

DIARY

Book 418

July 3 - 7, 1941

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July 3, 1941
9:30 a.m.

GROUP MEETING

Present: Admiral Waesche
 Mr. Cochran
 Mr. Thompson
 Mr. Haas
 Mr. Schwarz
 Mr. White
 Mr. Graves
 Mr. Blough
 Mr. Kuhn
 Mr. Bell
 Mr. Foley
 Mr. Odegard
 Mr. Johnson
 Mrs. Klotz

H.M.Jr: Dan, are you going to be ready for my
press conference with this tax thing?

Bell: I have a statement now being mimeographed.

H.M.Jr: You will be here at my press conference?

Bell: Yes, sir.

H.M.Jr: And I would like you here, too, Ferdie.

Bell: You might want to see some statements
that Ferdie would like to have you make
at that time, not as a part of the press
release but just make them.

H.M.Jr: Well, will you come in five minutes ahead of time?

Bell: Yes, I think that would be a good idea.

H.M.Jr: Will you?
Ed?

Foley: Here is that piece of paper you gave me last night.

H.M.Jr: Oh yes. I have made up my mind what I am going to do about that.
Bell, Foley and Waesche were to have an answer to the President's letter of June 24.

Bell: Yes.

H.M.Jr: Have you got it?

Bell: No. We will try to do it today.

H.M.Jr: Well, I really think it should be answered today.

Bell: All right.

H.M.Jr: Could I get it right after lunch? I mean, just give me something to answer him.

Bell: Yes. We might go into my office right after this meeting and see if we can't answer it.

H.M.Jr: Thank you.

Bell: Everybody has been tied up.

H.M.Jr: I know. But I really think we ought to get it over to him.

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Bell: All right.

Cochran: Mr. Gifford is still selling a few of those marketable securities. They haven't stopped entirely.

H.M.Jr: All right.

Johnson: Nothing, sir.

Waesche: Nothing.

Blough: Would you care to talk some time again about that speech on inflation and taxes?

H.M.Jr: Very much, beginning with Monday, and I wish you would have a talk with that outside tax commission. I mean, suddenly they tell me they wanted to see me yesterday. I told them Monday I couldn't. But somebody ought to show them there is a little interest in the Treasury.

Blough: I have been in very close contact with them almost daily.

H.M.Jr: All right.

Bell: You know that there was a bill introduced in Congress providing for a commission on taxation?

H.M.Jr: No, I did not.

Bell: It was introduced by Mr. Angell. John asked me to return it to him so that he could send it down to Mr. Blough. He said he thought it was a very good bill.

Odegard: Might I see you just a second?

H.M.Jr: I want to see you more than a second, right

afterward, please.

George?

Haas: Here are the Savings Bonds sales. The table is a little more complicated than the other.

H.M.Jr: Is this weekly?

Haas: This is monthly.

H.M.Jr: The month of June?

Haas: June and May. I put it on a daily average basis.

H.M.Jr: They sold two million nine hundred ninety-eight thousand stamps? June?

Haas: That is right.

H.M.Jr: Against three million four hundred seventy-five in May?

Haas: That is right.

H.M.Jr: Daily average --

Haas: Daily average on stamps, a hundred and twenty thousand.

H.M.Jr: What-is-his-name says that they are selling a hundred dollars an hour outside there.

Haas: That will help out for July.

Graves: Of course, those May figures include the sales to the banks for their stock, so it is a little misleading unless you have that in mind.

Haas: The month of May - now, here is an interesting thing. The Post Office has a decrease of one percent in "E" and the banks sixteen. I suspect - Harold probably can check this - I suspect that the banks went down because the initial purchases, all these people bought "F" and "G", many of them bought the full amount, the limit on the "E".

And then you asked for a comparison of the "D" bond of a year ago. The "E" is going over a hundred percent more than the same months a year ago.

H.M.Jr: Have you talked about these with Harold?

Graves: I talked about them with his assistant, Mr. Reagh.

H.M.Jr: Anything else, George?

Haas: That is all.

Bell: Vice-President Wallace telephoned yesterday and said he thought it would be a good idea if we would some way get these large companies to buy these stamps and give them to their employees as a bonus so they could start a book and encourage them to continue to buy them.

H.M.Jr: I see.

Bell: Mr. Sloan tells me that one or two companies have done that.

Graves: Yes, that is right.

H.M.Jr: Well, Harold and I had a meeting with a couple of people. I am ashamed to say who we met with here. He was a hundred percent

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lobbyist, but he is a nice one.

Graves: He is all right, I like that fellow.

H.M.Jr: He doesn't pretend to be anything else. With his help, we ought to have certainly within thirty days, these stamps on sale in fifty thousand stores.

Graves: I would think so.

H.M.Jr: Ever since yesterday morning there has been a little acceleration.

Graves: Yes.

By the way, if this is of any special interest, I spent a good deal of time yesterday at the Post Office Department, and the Post Office Department are going to - or they did raise the question whether we oughtn't to have our own stamps instead of depending on theirs.

That is, they get a certain reaction from the public that these stamps are not, after all, what we are advertising them to be, Defense Savings Stamps.

They look at the stamp and it is Postal Savings Stamp. There is nothing on the stamp to indicate that it is --

H.M.Jr: I think we ought to have our own stamps.

Graves: Well, there are certain accounting complications there.

H.M.Jr: Well, Harold, don't let's do it now. I have got to move.

Graves: Yes. I think they have got a good point.

H.M.Jr: I think they have, and I think they ought to do it, but if you don't mind, I am stuck this morning.

Bell: We can do it by January 1, I guess.

H.M.Jr: Oh, nuts! They tell me yesterday they can do the chain stores in sixty days, and we did it in twenty-four hours. They told me it would be sixty days before we could decide whether we could do it, and with Harold's help we have done it in twenty-four hours.

As long as you are raising it, I would say do it. Get our own stamps, start printing them now.

Graves: I have to get Odegard's permission. (Laughter)

H.M.Jr: He will give you a symbol.

Graves: I think we ought to use his symbol, it is just a matter of new words.

H.M.Jr: Why not let's say we will do it, as long as you raised it.

Graves: As I said, there are accounting difficulties.

H.M.Jr: Well, what have we got eighty thousand accountants for in the Treasury?

Graves: The Post Office.

H.M.Jr: And one economist. Eighty thousand accountants and one economist.

Bell: It is the other way around.

H.M.Jr: I am glad you brought it up. We will do it.

Graves: Yes. (Laughter)

H.M.Jr: We will do it.

Bell: Are you sorry you spoke?

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H.M.Jr: All right.
Now, did Mr. Kuhn take up with Mr. Sloan and Mr. Bell that these newspaper quiz columns should clear through regular channels?

Kuhn: Yes, sir, they are coming here to be cleared and the allotment for July 7 to July 20 is here now, and--

H.M.Jr: And the answer is yes?

Kuhn: Yes, sir.

H.M.Jr: All right. What else?

Kuhn: That is all.

Bell: There are many of them out, Mr. Secretary, so you may see them in the next few days.

Schwarz: Here is another cartoon.

H.M.Jr: Oh, thank you.
Anything else, Chick?

Schwarz: No.

White: I will try to be very brief.

H.M.Jr: Just a moment. (Laughter)

White: The--

H.M.Jr: Wait a minute.
Well, I am seeing Coe before he leaves?

White: He has been postponed for several days. They can't get room on the Clipper, so it will be satisfactory if you see him next week.

H.M.Jr: That is all you have today?

White: No.

The Canadian-United States Commission which was organized a few weeks ago is much to my surprise taking its job much more seriously than I thought they would and have much more comprehensive and effective programs planned than I thought was going to take place. They are asking me to prepare a report on the Canadian dollar position. Now, that involves giving them information which was given to us. It is supposed to be a confidential commission; and, unless I use all the information I have, the report isn't going to be very much use. Is there any objection to--

H.M.Jr: Yes, ask somebody from the Canadian Treasury for permission.

White: All right, I will do that.

H.M.Jr: Get their permission. Mr. Clark.

White: Or his representative, Mr. Coyne?

H.M.Jr: Or his representative.

Is that all, Harry?

White: There was a meeting yesterday of the National Resources Board. They had a large group of economists in which they discussed in some detail a very comprehensive plan for post-war adjustment. Apparently it was at the request of the President. They are apparently going to do a very good job. I was wondering whether you would want to consider organizing or having organized a similar group to do planning for the current situation and merge it in with theirs. Nobody is doing anything

comparable for the present situation, and I think a splendid job could be done and have very excellent results.

H.M.Jr: Put down on a piece of paper what you have in mind and I will read it. Put it on a piece of paper. Will you do that, Harry?

White: I will do that.

H.M.Jr: Is everything all right today?

White: That is all.

H.M.Jr: Anything else?

White: That is all.

H.M.Jr: Dan?

Did I skip Graves? Are you (Graves) going to have Helen Dallas' booklet today?

Odegard: We have it now, sir, if you want to see it.

H.M.Jr: Was that the minimum that you wanted?

Odegard: That was one thing.

H.M.Jr: I will take it up to the country with me and, if it is ready, I will get it to Mrs. Roosevelt this week-end and ask her to look at it.

Odegard: There are certain things that have to be changed in the layout that ought to be explained. It is all right to take it.

H.M.Jr: Well, I mean, could you show it to me right after this meeting?

Odegard: Sure.

H.M.Jr: Do you want to phone for it?

Go ahead, Dan.

Bell: Sometime ago we discussed the question of getting statements from the Lend-Lease organization showing obligations incurred and the allocations by the various categories under the act. I have just gotten the first statement as of June 15. That is on a two-weeks' basis. Hereafter we will get them on a weekly basis, but it will take anywhere from a week to ten days to make them up because they have to come from all over the country. I don't know whether you wanted this copy or not. It shows one billion three hundred and ninety-two million actually obligated, that is, contracts entered into.

H.M.Jr: How much?

Bell: Up to June 15.

H.M.Jr: One billion?

Bell: One billion three hundred ninety-two million. This doesn't include the one billion three, but they are working on a similar statement for that.

H.M.Jr: I would be particularly interested in the one billion three. Do you want to leave it with me?

Bell: It is a copy for your file, if you want it.

H.M.Jr: I do.

Bell: I sent a telegram to the Federal Reserve banks along the lines that you indicated in your memorandum of foreign born people. I have a reply from eight, and they have no indication

at all that there is any of that, and they have very few foreign born people that come into their banks and not so many that ask for custody. There is no indication of that at all in the eight banks from which I have heard.

H.M.Jr: O.K.

Bell: I have not heard from New York and Chicago.

H.M.Jr: All right.

Bell: That is all I have. The first of the week I think you ought to see Roy Blough and John Sullivan and me on that Social Security matter.

H.M.Jr: Well, John Sullivan is gone for a week, isn't he?

Bell: He will be back, won't he?

Foley: He won't be back until a week from Monday.

Bell: Then you had better see Roy and me.

H.M.Jr: I will. Are you pushing me on it?

Bell: Again.

H.M.Jr: That is a wonderful letter, Norman.

Haas: May I ask you one question? On these "thank you" letters to the planes and engine companies, would you like to sign those things?

H.M.Jr: Yes.

OPM - I mean, they have written now, and it is the end of the fiscal year, and we get the best we can.

Haas: I am glad you are going to sign them.

H.M.Jr: I would just as lief not see any airplane statistics for the rest of the summer anyway, they look so sick.

Just a minute. I would like to see Bell and White and Cochran and Foley for a minute with the steno, and would you mind waiting one minute, Peter? It will only take two minutes.

By the way, anybody and everybody that can get away tonight until Monday morning, as long as you arrange with Norman that somebody be on watch on Saturday, will you please? Somebody has got to be here Saturday.

Bell: I will be here.

H.M.Jr: But with that exception.

And then, Norman, please work out with people like Admiral Waesche and Johnson, anybody that has got anything to do with anybody leaving or coming, that they have to - Coast Guard, I imagine, is all right. That somebody has got to be available twenty-four hours.

Thompson: Yes.

H.M.Jr: Now, I imagine that they know where Admiral Waesche is or his secretary twenty-four hours a day, so when I pick up the receiver - but that is not true of Brother Johnson.

Johnson: It will be.

H.M.Jr: What?

Johnson: It will be.

H.M.Jr: Yes. But Norman, make sure, will you?

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Thompson: Yes.

H.M.Jr: Work out with Brother Johnson that he is on tap.

July 3, 1941
10:00 a.m.

RE AID TO RUSSIA

Present: Mr. Foley
Mr. Cochran
Mr. White
Mr. Bell
Mrs. Klotz

H.M.Jr: This thing that I want to ask you, yesterday Dean Acheson came over here very, very hush hush and very, very confidential, and he brought me a list of what the Russians said they wanted, and he couldn't leave it, it was so confidential. He was here at Mr. Welles' request. He wanted to know if anybody knew what they needed to show how badly off they were. It was childish. I didn't want to say anything. If they want this stuff, all you have got to do is pick up the papers and see what is being done. But that was part of the thing. The main thing was that they want to let the Russians now have thirty or forty or fifty million dollars' worth of material, and the Russians want to buy it on five-year credit. Would I please tell Mr. Welles how the Russians could borrow the money, and unless you people tell me - you are going to have to argue awfully hard - I am going to call up Mr. Acheson and tell him that the United States Treasury is not in the lending business, I am not interested, and they should please see Mr. Jones.

White: They should have plenty of money, Mr. Secretary. They have plenty of gold.

H.M.Jr: That isn't the point. It is a question of policy.

White: Oh.

H.M.Jr: It is a question of policy. For two years now, three, different times I have tried to buy manganese. Three different times Mr. Welles cut me in the throat, and now suddenly I should tell him how to do this thing.

White: Well, the Treasury couldn't do it anyway unless, again, it is a stabilization fund, which isn't appropriate, you have decided. We haven't done it with England, so I don't see that it is within the Treasury's province in any case.

Cochran: The only thing, they have the gold, as Harry said, but how they could get it out now would only be by airplane.

H.M.Jr: But that isn't the point. My point is this: Mr. Jones has all the authority for lending and I think if Mr. Welles wants to find out how the Russians can borrow some money he should go to Mr. Jones.

Bell: Yes. I don't think I would say it just like you made the first statement, but I would say that we just don't feel over here that we can loan the money under our --

H.M.Jr: No, they haven't asked me that. They asked me to advise them how they should go - the State Department should proceed.

White: How do they proceed when they want to give a loan to any one of the Latin-American countries? They are giving loans to more than half the Latin-American countries. They gave a loan - they are arranging a loan to Spain. They arranged a loan to Finland. I don't think they came here to ask us.

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- Foley: Why don't we simply say that we have canvassed the situation and it seems to us properly a matter for the Import-Export Bank and the Loan Administrator to consider.
- Bell: It is the RFC.
- White: Or we can say it doesn't seem to be a matter which falls within the purview of the Treasury.
- Bell: And you think the contacts with Jones ought to be made by the State Department.
- Foley: Directly.
- Cochran: I would just add that one point, if you feel like it, because the State Department asked us several times if we would buy Russian gold, and we have consistently bought everything they have offered.
- White: I think Merle is right, to say that of course you stand ready to buy any gold that they want to use as payments.
- H.M.Jr: This is a loan. They want a five-year loan.
- Bell: I take it the psychological thing, too, is what they are after.
- H.M.Jr: I think you are all missing the point. Maybe you are not.
- Cochran: I get the point, but they don't need it. Until a few weeks ago they had thirty million dollars in New York of ready cash.
- White: They have got plenty of cash. Except for political reasons, I don't see any reason for doing it.

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- Bell: Buying the gold isn't helping them like making the loan. It doesn't have the psychological effect, and I take it that is what the State Department wants.
- White: I think I get the point, Mr. Secretary, and that is why I would like to have you add that of course if they want you to buy gold, you are always ready to do that.
- Foley: He doesn't have to do that, Harry. He can put it on a loan basis. We have gone over this situation and it seems to us that it is a matter for the Loan Administrator. We think they ought to take it up directly with him.
- H.M.Jr: But they have set the precedent.
- Foley: Sure. Well, I don't know as you have to add that.
- H.M.Jr: Yes. The State Department suddenly coming over and asking my advice, it is just too much.
- Foley: I think you are right. I think they would be surprised if you were willing to do it, especially after what we went through before we froze - before we issued the general license.
- H.M.Jr: Oh, the other thing that I didn't tell you, yesterday Acheson comes over, can't I help them out on this question of export control. The situation is terrible.
- Foley: I think he is sincere about that.
- (Telephone conversation with Mr. Sumner Welles follows).

July 3, 1941
10:02 a.m.

HMJr: Hello.

Operator: Mr. Welles. Go ahead.

HMJr: Hello.

Sumner Welles: Hello.

HMJr: Hello, Sumner?

W: Good morning, Henry.

HMJr: How are you?

W: Fine, thanks.

HMJr: Dean came over in regard to the message that you sent him about making a loan to a certain country.

W: Yes, he spoke with me after he'd talked with you and I'm grateful to you for the trouble you're taking in the matter.

HMJr: Well, I don't know whether you will be when you hear my answer.

W: Not a bit, either way.

HMJr: But I think that the State Department has set the precedent on this, that there were so many loans that you worked out with South America, it seems to me the thing to do is to take it up with the loan administrator direct as you have in the past.

W: Well, it wasn't exactly that, Henry, that I wanted. I didn't want to indicate that I necessarily wanted it done or thought it should be done, what I wanted was your own judgment as to the desirability of proceeding along this line.

HMJr: Well, I think that this is so much foreign affairs that - that it better be handled by the State Department.

- 2 -

W: Well, I'll tell you what I'll do then. I'll wait until the President gets back and ask him to let me have his views as to whether he thinks it should be done or not.

HMJr: Well, that's something - well, that of course.....

W: Then if he decides that we should explore it, then I'll, as you suggest, take it up with the Federal Loan Agency.

HMJr: Right.

W: All right, Henry.

HMJr: Thank you.

W: Many thanks.

HMJr: Goodbye.

W: Goodbye.

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- H.M.Jr: I have for two years wanted to do business with them. The President of the United States wanted me to do business with them and buy the stuff, and as Lubin says, one of the most critical shortages we have today is manganese and three different times I was up to the point of - and this fellow Welles wouldn't let me do it. And now, when it is not very good, you know, and these fellows are losing, I should come along and say he should make a loan to Russia. He must think I am dumber than an ox. He must think I am unbelievably dumb.
- Foley: I don't think he thought you would do it. He just hoped you might.
- H.M.Jr: And then, so you know everything, Dean Acheson comes over yesterday on this - it is terrible, this fellow makes, well -
- Foley: That is right.
- H.M.Jr: Well, I said, "Dean, I know it is," and I said, "I am just going to tell you" - he said, "Won't you help me?" and I said, "No, Dean, I won't. I just want you to know I will not."
- Cochran: You saw Pearson and Allen's remarks on him yesterday?
- H.M.Jr: I said, "I have been all through this thing and every one of the things now is coming to a head." The State Department comes over here. I burnt my heart out and Hull and Welles have gone there consistently and told the President, "Morgenthau wants to run the State Department and wants to run foreign affairs." Hull told me that himself. And now they want my help.

