in THAMES Estuary, 3 were destroyed for the loss of one night fighter. Some damage to houses at ASHFORD and one person killed in vicinity.

ITALY. 13th/14th. Medium and light bombers dropped 257 tons on communications in the BOMPEII-SALENNO area. On 14th 896 tons were dropped by 633 heavy, medium and light and fighter bombers in concentrated and effective attacks on key positions around SALENNO Bridgehead. One Fortress was lost for two H.E. 101's destroyed. The railway centre at PISCARI, 95 miles S.E. of SALENNO was attacked by 37 Liberators.

1943 SEP 17 11 2 33

OFFICE
SECRETARY OF DEFENSE