And Dan, on this question of aliens escaping the country, see, I don't think I will do it, even on a written request from - unless the President of the United States directs me to. Now, last night Johnson told me at the house that they can't handle it. It is too big for them.

Bell: Too big for Customs?

H.M.Jr: No, it is too big for Justice and State. It is beyond them and they are going to get together and ask us to do it. I think I am going to make the President of the United States ask me to do it. I mean, that is the way I feel. It is too big for them and we will let bygones be bygones, and will we jump in and help them. Everybody that is connected with this runs day and night and we have got a beautifully run department and they are all copying it. By God, they are going to have - well, I am just human. But after what they put me through for eight years - they have got to get down on their knees to ask me. I mean I will never forget the tongue lashings that I have had from Mr. Hull about how I want to run his department and the sarcasm and everything else.

Bell: They have got to take it to the President or after you get it would you want to talk to him about it and say you have got this request?

H.M.Jr: What happened on the Italian ships? Did we take them? That whole question. What happened on them?

Foley: We sent those two letters over and we haven't heard anything.

H.M.Jr: From the President or who from?

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- Bell: No, a direct request, not a wishy-washy request is what we want. We haven't heard from them at all.
- H.M.Jr: It is the same thing on this. If the United States Treasury is going to get in and guard the boys, that is important enough. I went all through it with Frances Perkins. We had a beautiful plan that the whole border should be Treasury. Frances Perkins came over here and said, "You know, Henry, I have got so little to do. Please as a personal matter, don't take that away from me." It all comes back to me now. That is a song. (Laughter)
- White: That is a gyp.
- Foley: He is a radio impresario. He can't keep himself in his roles, Harry.
- H.M.Jr: So I said, "All right, Acheson, I won't." Now, if the President of the United States wants us to look after aliens, he can ask us. The only reason I am letting my personal bias influence me, it keeps me out of hot water.
- Klotz: That is a good enough reason. (Laughter)
- H.M.Jr: Well, you can't both freeze and be in hot water at the same time. How did you like our program?
- Foley: Fine, except Mickey Rooney and Judy Garland. I thought they almost ruined it.
- Klotz: The kids all were mad about it.
- H.M.Jr: Did Eleanor listen?
- Klotz: She listened and she said the only thing

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she liked was Mickey Rooney and Judy Garland.

- Foley: I thought he was terrible. The rest of them I thought were very good.
- H.M.Jr: Will they buy stamps, though.
- Klotz: They certainly will if Judy Garland and Mickey Rooney do.
- Foley: Judy was better than Mickey, but I thought Mickey was awful.
- Bell: Looked as though they hadn't had time to think up a good --
- Klotz: That is what the kids liked.
- H.M.Jr: The thing is, to be perfectly fair, that isn't their fault. That is done by professional writers.
- Bell: Oh, yes, sure.
- H.M.Jr: They just act what they are told. They are directed and taught the thing. Be fair to them.
- Klotz: That is what they loved. They just thought it was marvelous. This getting mixed up, that was simply wonderful. I am giving you the child's point of view.
- H.M.Jr: Well, that is important. Well, Henry was enthusiastic about the whole thing at the various times I talked to him last night.
- Klotz: We talked to some other children and they loved it.

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H.M.Jr: All right, thank you all.

Klotz: That was awful.

Bell: Who sent in "Home on the Range"? I didn't get that.

H.M.Jr: Dan, why are you here Saturday?

Bell: Well, I am going to be here anyhow.

JULY 4, 1941

LIEUTENANT STEVENS

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Wiley mentioned this to the Secretary over the telephone.

For your info., in case you are no more up on these diplomatic courtesies than am I, the "p.f." in the left-hand lower corner of the Ambassador's card means "pour felicite". The Secretary's card should be returned to the Ambassador with the inked abbreviation "p. r.", meaning "pour remercier". In other words "with my compliments" and "with thanks". (my translations!)

B. Jenkins.

Done 7/7

FROM: JOHN C. WILEY

*The Ambassador
Of the Union of Soviet Socialist Republics*

RADIO ADDRESS BY J. V. STALIN, CHAIRMAN
OF THE COUNCIL OF PEOPLE'S COMMISSARS OF
THE U.S.S.R., CHAIRMAN OF THE NATIONAL
DEFENSE COMMITTEE.

(Full Text)

Moscow, July 3, 1941

Comrades! Citizens! Brothers and Sisters! Men of our Army and Navy! I am addressing you, my friends! The perfidious attack on our fatherland started on June 22 by Hitler Germany is continuing. In spite of the heroic resistance of the Red Army, and although the enemy's finest divisions and finest air-force units have already been smashed and have met their doom on the field of battle, the enemy continues to push forward, hurling fresh forces into attack. Hitler's troops have succeeded in capturing Lithuania, a considerable part of Latvia, the western part of Byelorussia, and part of the Western Ukraine. The Fascist air-force is extending the range of operations of its bombers, and is bombing Murmansk, Orsha, Mogilev, Smolensk, Kiev, Odessa, Sebastopol. Grave danger overhangs our country.

How could it have happened that our glorious Red Army surrendered a number of our cities and districts to Fascist armies? Is it really true that German Fascist troops are invincible as is ceaselessly trumpeted by boastful Fascist propagandists? Of course not! History shows that there are no invincible armies and never have been. Napoleon's army was considered invincible but it was beaten successively by Russian, English, and German armies. Kaiser Wilhelm's German army in the period of the first imperialist war was also considered invincible but it was beaten several times by Russian and Anglo-French forces and was finally smashed by Anglo-French forces. The same must be said of Hitler's German Fascist army today. This army had not yet met with serious resistance on the continent of Europe, only on our

territory it met serious resistance. And if as a result of this resistance the finest divisions of Hitler's German Fascist army have been defeated by our Red Army, it means that this army too can be smashed and will be smashed as were the armies of Napoleon and Wilhelm.

As to the part of our territory having nevertheless been seized by German Fascist troops, this is chiefly due to the fact that the war of Fascist Germany on the U.S.S.R. began under conditions favorable for the German forces and unfavorable for Soviet forces. The fact of the matter is that troops of Germany, as a country at war, were already fully mobilized, and the 170 divisions hurled by Germany against the U.S.S.R. and brought up to Soviet frontiers were in a state of complete readiness, only awaiting the signal to move into action, whereas the Soviet troops had still to effect mobilization and to move up to frontiers.

Of no little importance in this respect is the fact that Fascist Germany suddenly and treacherously violated the Non-Aggression Pact she concluded in 1939 with the U.S.S.R., disregarding the fact that she would be regarded as aggressor by the whole world. Naturally our peace-loving country, not wishing to take the initiative in breaking the Pact, could not resort to perfidy. It may be asked how could the Soviet Government have consented to conclude a non-aggression pact with such treacherous fiends as Hitler and Ribbentrop? Was this not an error on the part of the Soviet Government? Of course not! Non-aggression pacts are pacts of peace between two States. It was such a pact that Germany proposed to us in 1939. Could the Soviet Government have declined such a proposal? I think not a single peace-loving State could decline a peace treaty with a neighbouring State even though the latter were headed by such fiends and cannibals as Hitler and Ribbentrop. But that, of course, only on one indispensable condition, namely, that this peace treaty does not infringe either directly

or indirectly on territorial integrity, independence, and honor of the peace-loving State. As is well known the Non-Aggression Pact between Germany and the U.S.S.R. is precisely such a pact. What did we gain by concluding the Non-Aggression Pact with Germany? We secured our country's peace for a year and a half and the opportunity of preparing its forces to repulse Fascist Germany should she risk attack on our country despite the pact. This was a definite advantage for us and a disadvantage for Fascist Germany. What has Fascist Germany gained and what has she lost by treacherously tearing up the pact and attacking the U.S.S.R.? She has gained certain advantageous positions for her troops for a short period but she has lost politically by exposing herself in the eyes of the entire world as a bloodthirsty aggressor. There can be no doubt that this shortlived military gain for Germany is only an episode while the tremendous political gain of the U.S.S.R. is a serious and lasting factor that is bound to form a basis for development of decisive military successes of the Red Army in the war with Fascist Germany.

That is why our whole valiant Red Army, our whole valiant Navy, all our falcons of the air, all the peoples of our country, all the finest men and women in Europe, America and Asia, finally all the finest men and women of Germany - condemn the treacherous acts of the German Fascists and sympathise with the Soviet Government, approve the conduct of the Soviet Government and see that ours is a just cause, that the enemy will be defeated, that we are bound to win.

By virtue of this war which has been forced upon us our country has come to death grips with its most malicious and most perfidious enemy - German Fascism. Our troops are fighting heroically against an enemy armed to the teeth with tanks and aircraft. Overcoming innumerable difficulties the Red Army and Red Navy are self-sacrificingly disputing every inch of Soviet soil.

armed with thousands of tanks and airplanes, Men of the Red Army are displaying unexampled valor. Our resistance to the enemy is growing in strength and power.

Side by side with the Red Army the entire Soviet people are rising in defence of our native land. What is required to put an end to the danger hovering over our country, and what measures must be taken to smash the enemy? Above all it is essential that our people, Soviet people, should understand the full immensity of the danger that threatens our country and abandon all complacency, all heedlessness, all those moods of peaceful constructive work which were natural before the war but which are fatal today when war has fundamentally changed everything. The enemy is cruel and implacable. He is out to seize our lands watered with our sweat, to seize our grain and oil secured by our labor. He is out to restore the rule of the landlords, to restore Tsarism, to destroy the national culture and national state existence of Russians, Ukrainians, Byelorussians, Lithuanians, Letts, Estonians, Tartars, Uzbeks, Moldavians, Georgians, Armenians, Azerbaidjanians, and the other free peoples of the Soviet Union, to Germanize them, to convert them into slaves of German Princes and Barons. Thus the issue is one of life or death of the Soviet State, for peoples of the U.S.S.R. the issue is whether peoples of the Soviet Union shall remain free or fall into slavery.

Soviet people must realize this and abandon all heedlessness, they must mobilize themselves and reorganize all their work on new, wartime lines, when there can be no mercy to the enemy. Further, there must be no room in our ranks for whimperers and cowards, panicmongers and deserters, our people must know no fear in fight and must selflessly join our patriotic war of liberation, our war against Fascist enslavers. Lenin, the great founder of our State used to say that the chief virtue of the Soviet people must be courage, valor, fearlessness

in struggle, readiness to fight together with the people against enemies of our country. This splendid virtue of a Bolshevik must become the virtue of millions and millions of Red Army, of Red Navy, of all peoples of the Soviet Union.

All our work must be immediately reconstructed on a war footing, everything must be subordinated to interests of the front and the task of organizing demolition of the enemy.

Peoples of the Soviet Union now see that there is no taming of German Fascism in its savage fury and hatred of our country which has ensured all working people labor, freedom and prosperity. Peoples of the Soviet Union must rise against the enemy and defend their rights and their land. The Red Army, Red Navy and all citizens of the Soviet Union must defend every inch of Soviet soil, must fight to the last drop of blood for our towns and villages, must display the daring initiative and intelligence that are inherent in our people. We must organize all-round assistance to the Red Army, ensure powerful reinforcements for its ranks and supply of everything it requires, we must organize rapid transport of troops and military freight and extensive aid to the wounded.

We must strengthen the Red Army's rear, subordinating all our work to this cause, all our industries must be put to work with greater intensity to produce more rifles, machine guns, artillery, bullets, shells, airplanes, we must organize guarding of factories, power stations, telephonic and telegraphic communications, and arrange effective air-raid protection in all localities. We must wage a ruthless fight against all disorganizers of the rear, deserters, panicmongers, rumor-mongers, exterminate spies, diversionists, enemy parachutists, rendering rapid aid in all this to our destroyer battalions.

We must bear in mind that the enemy is crafty, unscrupulous and experienced in deception and dissemination

of false rumors. We must reckon with all this and not fall victim to provocation. All who by their panic-mongering and cowardice hinder work of defense, no matter who they are must be immediately haled before military tribunal. In case of forced retreat of the Red Army units, all rolling stock must be evacuated, the enemy must not be left a single engine, single railway car, not a single pound of grain or gallon of fuel.

Collective farmers must drive off all their cattle and turn over their grain to the safekeeping of state authorities for transportation to the rear. All valuable property including nonferrous metals, grain and fuel which cannot be withdrawn must without fail be destroyed. In areas occupied by the enemy, guerilla units, mounted and foot, must be formed, diversionist groups must be organized to combat enemy troops, to foment guerilla warfare everywhere, blow up bridges, roads, damage telephone and telegraph lines, set fire to forests, stores, and transports.

In occupied regions conditions must be made unbearable for the enemy and all his accomplices. They must be hounded and annihilated at every step, and all their measures frustrated. This war with Fascist Germany cannot be considered an ordinary war. It is not only a war between two armies, it is also a great war of the entire Soviet people against German Fascist forces. The aim of this people's war in defense of our country against Fascist oppressors is not only elimination of the danger hanging over our country but also aid to all European peoples groaning under the yoke of German Fascism.

In this war of liberation we shall not be alone. In this great war we shall have loyal allies in peoples of Europe and America, including German people who are enslaved by Hitlerite despots. Our war for freedom of our country will merge with the struggle of peoples of

liberties. It will be a United Front of peoples standing for freedom and against enslavement and threats of enslavement by Hitler's Fascist armies.

In this connection the historic utterance of British Prime Minister Churchill regarding aid to the Soviet Union and the declaration of the United States Government signifying readiness to render aid to our country, which can only evoke a feeling of gratitude in the hearts of the peoples of the Soviet Union, are fully comprehensible and symptomatic. Comrades, our forces are numberless. The overweening enemy will soon learn this to his cost. Side by side with the Red Army thousands of workers, collective farmers, and intellectuals are rising to fight the enemy aggressor.

Masses of our people will rise up in their millions. Working people of Moscow and Leningrad have already commenced to form vast popular levies in support of the Red Army. Such popular levies must be raised in every city which is in danger of enemy invasion, all working people must be roused to defend our freedom, our honor, our country - in our patriotic war against German Fascism.

In order to ensure rapid mobilization of all forces of peoples of the U.S.S.R. and to repulse the enemy who treacherously attacked our country, a State Committee of Defense has been formed in whose hands the entire power of the state has been vested. The State Committee of Defense has entered in its functions and calls upon all our people to rally around the Party of Lenin-Stalin and around the Soviet Government so as to self-denyingly support the Red Army and Navy, demolish the enemy and secure victory. All our forces for support of our heroic Red Army and our glorious Red Navy! All forces of people - for demolition of the enemy! Forward, to our victory!

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 3, 1941

TO Ferdinand Kuhn, Jr.
FROM Alan Barth

REACTIONS TO THE "CRUSADE"

Hitler's Holy War has picked up no more than a handful of crusaders in the United States. Save for the extreme right, already camp-followers of his caravan, the American public has given only boos and jeers to the Nazi pretense that it is saving the world from Communism. The rightists who fell for, and into, the Nazi line are offset by the leftists who have suddenly enlisted in the war to save the world from Fascism.

The overwhelming majority of the American press continues to insist staunchly that the problems raised by the Russo-German war are military, not ideological. This attitude, it should be noted, is conditioned upon the expectation of disaster for the Red armies. While there are few illusions about the purposes of the Nazi drive to the east, there is a latent uneasiness over the possible spread of Communism after the war. Americans hope for a German defeat without a Russian victory.

Center

Secretary Knox, speaking before the Governors' Conference at Boston, said precisely what the more strongly interventionist

newspapers have been urging feverishly since the outbreak of war on the new front. This segment of the press is dissatisfied with the pace at which the Administration has moved. Commenting on the tenth day of the Nazi-Soviet conflict, The New York Herald Tribune remarks: "The British, with their crescendo of bombing, are making every use they can of the fleeting opportunity. The United States has done nothing. This inaction means ten days already wasted when every hour counts. This is no 'breathing spell'; it is the supreme moment for action."

A similar impatience is expressed by The New York Post, by P.M. and, with slightly more restraint, by The New York Times. A number of important newspapers in the south also feel that now is the time to shoot the works. Other influential dailies, such as The Christian Science Monitor, The Philadelphia Record, The Baltimore Sun, The Chicago Daily News, The San Francisco Chronicle desire vigorous action. The Nation and The New Republic add their liberal voices to these pleas. A desperate feeling of urgency marks the comment of all of them on the passing of time.

Most of these papers naturally applauded Mr. Knox. But they did so somewhat despondently, recalling that the President ignored his commendation of convoys some weeks ago. Mr. Roosevelt's refusal to comment on this latest proposal of his Secretary of the Navy brought most commentators to the conclusion that it was just another trial balloon.

The majority of newspapers merely urge accelerated activity against the Axis without specifying the form which it should take. In general, there has been approval of the decision against invoking the Neutrality Act in the Russo-German war and of the offer of material assistance to the Russians. But there is a manifest preference for helping the Russians via Britain. Numerous commentators express the fear that the Soviet Union is destined for a quick collapse and that aid sent to it from America may fall into German hands. The off-the-record appraisal of Soviet chances made by United States Army experts did nothing to allay this pessimism, although it did serve, perhaps, to quash the notion that the extension of the war could be counted upon to keep the Reichswehr occupied for a long time.

Russian retreat and the triumphant German communiques from the eastern front have added to the disheartenment. Some observers are uneasy lest the "now or never" feeling give way to an attitude of resignation toward German domination of Europe.

Right

Isolationists and the anti-democratic groups allied with them have been making what capital they can out of the fiction that the Nazis are saving the world from Communism. Through Father Coughlin's Social Justice and The Tablet, organ of the Rev. Edward Lodge Curran, they have made their influence felt in some degree among Catholics.

Despite strong Catholic antipathy toward the Soviet Union, certain of the more liberal groups within the church have aligned themselves with Bishop Hurley who said recently: "Today the first enemy of our humanity, killer of our priests, despoiler of our temples and foe of all we love both as Americans and Catholics is the Nazi."

Last Sunday's radio broadcast by Pope Pius XII discussing Catholic attitudes toward the war no doubt did a great deal, by its studied failure to endorse the Nazi "crusade", to check any drift of Catholics into the fascist column. A moderate Catholic publication, The Universe Bulletin, condones British policy toward the Soviet Union by comparing it with that of a drowning man who "grasps at the first life preserver that is tossed from a providentially nearby boat." But it finds satisfaction in the fact that Prime Minister Churchill did not call Russia a formal ally. "This war," it observes, "may well mean the overthrow of the brutal anti-God government in Russia. If that day comes then God-fearing nations will be free to seek an alliance with a liberated Russia. But until then what nation that treasures honor and respect can call the Soviets an ally?" Catholics of Irish and Italian extraction are, of course, subject to diverse emotional influences in their sentiments toward the war. It seems unlikely that the weight of the church will be cast fully upon either side.

Left

The sudden turnabout of American Communists represents no

conversion to British or American partisanship in the war. They are interested exclusively in the preservation of the Soviet Union.

This is the basis of Communist consistency. In singularly arrogant statements of the party line respecting the war, The Daily Worker and The New Masses continue to insist that Britain is battling only for imperialist interests, while the workers' fatherland is defending "the new civilization."

There is bitter resentment that the calculations of the late Neville Chamberlain have at last born fruit. Prime Minister Churchill, who is held to be of the same stripe as his predecessor, is deeply distrusted by the Communists; they fear that Hitler's "demonstration of 'works' against socialism will regain him 'faith' of the international bourgeoisie."

While the domestic Communists clamor for effective American assistance to the Soviet Union, they have launched as yet no demand for this country's participation in the war. "The people of this country want to remain at peace," remarks The New Masses, "and that is possible and necessary." So far, at least, the Communists have displayed a cocky confidence that they can lick the Nazi invaders singlehanded.

**THE WHITE HOUSE
WASHINGTON**

**Hyde Park, N. Y.
July 3, 1941.**

**MEMORANDUM FOR
THE SECRETARY OF THE TREASURY**

**FOR YOUR INFORMATION AND
PLEASE RETURN FOR MY FILES.**

F. D. R.

HARVARD UNIVERSITY
CAMBRIDGE, MASSACHUSETTS

OFFICE OF THE PRESIDENT

June 30, 1941

President Franklin D. Roosevelt
The White House
Washington, D. C.

Dear President Roosevelt:

In these days of national emergency, no college president can refuse a call for assistance from The White House. I am very glad, therefore, to recommend to the Corporation that Dean James M. Landis of the Harvard Law School be given a leave of absence so that he may accept the appointment as Under Secretary of the Treasury. I have no doubt that the Corporation will agree and feel that, however great the loss to Harvard may be, we are glad to know that one of our outstanding men can be of special assistance to you in this important position.

We are all hoping that the duration of the national emergency may be short and that it will not be long before Dean Landis is back with us. His absence will mean a severe loss to the Law School in these critical times, when we have a serious financial problem arising from the diminution in our student body. We shall try to work out our problems, however, as best we can.

Very sincerely yours,

James B. Conant

Law School of Harvard University
Cambridge, Mass.

5 July 1941

OFFICE OF THE DEAN

Dear Mr. Secretary:

One matter of which I want to assure you is that you need have no worry whatsoever about my personal feelings in this business. Of course I am sorry not to be able to serve under you but you will remember that purely personal inclinations would have dictated my remaining here at the Law School rather than going to Washington. So in one sense Senator Walsh has unwittingly done me a favor rather than a hurt. Naturally I regret not being able to try my hand at doing a job of the significance of which I became more conscious as I became closer acquainted with it. But I know that there are other ways in which I can serve the country during these fearful times and that I am always ready to do.

After your call I racked my brain to discover some other incident upon which Senator Walsh's attitude might be based. I think it very likely derives from the following which I have hardly thought of since its occurrence. At the beginning of the last presidential campaign there was a general belief among Democrats and Republicans alike in this State that the State would go Republican. Because of that neither Senator Walsh nor Paul Dever, the Democratic candidate for Governor, and their controlled State headquarters did much about promoting the cause of the President. On the contrary there were some Dever-Wilkie clubs organized in this State with, I feel sure, the blessing of Dever. It was because of this attitude of the State Democratic party that a number of us formed the Massachusetts Independent Voters League for Roosevelt and Wallace. We then pitched in for Roosevelt and got a great deal of support. About two or three weeks before the election Dever's forces began to realize that the President was not a liability but an asset to their campaign. It was only then that Dever made a public announcement in behalf of the President. Shortly prior to this time I was approached by some of Dever's friends to speak for Dever inasmuch as I had spoken on several occasions in behalf of the President. I replied rather curtly at that time that I had no interest in promoting Dever, if Dever did not exhibit an interest in promoting the cause of the President. Dever's friends continued to pursue me more strongly in the days that followed. Finally Ed Flynn, on the Thursday night before election, reached me by telephone and asked me to see Dever, which I promised to do. I did so Friday evening and when Dever asked me to speak for him I told him, which was true, that I had made up my mind to take no part in the State election. I further told him that Henry Parkman, Jr., who was Walsh's opponent for the Senate and a personal friend of mine for whom I hold considerable respect, had asked me to speak in his behalf. Parkman did so upon the ground that he was a hundred per cent. behind the President's foreign policy and that Walsh's support of that same foreign policy was wholly negligible. Though I agreed with Parkman that he deserved support for his clear underwriting of the President's policy, I did not like this business of publicly becoming a partial political

HM/JML/7-3-41

turncoat and thereby possibly doing some hurt to the President by faking a position in behalf of the Republican candidate for Senator. I consequently told Parkman that I was not taking any part in State politics. I told Dever of this incident and then said to him that if I spoke for him, I would be morally obliged to speak in behalf of Parkman. Dever replied very rightly that he did not wish me to take that course and with that the interview was over.

Dever was defeated in his race by a very narrow margin. A switch of some ten thousand votes would have put him in as Governor. I have heard that he blamed his defeat on my refusal to support him which might have brought him quite a few of the so-called Liberal Democratic votes in this community. I have no doubt that this incident was called to the Senator's attention and that it is a part of the reason for the bitterness of his attitude.

I am sorry that these seemingly petty things should have come back to plague you. But let me say once more that I appreciate very much your confidence in me and the privilege of your friendship.

Sincerely yours,



Hon. Henry Morgenthau, Jr.
Treasury Department
Washington, D.C.

July 3, 1941
10:20 a.m.

HMJr: Hello.

Operator: Operator.

HMJr: Go ahead.

Operator: All right. Go ahead.

HMJr: Hello.

Dean Landis: Hello, Mr. Secretary. This is Jim Landis talking.

HMJr: Yes, go ahead, Jim.

L: What I just wanted to bother you about was this. You know, I had accepted this appointment from La Guardia.

HMJr: Yes.

L: And La Guardia told me that he would appoint a successor just as soon as the other thing was announced.

HMJr: Yes.

L: And what I wanted to ask you about was whether you saw any reason as to why I shouldn't go ahead with the La Guardia thing.

HMJr: Why you should or should not?

L: Why I should not go ahead with it.

HMJr: Well, you don't have to be confirmed do you?

L: No, no. No, the appointment is already made, you see.

HMJr: Oh, I'd go ahead with it.

L: Yeah. Well, I just didn't want to put him in a situation where it would embarrass him at all.

HMJr: Well, then - I - if - as long as you raise that, I think you ought to tell Fiorello.

L: Yes, of course.

HMJr: And then if he's satisfied, that's all right, but I mean this man, Walsh, just has me under the Senate customs and rules where I can't even squirm, he's got me...

L: Sure, I understand.

HMJr: He's got me nailed to the mast.

L: Yeah.

HMJr: But, if La Guardia, knowing the whole story, is satisfied and you don't go up to the Senate for confirmation, I mean, I should think that he'd want you.

L: Yeah. Well, he was going to appoint a successor just as soon as this other thing was out and I thought that....

HMJr: But that would be my advice.

L: Yeah.

HMJr: Tell him the story and if he's satisfied, why certainly I'd go ahead with it.

L: Yeah.

HMJr: Now, what else, Jim?

L: Well, that was all.

HMJr: That's all?

L: That's all.

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HMJr: I'm still very very low.

L: Well, don't worry about it. You'll get a better man easily.

HMJr: No, I - I - that's - if you don't mind, I disagree with you 101 percent. I don't know, I'm really - I mean - it's pretty bad - black mark on American political life when a man like Walsh can do a thing like that to you and me.

L: Well, he's that kind of a person, I

HMJr: I know. I know, but I haven't recovered and I won't for some time. Well, any other time remember I'm expecting you for lunch or supper when you come down.

L: All right, thank you very much.

HMJr: Goodbye.

L: Goodbye.

July 3, 1941
10:50 a.m.

HMJr: Hello.

Operator: Mr. Welles.

HMJr: Hello.

Sumner
Welles: Hello.

HMJr: Hello, Sumner.

W: Henry, I'm sorry to disturb you again.

HMJr: You haven't disturbed me.

W: Dean Acheson told me yesterday the information he'd received either from you or someone else when he was in your Department yesterday evening...

HMJr: Well, that was from me.

W: From you?

HMJr: About a - Far East?

W: Yeah, that's right.

HMJr: Yes.

W: Now, I wanted to know very much if you could have your people check further on that today and see if we can get a little more detailed information.

HMJr: Well, now, I spoke to the President last night about it - I thought it was important enough and he was intensely interested and he said, have you told Sumner and I said that I had by Acheson.

W: Yeah.

HMJr: Now, we are going to great lengths to go into the thing wherever their offices are.

W: Well, that's fine.

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HMJr: And we started last night.

W: Grand.

HMJr: I told Captain Kirk what we're doing.

W: Yeah.

HMJr: And - I mean we're really spreading ourselves on this thing.

W: That's very helpful.

HMJr: Now, if you'd like to know what I know, I - we picked up in Seattle this, that during the last six weeks, this particular country has been sending their families back.

W: Yes.

HMJr: Just as rapidly as they can.

W: Yeah.

HMJr: And also for the last 30 days, that same city, same residents have been cashing in their life insurance policies.

W: I see.

HMJr: Now, I told them with that lead to check it in Los Angeles and San Francisco whether the same thing was happening.

W: Yeah.

HMJr: And we were last night into the offices of every one of these companies.

W: I see.

HMJr: All over the country and we're going to continue to do that every night. We're also watching the families and the managers.

W: Yeah.

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HMJr: So, I'm doing a very careful job and....

W: Well, that's tremendously helpful.

HMJr: And if anybody else does it, let me know because I don't want to get crossed up.

W: If what?

HMJr: If any other department - if you hear any other department is doing it - we're letting O.N.I. know what we're doing.

W: Yes, yes. No, that's all that I know.

HMJr: Yeah.

W: The other part of the report was that orders have been given for no further ships to be within our ports.

HMJr: Well, that - they were - that - the ships were to be back - out of the Atlantic by July 30 to return home.

W: Out of the Atlantic. This did not apply to the Pacific, then?

HMJr: No, the first statement - the first statement said they should be at home by July 30.

W: I see.

HMJr: That was - that was - that was this rumor.

W: Yeah.

HMJr: And I understand this morning that O.N.I. picked up exactly the same thing.

W: I see.

HMJr: And I brought into it - I think our information now - I think it's pretty good.

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W: It does not, then - the final report on that, that you get does not apply to the Pacific ports, merely to the Atlantic.

HMJr: Well, the report last night - I - they're coming in again at quarter of three.

W: I see.

HMJr: And if I get any more - the report said, ships to return to port by July 30.

W: I see.

HMJr: If that's particularly important, I'll ask them again.

W: That's very important indeed. There was a report from one of our Consular officers this morning that one of their ships had left today one of their ports in order to transit to Panama Canal to go to South America, the east coast.

HMJr: Yeah.

W: Which - which seem to be out of line with that report...

HMJr: I see.

W: And I'm very anxious, of course, to check on this as best we can.

HMJr: If I might - are you getting - have you got this from anybody else.

W: No, I've had it from no one at all except from yourself.

HMJr: Well, I labeled it last night as "Water Front Gossip".

W: Yes, so Dean told me.

HMJr: And I'm not yet saying that it's going beyond that.

W: Yes.

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HMJr: But I really extended ourselves on this to try to get beyond the Water Front Gossip.

W: Fine. And you'll have further word this afternoon.

HMJr: They're coming in at quarter of three and after they leave, I'll call you and we're going....

W: Great. What time are you leaving for a...

HMJr: Between 3 and 4, between 3 and 4, why?

W: I have to attend the meeting of the Inter-American Committee at 3 at the Pan American Union...

HMJr: Yeah.

W: If I could get a call from you just before three....

HMJr: I'll do that.

W: It'd be helpful.

HMJr: I'll do that.

W: Thank you again, Henry.

HMJr: Don't - let's leave it this way - don't leave your office without calling me.

W: All right, I'll do that. I'll call you just before three.

HMJr: Right.

W: Thank you, Henry. Goodbye.

July 3, 1941
11:00 a.m.

RE AID TO BRITAIN

(Conference held in Mr. Bell's Office)

Present: Mr. Field
Mr. Keynes
Mr. Archer
Mr. Boddis
Sir Frederick Phillips
Mr. Keyes
Mr. Childs
Mr. Thompson
Mr. Brown
Mr. White
Mr. Kades
Mr. Cochran

Bell: Harry, do you want to explain what the conference is about? I haven't been in on the last two.

White: Well, it is possible that Mr. Childs may have some of the information that the Secretary asked him with respect to the over-all purchases and also some of the other material that he thought he might have for this time. Then there may be other things that they want to bring up.

Childs: Shall I mention two things we do have? Unfortunately, I don't have the over-all material. It will take a long time. I was surprised myself to find it would,

but they are in the course of compiling that.

Mr. Boddis can speak for the Air Mission and Mr. Archer for the EPC. They are compiling it.

We would like a little advice as to specifically what you would want here to be sure that what we are getting would be what you would like in answer to the Secretary's request.

White: Well, it was my understanding, and you can check me up if it wasn't yours, that the Secretary wanted something comparable to what he had from Mr. Purvis several months ago which was the total British needs broken down by significant categories.

(Mr. Brown entered the conference.)

White: The portion of those needs which they were producing at home, the portion which they were buying in the United States, and the portion that they were buying in Canada or planned to buy in the United States and planned to buy in Canada.

That was my understanding of that particular request.

Phillips: What do you mean by needs? What do you mean by needs, exactly? You are talking about weapons?

White: I think he had reference only to armaments. I thought he had reference only to armaments.

Phillips: That was my feeling, but some of our people felt differently.

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White: What was your impression, Merle?

Cochran: He mentioned, I think, planes, tanks --

White: Yes, I think that was --

Bell: This is a little beyond the dollar requirements.

White: Yes.

Bell: It is the over-all picture.

White: Well, he wanted the total picture.

Keynes: He wasn't really concerned with the dollar requirements. He wanted arms so that our estimate could be added to yours, and he could see the two together. That only makes sense in terms of arms.

Cochran: It was your military effort.

White: And I think that is what he got from Mr. Purvis, though I am not certain.

Childs: Well, he asked for one other specific thing, a breakdown of what is coming from the U. S. under Lend-Lease and under cash, as I recall, so that that would have to be a --

Keynes: All commitments.

Childs: Yes.

Keynes: It wasn't all dollars, it was all commitments. He wanted three things. What we are producing at home, what we hope to get under Lease-Lend, and under our own commitments.

Then he was going to aggregate that information he would get from your sources about the

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American effort and then he would have a picture of it.

White: Yes. Now, see if I --

Bell: Tie that in, I take it, with the capacity of the two countries to produce, and whether or not we should expand.

White: Yes. There were some of those problems, and I think that he was interested in them and there may have been some others. He didn't expand on it, so I don't know. But I am not certain from your description, Mr. Keynes, whether we are at one in our understanding of what he wanted. I think he also wanted the purchases of these armaments that you are making from Canada.

Keynes: He did, yes, that is quite right.

Childs: Yes, we have that.

White: So that he would have a complete picture of it.

Bell: Well, you are working on that, I take it, and that will take time?

Phillips: What he is getting on that he is working on, but there was that little difficulty about dollars. I expect most of our figures on the number of tanks and planes and so forth - we should have to have some rough estimate.

Childs: That is particularly true of anything coming under Lend-Lease, and that comes to the second thing, which was the point raised before; namely, all requisitions which we have put in today.

You see, we are compiling that in each mission on a quantitative basis, because under Lend-Lease requisitions we have no dollars, so we would have no way of estimating values. As a matter of fact, we have got such things as spare parts for aircraft, but no indication of what the spare parts are but by quantities with reference to the allocation of funds under the Appropriation Bill; and then in other cases, there are just general quantities.

White: There may be numerous questions, Mr. Childs, that would occur to him after seeing the first list.

Childs: We will put in --

White: Not knowing specifically what he has in mind, I don't know whether your presentation would answer it, but if it doesn't, I take it that he could suggest where he would like supplementary information or where the particular information isn't essential.

Childs: I took it that these were separate and distinct requests, weren't they? We will just make them up then on the basis we are and see what they will do.

White: That was my understanding, yes.

Childs: The next thing we had was the matter of - did you have any specific things? I report that unfortunately - we don't have any Dominion sheets in here yet, do we?

Keyes: No.

Childs: The Dominions are struggling with their inadequate forces to get these things up.

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I talked with two of them again yesterday and today, and they are getting them done but they aren't in, and Thursday we will have the stuff. They are just at the point of putting them in, you see.

Australia is the furthest advanced on it, because they had a bigger start.

White:

The only two items that we have to report are one, the nature of the progress dealing with the question of handling the numerous small purchases from private individuals to others. We had a meeting just before we came here of Treasury men and the Procurement, and though they don't like to commit themselves at all, they think there may be some way of working it out.

There was some doubt in their mind as to whether that could be done as a review of payments already made, and they raise the question of the possibility of being informed of an order at the same time that it was placed.

In other words, they - a duplicate order, one going to the Procurement, one going to the concern as customary. And that while the concern was filling the order, they would examine the order, see whether it met with their criteria, which they would normally apply, and they may then be in a position to pay for it before the shipment without in any way holding up the shipment.

That was merely one suggestion which they had, and it is not definitive at all. They are merely exploring the possibilities and they promised to be ready early next week.

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- Bell: They thought there was a possibility of doing that?
- White: They thought there might be a possibility, but they weren't sure.
- Bell: That is taking a lot of Government procedure, if they can be able to do that.
- White: They may stick it right back.
- Childs: This small purchase memorandum we put in before.
- White: The large problem of the large amounts, no. This was the problem merely of the hundred and fifty million dollars --
- Childs: I see.
- White: Of annual purchases. The other problem of the larger amounts is something that is going forward with Mr. - with General Burns.
- The second point which we have a tentative conclusion on relates to your question as to whether or not the British Government could be relieved of the necessity of paying taxes on contracts to the States. The lawyers have made some study of that, and they will explain what conclusions they have come to.
- Bell: You have studied it, Chuck?
- Kades: Yes, I have. In general, any tax which is imposed upon the Federal Government or upon the property of the Federal Government, we claim immunity for. But we do not claim an immunity for any tax imposed upon sales of products to us or upon us or upon any

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other type of excise tax. Consequently, it doesn't seem to me that the State authorities would be willing to - and I doubt if they would have the authority under their statutes - to immunize the British Government from a tax for which we, as the natural sovereign, do not claim immunity.

There are no - there are statutory exemptions in some of the state statutes relating to sales to the United States in a few cases, but as far as I know there are no exemptions in so far as the - as any foreign Government is concerned or specifically the British Government.

Bell: Which type of tax is involved here?

Kades: There are three types of taxes.

Bell: Are they all involved?

Kades: Well, the personal property tax, which we would normally contest, that is, the Federal Government would. Sales taxes, which we would not contest but which we do pay.

Bell: As part of the purchase price?

Kades: As part of the purchase price, and where the contractor succeeds in passing it on to us, of course, and use taxes which we also pay when the tax is imposed upon the contractor for the use of materials in which he has the option of absorbing or passing on, if he can make a contract whereby we assume the tax. If he can, that is no concern of the state. That doesn't oust the state from jurisdiction, because we have made a contract whereby we are willing to reimburse the contractor.

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Now, therefore, it seems to me that the range is limited to personal property taxes. Now, most of the personal property taxes as I understand it are taxes upon jigs, tools, dies, and items of equipment that are in a plane factory awaiting inclusion in the plane or in the tank or the ultimate article.

Bell: Is that material the property of the British Government?

Kades: That material is the property of the British Government.

Now, however, all that the British Government has in so far as the jigs, tools, and dies, pattern and that type of thing are concerned, is the legal title. The beneficial interest and the beneficial use of that is in the contractor.

Therefore, if the Government - if the British Government litigates the personal property tax in California, for example, and succeeds in establishing as a sovereign the immunity of that personal property from taxation because the title is vested in the British Government, it would be a comparatively simple matter for the California Legislature to amend the statute to impose the tax upon the owner or the beneficial user, and that is probably what they would do.

Consequently, I think that the only practical solution we - we can have a lot of litigation and try and draw up some fine spun theories that might be successful, although I doubt it very much - the only practical solution is a tax convention which would be binding upon the states and which would have some

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type of reciprocal character.

Now, as to whether or not that is a practical matter from the standpoint of the British Government, I don't know; but I mean from our standpoint it doesn't seem to me that anything that we can do is going to deter the states from the imposition of these taxes because they - the representations have already been made by the State Department that the taxes are a violation of international accomodation and have been rejected by the the state administrative officers and state legislatures, so that the only recourse is in the courts, and that is going to take a long time with dubious possible results.

Childs: We thought of this tax convention thing at the time, and as a matter of fact discussed it amongst ourselves and with, I believe, someone from the State Department, I am not sure.

The only question about that was the possible retroactive effect of it, as to existing - where the tax is already accrued. It would cost a lot of money. But I understood that it didn't have very much chance at the moment of there being something very similar, because something had been attempted like this recently. But certainly it would be a superb solution.

Keynes: How about that particular tax as compared with all taxes?

Childs: I can't say about that particular tax, but the total is valued at ten to thirty million dollars.

Boddis: Five million dollars.

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Keynes: For the single tax?

Boddis: Yes.

Kades: The personal property tax, sir?

Boddis: Yes.

Childs: I would like to take issue on one point about the sales tax. I think we could - there is about ten millions estimated sales taxes which we think are entirely improper because of this peculiar theory of the State of California Tax Administration.

In effect we have taken title in the state and we have taken possession and so on on the old Japanese oil tanker case, and we do think that is worth contesting.

Now, whether the personal property tax could be levied is another question, because it could be contested. On the use tax, of course we have less defense. But still there is an area in which some hope of success, if the contest is made, exists, and we would like to do something about it.

Now, of course, if you don't think you could help us yourselves by any particular move you could make, we feel that we are about at the point where we ought to do something ourselves.

Kades: Well, as I understand it the State Department has done all it thinks it can do.

Childs: It has been going along fine.

Kades: The only other department - we are rather a liaison in this. The only other department that could actually do anything would

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be the Department of Justice when it would intervene in litigation, and we could, of course, take that up with the Department of Justice although I assume that the State Department must have done that.

Childs:

I don't know.

Kades:

I should think it would have. As I say, I don't know either. We can take this matter up with the Department of Justice and secure their reaction to it, but in the past we have worked pretty closely on the question of these state sales taxes and their position is - as a matter of fact, it was an opinion of the Attorney General within less than a month - reiterating the position that the Federal Government should not contest state sales taxes imposed upon a contractor on sales to the Federal Government.

Childs:

Oh yes.

Kades:

Because, of course, that --

Childs:

Of course, we have --

Kades:

It is a question of delicate balance of revenue. The states secure their revenue in that fashion, and these taxes are, of course, non-discriminatory. If there is any tax imposed on sales to the British Government or the United States, I am not speaking of that type of tax, I wouldn't hesitate to contest that; but these are general non-discriminatory taxes on private individuals which are passed on to the Federal Government or the British Government simply by reason of the type of contract that is entered into by that Government.

- Bell: They are passed on to the ultimate purchaser.
- Kades: That is right.
- Bell: They are passed on to the final purchaser, whoever he may be.
- Kades: There are taxes that are imposed upon the purchaser. That is not the type of tax I am talking about, because that is analogous to the property tax which we feel the Government is immune from.
- White: Well, you spoke of a convention as being one possible way out of the position on taxes. Would a convention, even if consummated, apply retroactively?
- Kades: Probably not. But there are a good many - well, as far as I know, the - as far as personal property taxes are concerned, that five million dollar estimate doesn't cover property taxes already asserted, does it?
- Boddis: No.
- Kades: Because I have only heard of a hundred and sixty-two thousand out in the Lockheed plant and some other several hundred thousand dollars in the Douglas plant.
- Boddis: No, that is the total figure.
- Childs: Of course, a convention even if not retroactive would have definite value.
- Kades: And it would indicate a national Congressional policy, too.
- Bell: Would it have to be ratified by each state in order to be effective?

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- Kades: No, it would require a two thirds vote of the Senate.
- White: Well, is that something that you would want to explore and if so, what channels would be the appropriate --
- Kades: Well, the Bureau of Internal Revenue for years has been anxious to enter into a tax convention on various points with the British. I don't think it need be a general convention. It could be limited to substantially this type of situation.
- As far as the Bureau is concerned, I know it would be willing to cooperate. I think it is a matter probably to be taken up with the State Department.
- Bell: You mean a convention between the two Governments, not a convention of the states.
- Kades: Oh no, I mean a convention between Great Britain and the United States, which would be binding by the Constitution upon the states.
- Phillips: What would be the scope of this convention?
- White: I imagine you could delimit the scope before you began.
- Phillips: My theory has been that in cases where the Federal Government itself would settle the value. But that still leaves our two big cases.
- One is the personal property tax, and the other is this peculiar little category I can not understand. As I understand, the effect of it is that if we take delivery

of material in California, we pay the tax whereas if we handed over to a common carrier to take out of California, there would be no tax.

Childs: That is right, sir.

White: Is it possible for you to arrange that latter arrangement?

Childs: Mr. Boddis has spent many sleepless nights because even if the Army sends out a pilot to take possession of a plane out there, they say that that is properly taxable in California because we have through the Army pilot acquired possession, a right to control, which is taxable.

That is the position they take.

White: Well, is that something which you could be of any assistance on?

Kades: Well, that particular - Mr. Roseveare gave me a number of memoranda, copies of which he had written from time to time.

Childs: You see, they have taken a very stiff position with the Japanese. If they help us they help the Japanese, too.

Bell: You mean with a general ruling?

Childs: Yes.

Bell: Is there any way you could take delivery of these planes across the state border?

Kades: everybody approached not only by the State Department on this point, but by your counsel and by counsel for aircraft

companies out there, and according to the tenor of memoranda, copies of which Mr. Roseveare gave me yesterday - you sent them to me.

Childs: That is right.

Kades: I gathered that he wasn't very hopeful about convincing the California authorities on that point, that it was a question of litigation.

Childs: That is right.

Kades: And litigation is going to take a long time, especially as it is starting now when the courts are about to recess for the summer. Ultimately the British may establish their position successfully in the courts, but I just don't feel that that is a practical solution.

White: Well, do you feel that the Treasury has any special position by virtue of its prestige or special position which could help to convince California of the - the State of California that they may be unreasonable in this?

Kades: No.

White: Then there is nothing further that you could suggest that the Treasury could do to help them in this problem?

Kades: Except to take the matter up with the Department of Justice in the event that litigation starts for the filing of a brief by the Government.

Childs: Of course, there is a question about whether we want to go out and put ourselves before

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the public as trying to evade American taxes when the Lend-Lease and such things are helping us.

Phillips: Well, we have got to explore this idea of a convention, haven't we?

White: That may present interesting possibilities because you can - I understand you can delimit the - you can arrange the terms of reference, consider those items which you want and Mr. Kades says they have been rather eager to have some such arrangement for a long time.

Kades: We were - may I just - to illustrate that point, we were about to enter into a convention with Great Britain in connection with airplane companies - I mean air transportation companies - when the war broke out, under which British corporations flying planes to the United States would be exempt from all income taxes, Federal and State, and American corporations flying planes to Great Britain would be exempt from all British income taxes. This - and the convention was limited to that particular subject matter.

On the other hand, we have discussed from time to time general tax convention with Great Britain over a period of many years, which seems to be impossible to achieve, but I think that some more limited tax convention might solve this problem.

Phillips: Surely there must be a convention on shipping, isn't there?

Kades: By reciprocal legislation on shipping, sir.

Cochran: That would take care of that California situation, wouldn't it?

Kades:

A convention would, yes.

CHILD:

In the future. Of course, it would not be retroactive. I would just like to suggest one, as to the future, the convention is the best thing. If that could be examined on both sides.

Two, as to the past, you feel that there is no affirmative action you could take outside the possible approach to the Department of Justice with respect to a possible contest on personal property taxes only and sales taxes too, for that matter, because that is a very large item in California. As to the past, I would like to be able to frame some sort of a specific action with which we could join because we have certain things such as a large amount of taxes due on July 21. We have got a time element there, and we would like to take some steps if there are any.

Of course, we don't want to take any steps without your approval and the approval of the State Department, since they have been in it, and as I say, the extent to which our people would be willing to go in view of the publicity and everything, that is another question too, but I would like to be able to examine that, you see.

Kades:

Well, I can only speak from the standpoint of the Legal Division, but I wouldn't see any objection to your taking any steps you care to take from the standpoint of our - from that standpoint. I mean, there may be policy considerations but there isn't any way in which our position would be embarrassed, our position vis-a-vis the States, by any action you might take. I will be glad to discuss this matter with the Department of Justice Tax Division.

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- Childs: With a view to some specific action vis-a-vis the Tax Divisions and possibly courts later on?
- Kades: It would be with relation to the courts.
- Childs: Yes.
- Kades: But all sources of approach to the State of California tax authorities have already been exhausted, as I understand it, by the State Department. They have written letters and tried to get legislation and have done everything that is possible.
- Childs: I should say, rather, they have been opened rather than exhausted, because we could still go out there and with the representations of Secretary Hull, say we would - we now want to push this thing specifically. We are coming out there because we are personally interested. We are coming out as personal representatives to see what we can do with this representation of the State Department in our pocket, you see, we have never done that yet.
- Bell: Who has been the contact with the State of California?
- Childs: Mr. Hackworth.
- Bell: Somebody in the State Department and not a representative of the British Government?
- Childs: Oh no. To my knowledge, we haven't been in direct touch with them, have we?
- Koddis: No.
- Bell: Chuck, obviously there isn't anything that can be done between now and the twenty-first

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of July, if that is when a large amount of taxes are due, that could be effective. Would it be possible for them to pay the taxes under protest?

- Kades: Oh yes. Well, as a matter of fact, what happens is that willy-nilly the contractor pays the taxes and then bills the British Government.
- Childs: Our contracts provide that he will pay under protest.
- Bell: They protect their rights and then they could do whatever they wanted to after that. It might take months to work out.
- Kades: That is right.
- Childs: Then, could we have any sort of a decision here as to whether it would be policy wise, proper to go ahead with any specific action of this nature?
- White: I don't know --
- Bell: I see no objection on our part for them to contact the tax authorities of the State of California or, for that matter, taking any such legal steps as they might want to take. You have got the question to decide, it seems to me, for yourselves, as to whether you want publicity in America of bringing action against some state for taxes since you are under the Lend-Lease. That, I think, you will have to decide.
- Childs: The stakes are high.
- Bell: It wouldn't be worth very much on that.

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- Childs: But you would have no objection from your side?
- Bell: I can't see any objection from our standpoint, can you?
- Kades: No, not at all.
- Childs: Well, the stakes are high.
- Kades: The French - not in connection with the present war, but twice the French have contested state taxes. One in Kentucky on a personal property tax levied upon tobacco which was stored by the French Republic in Kentucky, and the Supreme Court of Kentucky upheld the French Government and abated the tax; and they also contested real estate tax in New York City where the court held the other way, but neither of those decisions would be controlling, of course, upon the California courts and they might very well establish the point that as a matter of international law, this tax is invalid.
- White: That may distinguish this kind of an action from other types and remove it possibly somewhat from the realm of trying to avoid paying taxes, even though it is a legal avoidance.
- In other words, what the issue might be is a matter of international law or the sanctity of some principle which you are fighting for rather than the ten million dollars. There may be some possibilities of that character which you might want to explore.
- Bell: But these are on commitments that you have already entered into.

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- Childs: That is right, we and the French.
- Kades: Of course, it seems to me that the state authorities are unreasonable in some respects. As I understand it, in the case of Lockheed there were some propellers that the British purchased from the Hamilton Propeller Company's Division of United Aircraft but were in the Lockheed plant on the date on which the assessment was made, and if they hadn't been there on that particular day, they wouldn't have been assessed; but I suppose the assessing official felt that he was merely a ministerial officer and he saw it and said, "Who does it belong to, the British Air Ministry," and consequently included it in his return. But the administrative discretion should have indicated to him that that might have been included.
- White: I am wondering whether in pursuance of the thought Mr. Childs had, whether there might be any use - whether it might be appropriate if the appropriate authorities in California were approached, possibly by the Treasury, with a view to relieving them of that tax burden on the grounds of the essential problem of building up their foreign exchange, et cetera.
- That is, is there any use in introducing that consideration with them which would put it on a somewhat different basis than probably what the State Department or yourselves could put it on? Something of that character may have been in your mind. Is there any --
- Childs: It would be most interesting.

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Boddis: There is one of particular difficulty with which that might be done, I think, and that is in connection with the flying of airplanes away from California.

There is a question as to whether we must take title until these airplanes have been flown over the border. Now, the Army have set up a ferrying corps and they are going to take over the ferrying work. This business has been set up nicely and works smoothly, but not unless we take title to the airplanes in California before the Army starts flying, so that merely because the Army are doing something to assist us, the State of California suddenly gets in the case of a Lockheed machine three thousand dollars that they didn't get before.

Brown: Well, Mr. Boddis, we are trying to work out some scheme whereby we will get a directive or something under Lend-Lease machinery which would take care of that question of title and see if we couldn't get the title - have something from you transferring the title to the Army.

Boddis: So much the better, but we have been trying for the last month.

Bell: We did have an arrangement, didn't we, where the title passed as it went across the line? Couldn't that be worked out so that the title under the Lend-Lease in the first instance, as it went across the state line, would pass to the British?

White: Except as I gather these planes are not under Lend-Lease.

Bell: They said they were trying to work out some arrangement.

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- Brown: We have been trying to see if we couldn't work out something whereby the British could direct the company to deliver title and possession to the United States Government representative and whereby we could secure a directive for the Army to take title and possession of the Lockheeds from the company so that we could get the title right into the United States immediately after it came from the plant; and when the plane got up to Montreal, which I believe is the place it goes to --
- White: I remember Mr. Cox spoke about it.
- Brown: We would turn it over to the British.
- Bell: That would have possibilities, wouldn't it?

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- Kades: Yes, something along that line.
- White: Do you think that it might be explored a little more between themselves, Dan, as to these various suggestions of possible assistance, et cetera?
- Bell: Yes, with the Lend-Lease organization, because that seems to me to have some promise.
- Brown: We think so. Of course the company counsel is very cautious, inherently.
- Bell: It is terrible when the United States Government has to work out arrangements where it beats the states out of taxes. (Laughter)
- White: Or I think probably the United States Government has a vested interest in seeing that appropriate principles of international law are adhered to in principle as well as in--
- Bell: Like stealing candy from children.
- White: Talking about international law, "God Save America."
- Kades: I think that in so far as existing cases are concerned, it would be advisable for us to discuss the matter with the Department of Justice to determine whether or not they would be willing to intervene and for discussions with Lend-Lease to continue to determine whether or not some device may be worked out in so far as the sales tax is concerned, the title passes outside of the State of California, but on the problem as a whole and on the - as to future taxes and as to taxes that are being asserted, as I understand it, in Michigan, Connecticut, Ohio, Illinois, as well as California, I think that some way of approach should be made

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to the State Department about the desirability of a tax convention.

White: Well, I take it that the initiative for that convention might well come from you (Phillips) if you feel like it.

Phillips: We should like to discuss it with them.

White: And with respect to the other matter, will you (Kades) take it up with Childs and Mr. Brown?

Kades: Yes.

White: Will you make it your business?

Kades: Yes.

Bell: And you will also discuss with the Department of Justice such possibilities?

Kades: Yes. I just want to be clear that the particular case you have in mind to go to bat on immediately in California is the personal property tax case, is that it?

Childs: And sales.

Kades: Do you have a sales tax case also?

Childs: We have got lots of sales tax cases. We will try them both, if you agree that we have a case that is worth talking about.

Bell: All right?

White: That is all that we have, Dan.

Childs: Well, how about the small purchases memorandum that you wanted to discuss?

Thompson: All small purchases?

Childs: Yes, that one there.

Phillips: Well, we put in that memorandum, you remember, as to the commitments on the basis that an urgent case that fell below five thousand dollars as in the case of the British Air Commission or fifty thousand dollars a week should be placed under dollars.

Well, now, do I understand that the first part of that, the British Air Commission part, covers the points in the memorandum?

White: Well, we are going to circulate the memoranda. You will probably get it. The discussion of that point will be ready at the next Secretary's meeting.

Phillips: Monday afternoon?

White: Yes, at the next meeting. The men have not had an opportunity to examine that.

Phillips: Well, there is a--

Bell: Is that the next meeting, Monday afternoon?

White: Tuesday, I thought.

Phillips: There was a second part of that memorandum. You remember the memorandum dealt with the Air Commission and the other, and I think we would like to make some slight amendments in that second part.

White: If you want to submit it, we will send it around.

Bell: What else?

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- Phillips: I have got one urgent case this morning perhaps I ought to mention here. It relates to the Virgin Islands which I understand are the United States' territory.
- White: If they are virgin, they are our territory.
(Laughter)
- Keynes: By looking at the stamps, I should think they were English.
- Phillips: Weren't they Danish at one time?
- Bell: Yes. But they are American territory now.
- Phillips: This British Consul went down to the dock and planned a shipment for Liverpool; and, being of an inquiring disposition, he discovered there was some empty space on that ship, whereupon he went and bought some local sugar and filled up this empty space, and he spent eighteen thousand dollars on buying sugar in the Virgin Islands to send to the United Kingdom, and the British Food Mission is trying to put that under Lease-Lend and want a ruling. Can this be put up under Lease-Lend?
- White: Let me see if I--
- Brown: It is already paid for?
- Phillips: It isn't paid for yet. It can be got under Lease-Lend. The only point is whether, under those circumstances, you think we ought to do it.
- Brown: When was this done?
- Phillips: A day or two ago, I think.
- Childs: Is it on its way?

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- Phillips: Yes. Eighteen thousand dollars. If it had been under five thousand, of course we would have put it under this memorandum.
- White: Yes.
Mr. Brown?
- Brown: If you want to, I think that is a question of whether you want to use the dollars or not.
- White: Well, I say that is the question that he is putting to your organization, I take it.
- Brown: I didn't understand it that that was our responsibility. Whether you wanted to use your dollars or not - our responsibility is to see if we can save you dollars when you want to do it.
- Phillips: Well, we will say offhand now that we won't have this under Lease-Lend.
- White: The question is whether they could put this under Lend-Lease or whether they have to use dollars.
- Cochran: But you prefer to conserve your dollars.
- Phillips: We want it under Lease-Lend; but, if you think in the circumstances I described we oughtn't to do it, I wouldn't.
- Keynes: He is a little shy and wants some encouragement.
- White: Do you understand--
- Bell: You don't care about the circumstances, particularly, do you Brown?
- Brown: Not at all.

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Bell: They will have to put in a requisition and state the circumstances and what happened and request that it be brought under Lend-Lease.

Brown: That might - when does your ship want to go?

Phillips: I am not--

Brown: When does the supplier want payment? It might involve a delay which would hinder you considerably, but I see no objection.

Phillips: All right, I will tell them to put the requisition in and fully explain the circumstances.

Brown: Procurement might not agree with the price.

Phillips: The Ministry of Agriculture?

White: You might not agree with the price?

Brown: The chances are Procurement might not.

White: The chances are they bought the sugar at the right price.

Bell: Well, let's put it in, and then get a decision on it.

What else?

White: Well, Dan, what we have been doing, if there is time, is to go over these requisitions. Now, there are some decisions that have been made, I take it, on certain ones already, and we will quickly indicate whether they have been approved or disapproved, whether they have been approved for Lend-Lease or disapproved.

(To the Reporter) Get these figures, because

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I will have to copy them.

- Bell: The first one is recruitment of technicians for Civilian Training Corps. One million five hundred thousand and the approximate maximum, twenty-three million. They have got that on an annual basis. I take it that is what that means. Is there any explanation that goes with this?
- Cochran: It is the next page.
- Brown: Our office feels that that could not be Lend-Leased because we can't see any defense article or any defense information to which the expenditure would be related. Inasmuch as it involves entirely recruiting of people to go to England and to deal with English articles.
- White: This item came up before, didn't it, something equivalent to it, and wasn't there some suggestion on the part of Mr. Cox?
- Brown: That it might possibly be worked out in connection with some radio locator or something which we were either building or procuring for the British under Lend-Lease funds and if that were so we might be able to work out a good deal of this, but apparently that is not the case, and we can't see how we can relate it to any defense article or information.
- White: In other words, you have already examined it but with this particular problem in mind and you don't find any relationship.
- Keynes: If these men were being trained to use some instrument which would be useful to you hereafter when they had their training, then it would be possible, wouldn't it?

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- Brown: No, sir, let us assume that these men would operate radio locators which were being bought here in this country for you with Lend-Lease funds. We felt that then we could take in the additional expense of training and maintaining the operators as being an incidental to the procurement of the defense article or being considered to be a disclosure of defense information to you, but--
- Childs: You can't give information except with a Lend-Lease article supplied under the act, so unless the article is supplied under the act, you can't tie it up with this.
- Bell: Well, you can't consider this as part of our training program.
- Keynes: I was thinking of something like that. Put it not under Lend-Lease, but under your Army program. This is the cost of training the American civilian in a very important new technical device.
- Bell: For national defense.
- Brown: Well, if the Army wants to use some of its appropriations for that, that is - my only ruling is that we can't use the Lend-Lease Appropriation to do that.
- White: Well, supposing that the suggestion which has been raised here, in pursuing that, that the Army might regard this as part of its own potential trainees and would wish to pay out of their funds - would that in any way involve the Lend-Lease?
- Brown: No, sir.
- White: Then that is a problem to be taken up directly

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with the Army.

Brown: Yes.

White: What is the channel through which that might be done? Do you have any regular channel or--

Keynes: Mr. Boddis has a criticism on it. He says the training ought to be technical and that these people are already experts.

Brown: The "Civilian Technical Corps" is a misprint in there.

White: That is "Civilian Technical Corps" instead of "Training Corps."

Bell: They are already trained.

Now, aren't they going abroad?

White: And getting more training.

Phillips: They are experts who are going to be put on to a special job of handling a particular new machine, and it will take them two months to get used to handling that machine.

Bell: Is this expense training them in this country?

Boddis: They are being trained in England.

Bell: I see.

Childs: This is really an expense of getting them and getting them over there.

Cochran: These are American citizens being taken over there.

White: Then the only way in which the Army might

regard that as falling within the purview of its expenditures is that they might say that these men are going over there and they are going to get a lot more experience under actual war conditions, and that will be useful to us in the future if they survive.

Keynes: I think so.

White: Well, that might be worth exploring, in any case. What would be the appropriate liason? Do you have one or do you want Treasury to attempt it?

Boddis: It would be very useful if you would, Dr. White.

White: Supposing we raise that question with the Secretary, then?

Keynes: The matter goes to the Secretary on Tuesday, doesn't it?

White: Yes.

Keynes: The major matters of policy.

White: Is the twenty-three million dollars involved?

Cochran: That is the biggest item on the sheet.

Phillips: If they get thirty thousand men, that is the estimated cost in dollars.

Keynes: Is this the families' allowances, including that?

Phillips: Yes.

White: I take it if the Army felt it was a necessary part of the training, the entire expense would be one which they--

- Brown: It is the expense of recruiting them exporting them to Canada, the expense of the dollar payments they would be permitted to send their families in this country.
- Keynes: It is only eight hundred dollars each for thirty thousand.
- Bell: Supposing you had a - you are going up for another Lend-Lease Appropriation. Would its language be different than the one we now have so that this thing could be done?
- Brown: The difficulty here, Mr. Bell, is with the language of the Act itself.
- Bell: The basic law?
- Brown: Which differs from the appropriation bill.
- Bell: But you can do a lot in--
- Brown: Oh, yes.
- Bell: Getting around the basic language by writing the appropriation language. I should think this would be just as important as furnishing a machine gun.
- White: It will have the advantage, at least, of being of use to us in the future.
- Bell: Yes. Well, the answer is, from Lend-Lease quarters, "No," for the moment.
- White: Then it is disapproved for Lend-Lease, but will be taken up with the Secretary with a view to seeing whether he would wish to approach the Army.
- Childs: It is out of this in any event.

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- Bell: Thirty mechanics to assemble aircraft at Takoradi.
- Brown: That is O.K. from the point of view of the Lend-Lease.
- Bell: And you pick out the little ones, don't you? This is very small.
- White: That is item thirty-four, approved.
- Bell: Yes.
- Twenty DC-3 aircraft, annual cost, eleven million three hundred fifty.
- Brown: That one involves certain policy questions as well as the Lend-Lease questions. Mr. Cox's feeling about that is that the best thing to do was to put in a requisition for the whole amount. There is a very large part of it that we are quite sure can probably be Lend-Leased, and we have some thoughts as to how we should do the whole thing, but we haven't been able to crystallize that yet.
- Bell: The answer is then, it has tentative approval and a requisition should be put in.
- White: Well, wouldn't you want to then handle that merely as approved for requisition, except that you are suggesting that the requisition that is submitted be increased by the total expenses involved?
- Brown: No, I was suggesting that a requisition be put in for the full amount, but I just wanted to tell Sir Frederick that we weren't entirely sure yet that we could take care of the whole amount.
- Phillips: You did think you could take care of a large

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part of it?

Brown: Oh, yes.

Phillips: Twenty aircraft is a tiny part of the cost.

Brown: For example, the 1a, 1b, 2a, 2b, 2d, all of those we could certainly take care of, and we think we have found a way in which we can take care of a lot.

Bell: Good.

White: Supposing we just put down "approved" here, because that is merely approved for submission.

Bell: Aren't they all approved that way?

White: No, they don't submit--

Bell: No, I mean when you say, "Approved," aren't they all submitted in a requisition?

White: That is right.

Bell: Repairs to a Hudson "V" aircraft, thirty-six thousand dollars.

White: Number thirty-six.

Brown: That is O.K.

Bell: Approved.

White: Thirty-seven?

Bell: Modifications to Lockheed aircraft, twenty-six thousand.

Brown: I take it that is a recent--

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Keyes: Mr. Thompson put this up. We are not sure that Lend-Lease can meet our requirements.

Thompson: On grounds of urgency.

Brown: Legally it would be perfectly all right for Lend-Lease.

White: Have they made their decision yet with respect to the urgency of it?

Phillips: Yes.

White: And your decision is to pay dollars?

Bell: It is approved, but they won't submit it, is that right?

Thompson: Then we shall have to decide whether the time limit of the urgency--

White: And that decision you haven't made yet?

Thompson: Yes, until we have heard from the aircraft people.

White: Lease-Lend?

Thompson: Yes.

White: Approved.

Bell: Machining of Bristol crank-shafts, sixteen thousand. Interest, sixty-six dollars fifty cents.

Keyes: That one, I believe, you threw out, Mr. Brown.

Brown: Well, we felt considerable doubt about that. It is a question of finally fixing the price of a pre-existing contract. It is a very

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small amount, and since there is reasonable haste about it, we think--

- Phillips: It is all capital, isn't it?
- Keyes: No, it is machinery.
- Boddis: It would be a very difficult case to handle under Lease-Lend.
- Brown: We have some doubt as to its legality. If you want us to, we could probably work it, but we prefer to have you use dollars for it.
- Bell: You will look at it, if they will submit the requisition--
- Brown: We think it - it is practically a very difficult one, and it is legally rather doubtful.
- Childs: Shall we submit a requisition on this?
- Thompson: Mr. Boddis thinks it is so messy that we ought to spend dollars.
- Bell: It doesn't involve a lot of money.
- Brown: We will say dollars.
- White: I think maybe it would save them a little trouble on some of these small ones, and we can be a little more urgent in our requests that they go to more trouble on some of the larger ones.
- White: Thirty-nine--
- Bell: Flight testing of Baltimore aircraft. No amount.
- Brown: Well, it is a certain amount per plane. It would depend entirely on the number of hours

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that the testing took, I gather, but that is all right.

Bell: You can pay for that?

Brown: Yes.

Bell: O.K.

Brown: There is no contract yet, is there?

Keyes: On that one, Mr. Boddis, I think there is an awful lot of urgency.

Bell: Approved, Harry?

Seven hundred thousand fuses, number two thirty-one--

White: Number forty.

Bell: One million three hundred thirty-two thousand. Initial payment, thirty-six.

Brown: That is a case where the contract was entered into before March 11, but the contractor has fallen down very badly and is completely in default and the British wanted to make a contract with somebody else to do the same job. We don't feel that that would be a - that would be a new contract with a new contractor, and we don't feel that would be running counter to Mr. Smith's testimony because, although it amounts to taking over the British contracts, it is only because the other fellow fell down on the job.

Bell: That is relief under the three hundred million.

White: There would be more defaults and more relief?

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- Field: In that memorandum, submitted for decision whether BPC should place the contract, whether funds would be made available under Lease-Lend. With that decided upon, further it is wondered whether the Lease-Lend would be at the higher or lower prices and whether pending issue of the Lend-Lease contracts the BPC can instruct the contractor to begin work.
- Brown: That Lend-Lease machinery will involve some delay. Naturally, it would have to in a number of cases undertaken with the contractor. If Lend-Lease machinery results in a lower price, he will make up the difference.
- Childs: That is the case with all contracts we had to take over. You are proposing simply to guarantee them against loss if they will get on the ball in anticipation of U. S. contracts.
- Field: Yes. It has certain possibilities. We would rather the second contractor would take over.
- Thompson: The higher price arises from the fact that he will be taking over slightly higher priced sub-contracts instead of placing new sub-contracts at a lower price. That higher price would represent speed.
- Field: Yes.
- Childs: Then all you are questioning is the difference between the U. S. price and our price. That is all we lose.
- Field: Tell the contractor to go ahead and take over what he can and guarantee to him we would make good to him anything that the Lease-Lend contract can't reimburse him for.
- Bell: How would you look on that?

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Brown: There would be no objection from our end.

Field: Then he can get on with the job.

Bell: In other words, the British Government might have to pay out twenty-nine thousand dollars under that arrangement?

Field: Yes. That is the difference between the higher and lower prices.

Bell: At the maximum?

Field: Yes.

Bell: All right.

White: Forty-one.

Bell: Boxes for ammunition and labor cost of packing, thirty-six hundred dollars.

Brown: That is extremely urgent in order to get a ship.

White: I didn't know we were producing that much.

Bell: Thirty-six hundred and twenty-eight dollars.

White: We are doing well.

Phillips: It is urgent and--

Bell: Comes under your five thousand limit.

Thompson: It is represented as being urgent.

Bell: It is all right for Lend-Lease, if you want to take the time.

Childs: Is that clear, that it is definitely urgent?

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Cochran: Well, there is a note here.

Thompson: It is represented to us as being urgent, and therefore will pass for dollars.

Childs: Where do we get that, the War Department? Maybe we had better put down dollars.

Bell: Stationery, printed forms, et cetera, already ordered, it says. The balance - oh, no, you have ordered five hundred and sixty dollars, and the balance due is fourteen forty. That is another small one.

Thompson: That was in the case of a ship which was leaving.

Keynes: Dollars.

Bell: Crude sulphur, twenty-two hundred and sixty-six dollars.

Thompson: That is shifting the crude sulphur from an Italian ship. It is not the crude sulphur itself.

Bell: Oh, that is just handling between ships?

Brown: Dollars.

Bell: Dollars?

Brown: Yes.

Bell: No more?

White: Yes.

Childs: Here are two on the next page.

Bell: Covered copper wire, thirty-two hundred and fifty dollars.

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White: Number forty-four.

Thompson: That is represented as most urgent.

Bell: Dollars then, is it?

Thompson: Yes.

Bell: O.K.

Small cutting tools, twelve hundred and sixty dollars.

Thompson: All those are urgent.

Bell: Urgent?

Thompson: Yes.

Bell: These are all right, I take it, Brown, for Lend-Lease, if they want to--

Brown: Yes.

Bell: Go through the machinery.

Childs: This is dollars here.

Bell: Yes.

Phillips: What is the last one?

Bell: Three hundred forty-five small camp stoves and forty-five generators for those stoves, nine hundred ninety-two dollars.

Thompson: It is the first part of that that is urgent, nine hundred ninety-one, isn't it, or nine hundred ninety-two?

Bell: Nine hundred ninety-two.

- Thompson: That is urgent and recommended for dollars. There is a further part of that contract which we hope to have Lend-Leased. This is the urgent portion of it.
- White: That additional part is not indicated here.
- Brown: As I understand, the whole thing was previously approved for Lend-Lease, but you were in such a hurry that you wanted to use some dollars on it.
- White: Merely as a matter of interest, when they specify a thing being urgent, and you - therefore taking it out of Lend-Lease, is that urgency a matter of days, and when they have it under Lend-Lease, it is a matter of what? Likely to be?
- Thompson: That is a point we should like to get sharper in our own minds. The time limit which makes it really urgent. Things are put to us as being urgent, possibly.
- White: You have some idea of that. I wondered if Mr. Brown could give us some idea what happens when it goes to Lend-Lease?
- Bell: The question raised in our minds, I take it, is why we can't do it as quickly under Lend-Lease?
- Brown: Because in a number of these cases the contractors have almost completely negotiated by the time it comes up here. Therefore, the work would have to be done over again. At least a check would have to be made which would certainly involve more time.
- Bell: That is the only delay?
- Keynes: What is the delay, a matter of one week or

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three weeks or six weeks?

- Archer: It varies a great lot with the commodity.
- Kades: That is exactly what we are working on.
- Field: That is why we asked for up to a thousand - to stop there.
- Childs: There is a great deal - as a matter of fact, we have already arranged in terms of time to examine that situation, because a successful operation of this depends upon the speed with which they can handle it, and General Burns has already taken up that question.
- White: Because I should assume that many of your purchases you would make, the bulk of them could legitimately be classed as urgent.
- Childs: The whole war.
- White: And if something could be done to speed up--
- Brown: When it comes to catching a ship or something like that--
- White: Yes, and where the amount is large.
- Keynes: It might be useful at a later date to have a return of what the time lag is or if we should have to put up to this committee at intervals any requisitions where the lapse was more than a certain amount so that we could inquire why.
- Brown: That would be very helpful, and we would see what we can do to speed it up.
- Thompson: In your machinery is a revolving fund which we should like to get working absolutely smoothly in some cases, and it will save quite a lot of time. Mr. Archer knows

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something of the operation of that.

Archer: That has been used in several cases.

Thompson: But we will try and get clear in our minds where the operation of that may enable us to have more speed.

Bell: Many of these items have been disapproved because of the urgency of the case. I should think you ought to be a little careful that you don't use them for precedents in the future and say we have already passed on that category, and there is no use of going into it again.

Brown: Well, in considering these various items before a meeting, we have examined each one pretty much de novo with the general idea that you mentioned.

Bell: Is that all?

White: I will fix this up with Sir Frederick's signature.

Bell: Yes.

Childs: That is the signed copy.

White: Yes, this is the signed copy. Do you have another copy which has been made for this--

Bell: That is the Secretary's signed copy?

White: Yes.

Childs: How many copies can we leave?

Keyes: We can leave three.

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Cochran: Here is a copy.

White: All right, this will be enough.

Copy to Foley

July 3, 1941
1:54 p.m.

HMJr: Hello.

Operator: Senator Herring.

HMJr: Hello.

Senator Herring: Hello, Clyde Herring.

HMJr: Yes, Senator.

H: Say, I have a wire from Des Moines and I took it up with your office this morning . . .

HMJr: Yes.

H: It's in connection with a request of the Register & Tribune to be permitted to publish a mimeograph line drawing 4 x 6 in connection with a campaign they are putting on for Postal Savings Stamps.

HMJr: Yes.

H: Your Legal Department states that they would have to advise us partly; it is an administration question that would have to be determined by the administration of the office rather than the legal department.

HMJr: Yes.

H: They are very anxious. They are putting on a campaign in July and are anxious to get a reply. So I have to bother you.

HMJr: Well . . .

H: Miss B or someone in the legal section has the file.

HMJr: What paper wants it?

H: The Des Moines Register & Tribune.

HMJr: They want to put on a reproduction of the stamps?

H: That's it. They want to put that on in connection with a campaign for subscription to - they want 1400 salesmen to get out and sell Postal Savings Stamps.

HMJr: Wonderful.

H: Yes, it seems to me, it's a fine thing if we could find some way to do it. She says that probably it might be construed as violating 264 and 18, but as an administration question she thinks it could be handled all right.

HMJr: You want me to give you the answer within the hour?

H: I wish you could.

HMJr: Between now and three, I'll give you an answer.

H: Thanks, Henry.

HMJr: You're welcome.

H: Thank you.

July 3, 1941
2:15 p.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Suldz: Hello.

HMJr: Hello.

S: Yes, Mr. Secretary.

HMJr: You know I read this thing of yours and I don't understand it - what is it you wanted, an Advisory Committee?

S: I - you mean for the region.

HMJr: Yes. I just don't know what that whole list is. Is that a.....

S: No, it is not an Advisory Committee, Mr. Secretary. It's just outstanding people of the literary world who will appear briefly on the program for a second to congratulate Mr. Van Patton on the opening of this type of program.

HMJr: All of those people?

S: Well, they are getting busy now and they have about five or six of them lined up.

HMJr: Well, you can go as far as you want, but don't ask Mrs. Roosevelt.

S: Well, who would you suggest? I'd like to have an official opening if possible.

HMJr: Well, I really don't know, I'm - you people kinda squeeze me dry - I don't know who.

S: I - do you agree with me that we should have some official opening.

HMJr:

Well, we got enough people in the Treasury, let some Treasury person do it.

S:

All right. Well, suppose I talk it over with Mr. Kuhn, he might have someone to suggest.

HMJr:

That's right. Well, I thought this was to be a committee. I think it's a...

S:

No, it won't be a committee. It'll - they'll appear on the program just briefly.

HMJr:

Well, that's all right, but I don't want to ask Mrs. Roosevelt.

S:

All right, fine.

HMJr:

Okay.

S:

Do you like the opening program?

HMJr:

Yes, it's fine.

S:

That's that and I'll have Novakner's selection for you very shortly.

HMJr:

Good.

S:

And I'm going to have her sing some Czechoslovakian numbers.

HMJr:

Thank you.

S:

All right, thank you, sir.

HMJr:

Right.

S:

Goodbye.

July 3, 1941
2:57 p.m.

HMJr: Hello.

Sumner Welles: Hello, Henry.

HMJr: Sumner?

W: Yeah.

HMJr: In order not to have to use the telephone, hello?

W: Yes.

HMJr: On this thing that we were talking about..

W: Yes.

HMJr: John Wiley has got all the information...

W: Good.

HMJr: And he's been over with O.N.I. for hours today, so he's got theirs and ours.

W: Fine.

HMJr: Now, what time this afternoon would you want to see him when you come back?

W: Could he drop around to see Dr. Hornbeck now?

HMJr: Yes.

W: All right, I'll ask him to see him because I have to see Halifax.

HMJr: That's all right. Will you tell Hornbeck?

W: I'll tell him immediately.

HMJr: He'll be over there in 10 or 15 minutes.

W: Fine and thank you so much, Henry.

HMJr: And is it Hornbeck that you want to keep - have him be posted.

W: Yes.

HMJr: What?

W: Yes, that's right.

HMJr: You want Hornbeck.

W: Yes, that's fine, exactly right.

HMJr: All right, he'll do that.

W: All right, Henry.

HMJr: Thank you. I'm afraid to use the phone.

W: Right. I hope you have a nice holiday.

HMJr: Thank you.

W: Will you be coming back with the President or later?

HMJr: A little bit depends upon when he comes.

W: He's coming Saturday morning.

HMJr: No, then, I won't.

W: All right.

HMJr: I'll come back Sunday night.

W: All right. Goodbye.

HMJr: Goodbye.

July 3, 1941
3:19 p.m.

HMJr: Hello.

Operator: Senator Herring.

HMJr: Hello.

Clyde
Herring: Hello.

HMJr: Hello, Clyde?

H: Yes.

HMJr: Henry.

H: Yes sir.

HMJr: Tell your people out there to go ahead
and more power to them.

H: Good, fine. That's fine of you.

HMJr: They - I'm delighted.

H: They have 1800 out there - they'll do
some business with that.

HMJr: Wonderful.

H: Yeah. Well, thanks ever so much.

HMJr: Thank you for bringing it to my attention.

H: Thank you, Henry.

HMJr: Goodbye.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

July 3, 1941.

TO Secretary Morgenthau

FROM J. J. O'Connell, Jr.

For your information

I attended a meeting on oil in Secretary Ickes' office this morning at 10:00 o'clock. The meeting was a large one, there being in the neighborhood of 40 people present representing nearly that many agencies. Among those present were Secretary Perkins, Secretary Knox, Judge Patterson, Admiral Land, Leon Henderson, Nelson Rockefeller, Joseph B. Eastman, Oscar B. Ryder (Vice-Chairman of the Tariff Commission), Wayne Taylor, Charles March (Chairman, Federal Trade Commission), Sumner T. Pike, Thurman Arnold, and a number of others.

The group devoted itself to a general discussion of the existing and probable future situation as regards oil and gasoline, particularly along the Atlantic Seaboard. Secretary Ickes led the discussion and reported in some detail on the situation as he sees it. The fact that a real shortage will exist by Fall is beyond dispute, some informed people believing that the deficiency in available gasoline will run as high as 50% of demand. Unless this situation is relieved, and there does not seem to be any hope of relieving it entirely, it will mean rationing of both gasoline and fuel oil by Fall.

The problem is largely one of transportation, since there is nothing like a shortage in crude oil and no apparent shortage in refinery capacity. The present situation was caused by the transfer to the British of 50 tankers which had been plying between the Gulf Coast and the Atlantic Seaboard. The situation will probably become worse in that respect because Admiral Land advised the meeting that the British have already requested additional tankers, and while he did not feel free to state the number they have asked for he said that their request was "appalling". This would seem to indicate that they probably need a very substantial number and to the extent

2.

that we comply with their request it will make our own oil and gasoline situation so much the tighter.

Moves are being made in several directions which will tend to alleviate the situation. One is the construction of a pipeline from the Illinois field to Philadelphia and New York. Practically all of the details have been ironed out and it is expected that by the end of this year such a pipeline will be completed and will be carrying oil at the rate of 115,000 barrels a day. This will help substantially. Another pipeline from the Gulf Coast to Norfolk would be completed now but for opposition of the railroads, which manifested itself by unfavorable action of the Georgia Legislature. The effect of this opposition has been to prevent the completion of the pipeline across Georgia. Secretary Ickes stated that a bill which his office has sponsored and which will authorize the taking of the needed property by eminent domain has already passed the House and will probably pass the Senate next week. If this works out, that pipeline will be in operation in six or seven weeks. This too will help the situation somewhat.

Other projects under way involve conservation of both oil and gasoline by urging and educating people to operate their cars, oil burners, and other fuel-consuming engines more efficiently. It was stated that efficient operation of automobiles would save 20% of their fuel consumption and that an examination of individual oil burners by competent technicians would show householders how to save 15% on their fuel consumption. Secretary Ickes advised that they are working on these angles of the problem, as well as a number of others, and would welcome additional suggestions. He stated (and I am sure he was not being facetious) that he has instructed his Park Police that on and after July 5 they are to arrest people in the parks who do not operate their automobiles efficiently.

No definite time was set for the next meeting but it was stated that such meetings would be held periodically, ordinarily by the Deputy Coordinator, Mr. Davies. The meeting adjourned at 11:15.

Joseph J. O'Connell

MEMORANDUM

July 3, 1941

To: PRICE ADMINISTRATION COMMITTEE
From: R. K. Thompson, Secretary

Attached hereto are the following:

1. Minutes of the meeting of July 1.
2. Revised copy of price schedule No. 2.
3. Amendment to price schedule No. 8.
4. Price schedule No. 11.
5. Civilian allocation program for materials and equipment used in maintenance and repair work.
6. Civilian allocation program for material and equipment for the construction and repair of canning machinery.

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CONFIDENTIAL

SUMMARY OF STENOGRAPHIC TRANSCRIPT OF MEETING OF
PRICE ADMINISTRATION COMMITTEE

July 1, 1941
11 a.m.

Chairman: Mr. Henderson

Present: Miss Elliott, Messrs. Stevens, March, Pike, Lubin, Ezekiel,
MacKeatchie, Ballif, Goodloe, Barnes, Shields, Hamm, Gal-
braith, Weiner, Ginsburg, Hoover, Cox, Plummer, Thompson.

1. Press conference

Mr. Henderson announced that he would hold a press conference this afternoon since the time has come for frank public discussion of certain problems. He added that the price level has been increasing about a percent a week and is now about a point above the 1937 rise. Since production is still going up and is keeping pace with the increase in the supplies of money, the situation is not yet inflationary, but several markets have gotten out of hand and required OPACS to take action.

2. Cotton textile schedule

Probably the most important action taken, Mr. Henderson said, was that in fixing 39 cents as the price of standard print cloth, allowing a margin of around 21 to 22 cents, which includes a cent and a half per pound for adjustments to the minimum wage of 37½ cents set by the Wage and Hour Committee for the cotton textile industry and also for the current market price for cotton. On the assumption that the mill was buying cotton at the current market price, the 39-cent price allows for the cost of the cotton, an adjustment due to increasing labor costs, and for a satisfactory mill margin. Three main causes of complaint under the schedule are (1) the general dislocation, (2) the fact that margins recently have been as high as 27 and 28 cents, and (3) its retroactive application to all contracts in force.

Mr. Ezekiel raised a question concerning what steps would be taken to secure compliance with price schedules since he has had reports that cotton yarn was being sold above the prices set, and in much smaller volume than before the schedule was issued. Mr. Galbraith explained that part of the decreased volume is due to the decreased number of forward commitments now being made in the textile market since there is no longer an incentive for a great deal of forward buying in anticipation of even higher prices.

Mr. Esakiel also spoke of the alleged difficulty in getting cotton yarn for defense contracts but Mr. MacKeatchie replied that only a few contracts had been difficult to place pending the latest price schedule on cotton textiles, but that the difficulty had not been serious enough to bring to the attention of OPACS. Mr. Henderson stated that if the problem becomes serious it can be handled through priorities or compulsory orders and Mr. MacKeatchie added that in the Southern mills the power priority will be effective.

3. Evasion of price schedules

Mr. Ginsburg reported that Mr. Renard had brought to the attention of OPACS the rumor that contracts are being entered into at prices above the ceiling and that the difference is being placed in escrow pending the validation of OPACS' actions. Mr. Ginsburg added that he advised Mr. Renard that the position of OPACS is that this is a clear lack of compliance with the price ceiling and that we were willing to issue a statement to that effect to clarify the position of this office.

4. General economic over-all policy statement

Mr. Henderson announced that Dr. Hoover and Dr. Clark are in charge of a general economic over-all policy statement for OPACS and are looking into the effect of defense spending, the amount that is likely to be pre-empted by taxation and by savings, and the amount of the spread which would not be absorbed by ordinary diversions or by increase in supply. He added that the estimating of the possible increases in civilian goods which will be available for increased purchasing power and of the prospective increase in retail prices based upon what is happening in wholesale or raw materials prices presents difficult problems. He asked that any thoughts on the various problems confronting OPACS in an estimate of the nature of the threat of inflation be passed on to Dr. Hoover.

5. Furniture and commodity markets surveys

Mr. Henderson expressed his gratification at the rapid start which the Federal Trade Commission has made in undertaking a survey as to whether or not costs have substantially increased in the furniture industry and also as to their relation to existing profits in the industry. He also commended the Securities and Exchange Commission for its timely information concerning what is happening in various commodity markets.

6. Civilian allocation conferences and programs

Mr. Henderson announced that the series of conferences which the Civilian Allocation Division will hold with various industries concerning the impact of the withdrawal of raw materials, etc., will begin July 8 with the refrigerator industry and will include most of the durable consumers' goods in the first group. Messrs. Henderson and Weiner reported that two civilian allocation programs had just been issued—one covering

civilian preferences for repair and maintenance materials and equipment required for uninterrupted operation of 26 industries and services whose continued operation is essential to the public welfare and maintenance of civilian supplies. The other provides for the emergency allocation of material and equipment necessary for construction and repair of machinery needed by the canning industry to handle this year's crop of perishable vegetables and fruits.

7. Rubber

Mr. Galbraith reported that a series of meetings is being held with rubber producers and distributors and that probably by the end of the week policy concerning a rubber price order will be crystallized. The meetings have tended to show that, though most units of the trade would like a price increase, none of them sees any particular prospect of one. Moreover, since the mass distributors have catalogued existing prices for a long period in advance and since that sets the level for the market as a whole, a price schedule may be avoided in that field. Mr. Henderson added that if there is any way to avoid the fixing of tire prices, no schedule will be issued.

Mr. Lubin referred to the recent "scarce" advertising urging the public to buy tires now and added that it should be stopped. The United States Rubber Company, on the other hand, is advising the public not to buy tires unless they are needed.

8. Cotton seed oil

Mr. Galbraith reported that in the last few months cotton seed oil has almost tripled in price, that spot holdings are not in considerable volume, and that the increase in price has reacted to the benefit of those holdings and of the mills rather than to the benefit of the producers. OPACS has announced that the holdings will be inventoried with a view to applying a ceiling for the balance of this crop year to force the sale of the holdings at a more reasonable price.

9. Farm machinery prices

Col. Varch reported that prices of farm machinery have gone up recently but Mr. Galbraith explained that that report is probably due to the fact that OPACS has approved a 10 percent increase in price for a Canadian line of machinery sold by John Deere, for example, on the ground that they are dealers. He added that so far as the major units in the industry are concerned no serious advances have come to the attention of OPACS.

10. Regulation of consumer credit

Mr. Henderson reported that the problem of the regulation of consumer credit has been discussed quietly with the Federal Reserve Board, with Mr. Wugent as OPACS' representative. A general agreement has been

reached as to the nature of the regulation and how it might be instituted when necessary. The whole matter will be discussed with the Treasury Department this week.

11. Relation of insured mortgages to inflation

Mr. Lubin brought to the attention of the committee the fact that the Federal Housing Administration has been circulating a memorandum on the relationship of guaranteed or insured mortgages to inflation. The problem is of particular importance because the housing being constructed under those mortgages is the speculative type for sale. Mr. Lubin raised the question whether the Government would want to be a party to speculative housing which will be sold to persons in the lower income brackets whose incomes will be insecure after the present emergency is over and suggested that the proportion of the mortgages insured should be reduced to 85 or 70 percent for housing built for sale.

Mr. Henderson stated that OPACS is preparing to make a statement to the Budget on the matter and on the nature of the Defense Housing Coordinator's proposals as to defense housing on a rental basis.

The committee adjourned at 11:50 a.m. to meet Tuesday, July 8 at 11 a.m.

PRICE SCHEDULE No. 2
(AS AMENDED)

113

Aluminum Scrap
and
Secondary Aluminum Ingot



OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF PRICE ADMINISTRATION
AND CIVILIAN SUPPLY
WASHINGTON, D. C.

Order Ratifying Action Taken Prior to Establishment of Office of Price Administration and Civilian Supply¹

OFFICE FOR EMERGENCY MANAGEMENT

OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

1. All price schedules, instructions, announcements, forms, and notices heretofore issued, promulgated, or adopted, and all committees formed, by the Advisers on Price Stabilization and Consumer Protection, members of the Advisory Commission to the Council of National Defense, or by the Price Stabilization and Consumer Divisions of the Advisory Commission to the Council of National Defense are hereby ratified, adopted, and continued in effect, until modified, terminated, or superseded, as price schedules, instructions, announcements, forms, notices, and committees, of the Office of Price Administration and Civilian Supply and the Administrator thereof.

2. This ruling is issued under, and in execution of the purposes of, Executive Order No. 8734, issued by the President on April 11, 1941. Issued this 15th day of April 1941.

LEON HENDERSON,
Administrator.

¹ Federal Register, April 10, 1941, Vol. 6, No. 74.

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TITLE 32—NATIONAL DEFENSE
Chapter XI—Office of Price Administration
and Civilian Supply

Part 1302—Aluminum Scrap and Secondary
Aluminum Ingot

PRICE SCHEDULE NO. 2¹

WHEREAS, the Office of Price Administration and Civilian Supply is charged with functions related to the maintenance of price stability and the prevention of undue price rises and price dislocations; and

WHEREAS, producers of virgin aluminum have been directed by the Office of Production Management, Division of Priorities, to give priority to defense orders, thus diminishing the supply of virgin aluminum available to satisfy civilian needs and thereby necessitating increasing resort to aluminum scrap and secondary aluminum ingot; and

WHEREAS, the increased demand for aluminum scrap and secondary aluminum ingot has exerted inflationary pressure upon the prices thereof, and has in some cases already caused, and threatens to a greater extent to cause, speculative activity, and the withholding of aluminum scrap and secondary aluminum ingot from the market; and

WHEREAS, prices of aluminum scrap and secondary aluminum ingot, while normally less than prices of virgin aluminum, have risen to exceed the prices of virgin aluminum, so as to result in price instability and dislocations injurious to the national defense; and

WHEREAS, in the light of the aforesaid factors the absence of any maximum price standards for aluminum scrap and secondary aluminum ingot makes it difficult and in some cases impossible for the trade voluntarily to cooperate with the Government in maintaining price stability and in preventing excessive and speculative price increases; and

WHEREAS, the establishment of such standards by the Government is necessary to facilitate such cooperation, and to prevent the

¹ Federal Register: March 25, 1941, Vol. 6, No. 58; amended May 2, 1941, Vol. 6, No. 57; amended June 2, 1941, Vol. 6, No. 107.

kind of private price policy which leads to a weakening of the defense effort through dis-inflation, undue burdens upon the Government, economic dislocations, price spiraling, and profiteering, and the establishment of such standards is otherwise necessary in the public interest and in the interest of national defense; and

WHEREAS, on the basis of information secured by independent investigation by this Office and by the Office of Production Management and information furnished through the cooperation of the trade, I find that the maximum prices set forth in section 1302.14, Appendix A, and section 1302.15, Appendix B, attached hereto, constitute reasonable limitations on prices for aluminum scrap and secondary aluminum ingot,

NOW THEREFORE, in order to facilitate cooperation with the Government in maintaining price stability and in preventing excessive and speculative price increases injurious to the defense program and to the public interest and welfare, IT IS DIRECTED THAT:

1302.1. *Maximum prices on sales of aluminum scrap by the maker of the scrap.*—On and after March 25, 1941, except as provided in section 1302.5 below, regardless of the terms of any commitment theretofore entered into, no maker of aluminum scrap shall sell, offer to sell, deliver, or transfer at a price, aluminum scrap made by him at prices higher than the prices set forth in Column I of section 1302.14, Appendix A, and no person shall buy, or offer to buy, aluminum scrap from the maker of such aluminum scrap at higher prices. Lower prices than those set forth in Column I of section 1302.14, Appendix A, may, however, be charged, demanded, paid or offered.*

1302.2. *Maximum prices on sales of aluminum scrap by dealers.*—On and after March 27, 1941, regardless of the terms of any commitment theretofore entered into, any person who is not the maker of the aluminum scrap sold, offered for sale, delivered, or transferred at a price, shall not sell, offer to sell, deliver, or transfer at a price, aluminum scrap at prices higher than the prices set forth in Column II of section 1302.14, Appendix A, and no person shall buy, or offer to buy, aluminum scrap from any person who is not the maker of such aluminum scrap at higher prices; except that any person not the maker of the aluminum scrap who had purchased aluminum scrap prior to March 24, 1941, to meet a previously made firm commitment of sale or delivery of such scrap to another person may, upon application to the Office of Price Administration and Civilian Supply, be permitted to sell, or deliver, and accept payment for, such scrap

*Sections 1302.1 to 1302.18, inclusive, issued pursuant to the authority contained in Executive Order 8734.

in accordance with the terms of such firm commitment. Lower prices than those set forth in Column II of section 1302.14, Appendix A, may, however, be charged, demanded, paid, or offered.

1302.3. *Maximum prices on sales of secondary aluminum ingot.*—On and after March 25, 1941, prices for secondary aluminum ingot shall not exceed the prices set forth in section 1302.15, Appendix B, and the maximum price limitations for secondary aluminum ingot set forth in section 1302.15, Appendix B, shall not, on and after March 25, 1941, be exceeded by any person in any purchase, sale, or other transfer at a price, of secondary aluminum ingot whether or not

(a) made pursuant to a contract of sale or purchase, or other firm commitment, entered into prior to such date; or

(b) made in the disposition of inventories of aluminum scrap or secondary aluminum ingot held on March 24, 1941;

except that to avoid loss to any person who had acquired such inventory in order to meet firm commitments made prior to March 24, 1941, for the sale of secondary aluminum ingot, the Office of Price Administration and Civilian Supply will, in appropriate cases to be determined on applications made under section 1302.4 hereof, permit the sale and delivery of such secondary aluminum ingot in accordance with the terms of such firm commitments. Lower prices than the prices set forth in section 1302.15, Appendix B, may, however, be charged, demanded, paid or offered.

1302.4. *Application for sale of secondary aluminum ingot at prices higher than prices in section 1302.15, Appendix B.*—Any person desiring permission to sell or deliver secondary aluminum ingot at prices higher than the prices set forth in section 1302.15, Appendix B, may apply therefor in writing, upon forms available upon request made to the Office of Price Administration and Civilian Supply, Washington, D. C. However, no permission shall be granted for the sale or delivery of quantities of secondary aluminum ingot in excess of the lesser of the following two amounts:

(a) total undelivered firm commitments, made prior to March 24, 1941, for sale of secondary aluminum ingot at prices higher than those set forth in section 1302.15, Appendix B; or

(b) total inventories of aluminum scrap and secondary aluminum ingot which were acquired at prices higher than the price limitations contained in this Schedule and which were held on March 24, 1941, by the applicant and, in case any dealer or other person had acquired any such inventory to meet a previously made firm commitment with the applicant for sale or delivery of aluminum scrap to the applicant, by such dealer or other person.

1302.5. *Conversion of scrap on behalf of a maker of the scrap.*—A maker of aluminum scrap may sell, deliver, or transfer aluminum scrap to the producer of the material from which the scrap is made; and the producer may purchase and receive such scrap, without regard to the maximum prices set forth in section 1302.14, Appendix A hereof, provided that *either*—

(a) The aluminum scrap so sold, delivered, or transferred consists of extrusion butts or ends, redraw tube ends, or rod turnings of not more than one alloy and such sale, delivery, or transfer is made pursuant to a written contract whereby the purchaser of the scrap agrees to convert the scrap to the type of material from which the scrap was made and to deliver to the maker of the scrap an equivalent amount of the same type of material, and such sale, delivery, or transfer is made in accordance with an established practice existing between the parties prior to March 24, 1941, and at prices which have not been increased since said date, or

(b) The aluminum scrap so sold, delivered, or transferred consists of unpainted and unlacquered strong alloy scrap in the form of sheet clippings or mutilated sheets, tube ends or mutilated tubing, or extrusion ends or mutilated extrusions, and is made by the aircraft industry and segregated as to alloy and sold, delivered, or transferred to the producer of the material for conversion in accordance with the terms of the letter of the Director of Priorities to members of the aircraft industry under date of March 6, 1941.

1302.6. *Evasion.*—The price limitations set forth in this Schedule shall not be evaded whether by direct or indirect methods in connection with a purchase, sale, or transfer at a price, of aluminum scrap or secondary aluminum ingot, or of any other materials, or by way of any service or other charge or discount, premium or other privilege, or by tying-agreement or other trade understanding, or otherwise.

1302.7. *Identification and record-keeping requirements.*—Every dealer in, and every maker, smelter, processor, or consumer of, and every other person purchasing or selling aluminum scrap or secondary aluminum ingot shall, until such time as further information is deemed necessary or appropriate hereunder, keep for inspection by the Office of Price Administration and Civilian Supply, and preserve for a period of not less than one year, complete and accurate records of:

(a) All purchases and sales of aluminum scrap and secondary aluminum ingot, recording therein the person from or to whom each such purchase or sale was made, the date thereof, the price

paid or received, and the quantity in pounds and quality by grades of aluminum scrap or secondary aluminum ingot, or both, involved; and

(b) As of the close of each month the amount in pounds of aluminum scrap and secondary aluminum ingot (i) on hand and (ii) on order.

1302.8. *Reports of dealer's sales of aluminum scrap to persons not smelters.*—Except as herein provided, any person who sells aluminum scrap to any user or further processor of aluminum scrap other than a smelter producing secondary aluminum ingot for sale, shall file a report with the Office of Price Administration and Civilian Supply, Washington, D. C., not later than the tenth day of the month following the month in which such sale is made, stating with respect to any and each such sale:

(a) The name and address of the person to whom the sale was made.

(b) The number of pounds and the grade of aluminum scrap, sold, and

(c) The price at which sold.

1302.9. *Enforcement.*—In the event of refusal or failure to abide by the price limitations, record requirements, and other provisions contained in this Schedule, or in the event of any evasion or attempt to evade the price limitations or other provisions contained in this Schedule, this Office will make every effort to assure (a) that the Congress and the public are fully informed of any failure to abide by the provisions of this Schedule; and (b) that the powers of the Government are fully exerted in order to protect the public interest and the interests of those persons who conform with this Schedule in the maintenance of the ceiling prices herein set forth. Persons who have evidence of the demand or receipt of prices above the limitations set forth, or of any evasion of or effort to evade such requirements, or of speculation, or manipulation of prices of aluminum scrap or secondary aluminum ingot, or of the hoarding or accumulating of unnecessary inventories thereof, are urged to communicate with the Office of Price Administration and Civilian Supply.

1302.10. *Supplemental schedules and reporting requirements.*—In order to insure compliance with this Schedule, supplements further stating its scope and, if necessary, requiring further reports to the Government, will be issued from time to time when found appropriate.

1302.11. *Modification of the Price Schedule.*—Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Office of Price Administration and Civilian Supply for approval of any modification thereof or exception therefrom.

1302.12. *Definitions.*—When used in this Schedule:

(a) The term "person" includes an individual, corporation, association, partnership, or other business entity;

(b) The term "maker of aluminum scrap" means any

(i) Manufacturer, fabricator, or other industrial user of aluminum who as an incident to his manufacturing process, fabricating, or other industrial use, produces aluminum scrap; or

(ii) Automobile cemetery operator, wrecker, or other person who, in his business or as an incident to his business, collects and sorts scrap materials and removes or segregates aluminum scrap therefrom.

Aluminum scrap shall be deemed to be "made" when first sold, or offered for sale, or delivered, as aluminum scrap by a maker of aluminum scrap:

(c) The term "aluminum scrap" means the kinds and grades of aluminum scrap referred to in section 1302.14, Appendix A.

(d) The term "secondary aluminum ingot" means the kinds and grades of secondary aluminum ingot referred to in section 1302.15, Appendix B.

1302.13. This Schedule shall become effective immediately, except as otherwise specifically provided herein.

Issued this 24th day of March 1941.*

LEON HENDERSON,
Administrator.

* For dates of amendments, see footnote 1, supra.

1302.14.

Appendix A

MAXIMUM PRICES FOR ALUMINUM SCRAP

(F. O. B. POINT OF SHIPMENT)

| Grade of aluminum scrap* | Maximum price (per pound) | |
|--------------------------------------------------------------|---------------------------|-----------------------------|
| | Column I sale by maker | Column II sale by dealer |
| Pure Clips and Cable..... | 13¢ | 14½¢ |
| Segregated Alloy Sheet Clips..... | 12¢ | 13½¢ |
| Old Sheet and Utensils..... | 11¢ | 12½¢ |
| Mixed Sheet Clips..... | 11¢ | 12½¢ |
| Cast Scrap and Forged Scrap, old and new, clean and dry..... | 11¢ | 12¢ |
| Borings and Turnings other than No. 12, clean and dry..... | 10¢ | 11½¢ |
| No. 12 type Borings and Turnings, clean and dry..... | 9½¢ | 11¢ |
| Pistons free of struts, clean and dry..... | 11½¢ | 12½¢ |
| Pistons with struts, clean and dry..... | 9½¢ | 10½¢ |

*Each grade shall include all types and qualities of scrap falling within the broad category named. However, the maximum prices are applicable to scrap which meets generally accepted maximum standards in the trade—as, for instance, the classifications of the National Association of Waste Materials Dealers, Inc., contained in its Circular O, effective June 1, 1940. Scrap which fails to meet such standards should be sold at prices less than the maximum.

EXEMPT NOTE.—Aluminum foil and light gauge aluminum sheet which does not exceed 0.008 of an inch in thickness shall not be subject to this Price Schedule.

1302.15.

Appendix B

MAXIMUM PRICES FOR SECONDARY ALUMINUM INGOT

(F. O. B. POINT OF SHIPMENT)

| Grade of secondary aluminum ingot | Maximum price (per pound) on quantities of 10,000 pounds or more | |
|--------------------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------|
| | Column I sale by maker | Column II sale by dealer |
| 98 Percent Pure Aluminum Ingot..... | 17¢ | 17¢ |
| Silicon Alloys..... | 17¢ | 17¢ |
| Deoxidizing Aluminum..... | 16½¢ | 16½¢ |
| notch bar or granulated ingot or shot (2¢ extra allowed for special shapes) | | |
| Piston Alloys..... | 16½¢ | 16½¢ |
| No. 12 Aluminum..... | 16¢ | 16¢ |
| | | May be added to the maximum price |
| 10,000 to 30,000 pounds..... | | ¼ cent per pound |
| 3,000 to 10,000 pounds..... | | ½ cent per pound |
| Less than 3,000 pounds..... | | 1 cent per pound |

EXPLANATORY STATEMENT

Price Schedule No. 2

The Office of Price Administration and Civilian Supply has established maximum prices for aluminum scrap and secondary aluminum ingot, which are set forth in Price Schedule No. 2.¹

This statement answers inquiries which have been made about the Price Schedule. The answers represent the position which this Office will take in determining compliance with the Schedule. Any person having any further question should promptly present it in writing to this Office. This statement may from time to time be supplemented to deal with new questions that may arise so that all persons will have a complete understanding of the Price Schedule.

1. Clean and Dry Scrap.

Are the maximum prices for the designated grades of aluminum scrap, prices for clean and dry scrap?

Yes. The established prices are *maximum* prices applicable to grades of scrap which meet generally accepted *maximum* standards established in the trade. For instance, the classifications of the National Association of Waste Materials Dealers, Inc., effective June 1, 1940, describe grades of aluminum scrap which should secure the established maximum prices. Scrap castings, forgings, borings and turnings should be sold both clean and dry in order to secure maximum prices. If not clean and dry, they should be sold at a price reduced below the maximum in proportion to the percentage of dirt and moisture.

2. The Dealer's Margin.

What price should a dealer charge another dealer for aluminum scrap?

A price less than the established maximum price. The spread between the established maximum prices on makers' and dealers' sales of scrap is designed to allow ample profit for handling scrap through a series of dealers. In order that this practice should continue, dealers must cooperate with this Office by observing in their regular trade channels suitable prices within the range between makers' and dealers' maximum prices. Any other course may force this Office to adopt more rigid regulations.

3. Sales in Less Than Carload Lots—Scrap.

Are price differentials provided for sales of aluminum scrap in quantities less than a carload lot?

¹ Sept., pp. 1, 7.

No. The amendment effective June 3, 1941, eliminated the former requirement that aluminum scrap sold in less than carload lots be sold at least a half-cent under the maximum prices established for carload lots. The maximum prices set forth in section 1302.14, Appendix A, of the Price Schedule now apply to all sales of aluminum scrap regardless of quantity.

4. Sales in Less Than Carload Lots—Ingot.

Are price differentials provided for sales of secondary aluminum ingot in quantities less than 30,000 pounds?

Yes. The prices set forth in section 1302.15, Appendix B, of the Price Schedule apply to sales of secondary aluminum ingot in lots of 30,000 pounds or more. On sales of secondary aluminum ingot involving quantities of 10,000 to 30,000 pounds, one-fourth cent per pound may be added to the established maximum prices; on sales of 1,000 to 10,000 pounds, one-half cent per pound; and, on sales of less than 1,000 pounds, one cent per pound. Any charge in excess of these allowances is not permitted.

5. Special Secondary Aluminum Alloys.

What price should be charged for special secondary aluminum alloys for which maximum prices are not established by section 1302.15, Appendix B, of the Price Schedule?

A price not in excess of the 17¢ per pound maximum price established for 98% pure aluminum ingot unless an additional charge is necessary in order to provide reimbursement for the cost of ingredients and special processes required to produce the alloy. Any such additional charge should be computed on the basis of the aluminum content taken at not more than 17¢ per pound and other ingredients taken at not more than current market prices and with consideration for the customary differentials which have existed, prior to the establishment of ceiling prices, between the special alloy and those alloys for which maximum prices have been established. If these standards are not observed and if the prices of special alloys are permitted to increase in undue proportion to the prices established for other alloys, this Office will be required to extend Price Schedule No. 2 so as to establish maximum prices for such special alloys.

6. Special Processing.

May additional charges be made for special processing or special services performed in preparation or manufacture of those grades of aluminum scrap or secondary aluminum ingot for which maximum prices have been established?

No, unless permission is first obtained from the Office of Price Administration and Civilian Supply. It is intended that the established maximum prices shall include all such services or processing as are normally necessary in order to market the product. However,

section 1302.11 of the Schedule provides that any person complaining of hardship or inequity in the operation of the Schedule may apply to this Office for approval of any modification thereof or exception therefrom. This provision is especially designed to allow in appropriate cases exceptional prices for exceptional processes. Application under this provision should be made in writing and under oath and must contain a full and accurate statement of the facts and the need for an exception from the Schedule.

7. Return of Scrap by Maker to Original Producer of the Material.

May the maker of aluminum scrap return such scrap directly to the original producer of the material from which the scrap was made, for reconversion into similar material, at prices higher than the prices set forth in Column I of section 1302.14, Appendix A, of the Price Schedule?

No, unless the transaction falls within the terms of section 1302.5 of the Price Schedule. Section 1302.1 of the Price Schedule, as originally issued, provided that permission might be obtained in appropriate cases for continuation of a pre-existing practice whereby makers of scrap sold directly to smelters at prices not in excess of the established maximum dealers' prices. This provision was stricken out by the amendment effective May 5th. It is, consequently, no longer permissible to make sales at such prices merely on the basis of a past relationship or course of dealing.

Section 1302.5, as amended, does make provision, however, for return by the maker of designated types of scrap to the producer of the material from which the scrap was made, without regard to established maximum prices, for reconversion into and redelivery of an equivalent quantity of material of the same type as that from which the scrap was made. This exception from the Price Schedule is restricted to cases falling within either one or the other of the two following categories:

(a) Aluminum scrap consisting of extrusion butts or ends, redraw tube ends, or rod turnings of not more than one alloy may be so returned by any maker thereof to his supplier for reconversion and redelivery, provided that similar contracts existed between the parties prior to March 24, 1941, and that the prices of neither the scrap nor the material have been increased since that date.

(b) Aluminum scrap produced by the aircraft industry which consists of unpainted and unlaquered strong alloy scrap in the form of sheet clippings or mutilated sheets, tube ends or mutilated tubing, or extrusion ends or mutilated extrusions, may be so returned by the maker thereof to his supplier for reconversion and redelivery provided such scrap is segregated as to alloy and otherwise handled in accordance with the terms of the letter of the Director of Priorities to members of the aircraft industry under date of March 6, 1941.

8. Permission to Carry Out Firm Commitments at Prices in Excess of the Established Maximum Prices.*

(a) May the maker of aluminum scrap sell the scrap he makes at prices higher than the established maximum prices to carry out a firm commitment entered into prior to March 24, 1941?

No, unless permission is first obtained from the Office of Price Administration and Civilian Supply. Permission to carry out contracts at prices higher than the established maximum prices may be granted if the maker can show that unless such permission is granted he will suffer a loss because, prior to the effective date of the Schedule, he had purchased the scrap at prices higher than those established by the Schedule. A maker of scrap may be either a manufacturer, fabricator, or other industrial user of aluminum, or an automobile cemetery operator, wrecker, or other person who, in his business, collects and sorts aluminum scrap. The manufacturer, fabricator, or other industrial user does not ordinarily purchase any aluminum scrap and consequently will not ordinarily be able to secure permission to carry out a firm commitment for the sale of scrap at prices higher than the established maximum prices. On the other hand, the automobile cemetery operator, wrecker, or other collector of aluminum scrap may be able to show that he purchased aluminum scrap prior to the effective date of the Schedule at prices in excess of the established maximum prices, and that he consequently occupies the position of dealer as to such scrap and so may be entitled to permission to carry out firm commitments for sale of aluminum scrap at prices higher than the established maximum prices.

(b) May a dealer, smelter, or other person, who is not the maker of aluminum scrap, sell either aluminum scrap or secondary aluminum ingot at prices in excess of the established maximum prices to carry out a firm commitment made prior to March 24, 1941?

Yes, if permission is granted by the Office of Price Administration and Civilian Supply. In order to secure such permission an application should be prepared and filed in duplicate with this Office on forms which may be secured from this Office. However, the shipment of the aluminum scrap or secondary aluminum ingot should not be delayed until a permit has been issued. Any person who has a firm commitment for the sale of aluminum scrap or secondary aluminum ingot at prices in excess of the maximum prices and expects that he will qualify under the terms of the Price Schedule for permis-

*The situation to which this explanatory paragraph and the corresponding provisions of Price Schedule No. 2 were intended to apply has largely ceased to exist. The purpose was to enable dealers, smelters, and other persons to avoid loss in the disposition of inventory acquired at high prices prior to the effective date of the Price Schedule. Since such inventories has been almost or entirely disposed of, there will be little or no reason to resort to these provisions in the future.

sion to carry out the commitment should adopt the following procedure:

(1) Prepare and file in duplicate an application for a permit with this Office.

(2) Notify the purchaser that such application has been prepared and filed with this Office.

(3) Make the shipment on the delivery dates provided in the commitment.

(4) Hold up settlement until a permit is either issued or denied, or, if the parties so desire, temporarily settle at a price not in excess of the established maximum price but subject to agreement that when and if this Office issues a permit, the purchaser will pay to the seller the remaining amounts due in accordance with the terms of the permit.

9. Sale of Scrap by Smelter.

May a smelter sell scrap at prices in excess of the established maximum?

No. Insofar as the smelter resells aluminum scrap which it has purchased in the course of its business, it will be subject to the maximum prices established for dealers' sales of aluminum scrap.

10. Transportation to Purchaser's Plant.

May a person selling aluminum scrap or secondary aluminum ingot at the established maximum price add to the price a charge for delivery of the scrap or ingot to the purchaser's plant?

Yes. The established maximum prices are prices f. o. b. the point of shipment. Any charge made for a transportation service rendered after the scrap or ingot has left the point of shipment is not included in the established maximum prices. However, if such a charge is greater than customary tariffs for similar transportation services, this Office will assume that the charge results in a price in excess of the established maximum price. Any instance of such a charge, therefore, should be reported to this Office.

In this connection it should be noted that section 1302.7 of the Schedule requires the seller and the purchaser of secondary aluminum ingot to keep records of the prices received or paid for scrap and ingot. These records are intended to protect the seller and purchaser in the event of an inspection by the Office of Price Administration and Civilian Supply. Consequently, they should show *separately* both the f. o. b. price at the point of shipment and the transportation charge.

11. Added Charge for Delayed Payment.

May any person who sells aluminum scrap or secondary aluminum ingot at the established maximum price add a further charge for delayed payment by the purchaser?

Yes, provided the added charge represents a reasonable *per annum* interest charge and not an increase in price above the maximum. No charge for delayed payment is allowed, therefore, which exceeds a reasonable per annum interest rate upon the selling price commencing on the date of delivery. Any interest rate higher than current per annum rates would place the contract price under suspicion.

12. Lots of Mixed Aluminum Scrap.

What is the maximum price at which a maker may sell aluminum borings if the borings include both No. 12 type and other types in unknown amounts?

Nine and one-half cents per pound. The Price Schedule establishes a 9½-cent maximum price for the sale by a maker of No. 12 type borings, a 10-cent maximum for the sale by a maker of borings other than No. 12. Consequently, in case the No. 12 type borings are mixed in unknown quantities with other types of borings, no price higher than the 9½ cents per pound maximum may be paid for the mixed lot. A price higher than 9½ cents per pound is only permitted in payment for borings other than No. 12 type borings. In order to sell at such higher price, the number of pounds of such borings must be known.

The same rule will apply to any mixture of different grades of aluminum scrap if the quantities of the different grades are not known. The established maximum price for that grade in the mixture which has the lowest maximum price will be the maximum price for the entire mixed lot.

13. Aluminum Foil.

Is aluminum foil and light gauge aluminum sheet subject to the established maximum prices?

Yes, unless such material does not exceed 0.006 of an inch in thickness. It has been provided by an amendment in the form of a special note to section 1302.14, Appendix A, of the Price Schedule that aluminum foil and light gauge sheet which does not exceed 0.006 of an inch in thickness is not subject to the maximum prices established by the Price Schedule.

**Application Forms Pursuant to Sections 1302.2,
1302.3, and 1302.4 of Price Schedule No. 2**

OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY
WASHINGTON, D. C.

102 : 2

APPLICATION OF

(Name of applicant)

(Address)

FOR PERMISSION TO SELL SECONDARY ALUMINUM INGOT AT PRICES HIGHER THAN
THE MAXIMUM PRICES ESTABLISHED BY PRICE SCHEDULE No. 2

INTRODUCTORY

The applicant should file a sworn original and one copy of each application form and duplicates of each Appendix with the Office for Emergency Management, Office of Price Administration and Civilian Supply, Washington, D. C.

Sections 1302.3 and 1302.4 of Price Schedule No. 2 set forth the conditions under which permission will be granted for the sale and delivery of secondary aluminum ingot at prices higher than the established maximum prices. These sections should be read carefully by the applicant.

The applicant should furnish information in the Appendices to the application form relevant in determining whether the conditions set forth in sections 1302.3 and 1302.4 of Price Schedule No. 2 have been met. The Appendices should be prepared only after reading the Instruction and Explanation herein.

Application is hereby made pursuant to sections 1302.3 and 1302.4 of Price Schedule No. 2 for permission to sell and deliver secondary aluminum ingot in accordance with the terms of the firm commitments described in Appendix A, attached hereto; and to that end the applicant affirms:

A. That this application is filed for the purpose of enabling the applicant, by completing sales of secondary aluminum ingot according to the terms of the firm commitments described in Appendix A, to avoid loss in the disposition of inventories of aluminum scrap and secondary aluminum ingot on hand and on order on March 24, 1941; and

B. That the firm commitments described in Appendix A were made prior to March 24, 1941, and that deliveries thereon have not been made, to the extent indicated in Appendix A; and

C. That the applicant did not enter into any of the firm commitments described in Appendix A in order to dispose of inventory of aluminum scrap or secondary aluminum ingot on hand or on order before such firm commitment was negotiated by the applicant; and

D. That in order to meet the firm commitments described in Appendix A, the applicant has, in the manner and to the extent indicated in Appendix B, acquired aluminum scrap and secondary aluminum ingot at prices higher than the maximum prices set forth in Price Schedule No. 2; and

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E. That, in order to meet the firm commitments described in Appendix A, the applicant had outstanding on March 24, 1941, firm orders for the purchase of aluminum scrap as described in Appendix C, attached hereto, and that the applicant has now been advised that, as of March 24, 1941, the selling parties to such firm orders had acted in reliance upon such firm orders by acquiring aluminum scrap in the amounts indicated in Appendix C at prices higher than the maximum prices set forth in Price Schedule No. 2; and

F. That, as of March 24, 1941, the applicant had either on hand, as indicated in Appendix B, or on partially fulfilled firm orders, as indicated in Appendix C, aluminum scrap and secondary aluminum ingot in amounts sufficient to complete delivery on the commitments set forth in Appendix A; and

G. That the information contained in this application and in the Appendices attached hereto is complete and accurate to the best knowledge of the applicant.

The applicant understands and agrees that any permission granted pursuant to this Application to sell at prices in excess of those established by Price Schedule No. 2 may be revoked at any time, in whole or in part, upon it appearing that the facts are not as set forth in this Application and the Appendices attached hereto or that, for any reason, applicant is not entitled under the terms of said Price Schedule No. 2, to make such sales.

By _____
Applicant
Title of office

Dated this _____ day of _____, 1941.

STATE OF _____

County of _____, ss:

On this _____ day of _____, 1941, before me personally appeared _____, who being first duly sworn, did depose and say that he is the _____ of the _____; that he executed the foregoing Application on behalf of said _____ and was duly authorized so to do; and that he has knowledge of the facts and statements set forth in said Application and in the Appendices thereto and that they are accurate and complete to the best of his knowledge, information, and belief.

[REAL]

Notary Public in and for the County of _____, State of _____
My Commission expires _____

INSTRUCTIONS AND EXPLANATION

1. Appendix A should contain a description of all the firm commitments which the applicant is seeking permission to complete. This description must be sufficiently complete to permit absolute identification of each such firm commitment and every term thereof with respect to which permission is sought. The permission granted pursuant to this application will cover only sale or delivery in accordance with the terms of the firm commitments as such terms are described in Appendix A.

The applicant, therefore, should include in Appendix A at least the following information with respect to each such firm commitment:

- (a) Name and address of the purchaser.
- (b) Date on which the firm commitment was made.
- (c) The form of the commitment, i. e., oral, exchange of letters, order form, signed agreement, etc.

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(d) Grades and the number of pounds of each grade of secondary aluminum ingot committed giving (1) grades and number of pounds of each grade already delivered; (2) grades and number of pounds of each grade remaining to be delivered after March 24, 1941; (3) delivery date or dates; and (4) selling price per pound of each grade.

If the commitment is in the form of a written agreement, a copy of the agreement should be made part of Appendix A and submission thereof may in such event be sufficient to supply the required information.

The applicant should not include in Appendix A firm commitments which in the aggregate call for deliveries of secondary aluminum ingot in an amount prohibited under section 1302.4 of the Schedule. Under section 1302.4 no permission will be granted for sales or deliveries of secondary aluminum ingot in quantities greater than the quantity represented by inventories of aluminum scrap and secondary aluminum ingot acquired at prices higher than the Scheduled price limitations and held on March 24, 1941, by (a) the applicant and (b) any dealer or other person who had acquired such inventory to meet a previously made firm commitment for sale or delivery of such scrap to the applicant.

2. *Appendix B* should contain any evidence the applicant can offer to establish that:

(a) The applicant secured the firm commitments described in Appendix A in advance of acquiring the aluminum scrap or secondary aluminum ingot acquired to carry out such commitments, and

(b) The prices paid by the applicant for inventories later acquired to fulfill the commitments described in Appendix A were higher than the Scheduled price limitations.

3. *Appendix C* should contain information with respect to inventories acquired and held by dealers for the applicant, and need only be prepared if the applicant is resting its application, in part, upon deliveries of such inventories.

Under Price Schedule No. 2 a dealer who has acquired, prior to March 24, 1941, aluminum scrap at prices higher than the Scheduled price limitations and for the purpose of meeting firm commitments made prior to March 24, 1941, for the sale of aluminum scrap to a further processor may secure permission to sell or deliver such scrap to the processor at the committed prices. Consequently if the applicant had prior to March 24, 1941, placed a firm order to purchase aluminum scrap from a dealer for the purposes of meeting commitments described in Appendix A, and if the dealer upon getting such firm order had thereafter purchased aluminum scrap at prices higher than the Scheduled price limitations, the dealer may be permitted to complete delivery of such aluminum scrap to the applicant in accordance with the terms of the applicant's firm order and the applicant to devote such inventory to meeting its commitment of sale of secondary aluminum ingot at the committed prices.

In such a case, Appendix C should set forth the following information and any further information deemed appropriate by the applicant or its dealer:

(a) *With respect to each such firm purchase order of the applicant:* The name and address of the seller, the date on which the commitment was made, the form of the commitment, the total aluminum scrap committed to be sold to the applicant, showing the grade or grades, the selling price of each grade, and the delivery date or dates and the quantities to be delivered after March 27, 1941.

¹ See section 1302.2 of Price Schedule No. 2 wherein the dealer's selling price limitations on aluminum scrap are made effective March 27, 1941.

(b) *With respect to each seller's acquisitions of aluminum scrap made to meet such purchase orders:* On advice of the seller, information to establish that the seller acquired aluminum scrap prior to March 25, 1941, to meet such purchase order at prices higher than the Scheduled price limitations and the approximate quantities so acquired and not delivered prior to March 27, 1941.

4. *Definitions.*—In this application form the following terms shall mean:

(a) "Firm commitment" means any contract for sale, for delivery, or for transfer at a price, which imposes a binding obligation on a party thereto to sell, deliver, or transfer at a price.

(b) "Secondary aluminum ingot" means the kinds and grades of secondary aluminum ingot referred to in section 1302.15, Appendix B, of Price Schedule No. 2.

(c) "Aluminum scrap" means the kinds and grades of aluminum scrap referred to in section 1302.14, Appendix A, of Price Schedule No. 2.

(d) "Grades" of secondary aluminum ingot and aluminum scrap means the grades of secondary aluminum ingot and aluminum scrap referred to in sections 1302.14, Appendix A, and 1302.15, Appendix B, of Price Schedule No. 2.

OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY
WASHINGTON, D. C.

102:5

APPLICATION OF

(Name of applicant)

(Address)

FOR PERMISSION TO SELL ALUMINUM SCRAP AT PRICES HIGHER THAN THE
MAXIMUM PRICES ESTABLISHED BY PRICE SCHEDULE NO. 2

INTRODUCTORY

The applicant should file a sworn original and one copy of each application, and duplicates of each Appendix thereto, with the Office for Emergency Management, Office of Price Administration and Civilian Supply.

Section 1302.2 of Price Schedule No. 2 sets forth the conditions under which permission will be granted for the sale and delivery of aluminum scrap at prices higher than the established maximum prices. This section should be read carefully by the applicant.

The applicant should furnish in the Appendices to the application such information as may be relevant in determining whether the conditions set forth in section 1302.2 of Price Schedule No. 2 have been met. The Appendices should be prepared only after reading the Instructions and Explanation herein.

Application is hereby made pursuant to section 1302.2 of Price Schedule No. 2 for permission to sell and deliver aluminum scrap in accordance with the terms of the firm commitments described in Appendix A, attached hereto, and to that end the applicant affirms:

A. That this application is filed for the purpose of enabling the applicant, by completing sales of aluminum scrap according to the terms of the firm commit-

ments described in Appendix A, to avoid loss in the disposition of inventories of aluminum scrap on hand on March 24, 1941, and

B. That the firm commitments described in Appendix A were made prior to March 24, 1941, and that deliveries thereon have not been made, except to the extent indicated in Appendix A; and

C. That the applicant did not enter into any of the firm commitments described in Appendix A in order to dispose of inventory of aluminum scrap on hand or on order before such firm commitments was negotiated by the applicant; and

D. That, in order to meet the firm commitments described in Appendix A, the applicant has, in the manner and to the extent indicated in Appendix B, acquired aluminum scrap at prices higher than the maximum prices set forth in Price Schedule No. 2; and

E. That, as of March 24, 1941, the applicant had on hand, as indicated in Appendix B, aluminum scrap in amounts sufficient to complete delivery on the commitments set forth in Appendix A; and

F. That the information contained in this application and in the Appendices attached hereto is complete and accurate to the best knowledge of the applicant.

The applicant understands and agrees that any permission granted pursuant to this Application to sell at prices in excess of those established by Price Schedule No. 2 may be revoked at any time, in whole or in part, upon it appearing that the facts are not as set forth in this Application and the Appendices attached hereto or that, for any reason, applicant is not entitled under the terms of said Price Schedule No. 2, to make such sales.

Applicant

By _____

Title of office

Dated this _____ day of _____, 1941.

STATE OF _____

County of _____, *ss.*

On this _____ day of _____, 1941, before me personally appeared _____, who being first duly sworn, did depose and say that he is the _____ of the _____; that he executed the foregoing Application on behalf of said _____ and was duly authorized so to do; and that he has knowledge of the facts and statements set forth in said Application and in the Appendices thereto and that they are accurate and complete to the best of his knowledge, information, and belief.

[SEAL]

Notary Public in and for the County of _____, State of _____
My Commission expires _____

INSTRUCTIONS AND EXPLANATION

1. Appendix A should contain a description of all the firm commitments which the applicant is seeking permission to complete. This description must be sufficiently complete to permit absolute identification of each such firm commitment and every relevant term thereof with respect to which permission is sought. The permission granted pursuant to this application will cover only sale or delivery in accordance with the terms of the firm commitments as such terms are described in Appendix A.

The applicant, therefore, should include in Appendix A at least the following information with respect to each such firm commitment:

- (a) Name and address of the purchaser.
- (b) Date on which the firm commitment was made.

(c) The form of the commitment, i. e., oral, exchange of letters, order form, signed agreement, etc.

(d) Grades and the number of pounds of each grade of aluminum scrap committed giving (1) grades and number of pounds of each grade already delivered; (2) grades and number of pounds of each grade remaining to be delivered after March 24, 1941; (3) delivery date or dates; and (4) selling price per pound of each grade.

If the commitment is in the form of a written agreement, a copy of the agreement should be made part of Appendix A and submission thereof may be sufficient to supply the required information.

The applicant should not include in Appendix A firm commitments which in the aggregate call for deliveries of aluminum scrap in quantities greater than the quantity represented by inventories of aluminum scrap acquired by the applicant at prices higher than the Scheduled price limitations and held by it on March 24, 1941. Permission will not be granted under section 1302.2 of the Schedule in excess of this amount.

2. Appendix B should contain the best evidence the applicant can produce to establish that:

(a) The applicant secured the firm commitments described in Appendix A in advance of acquiring the aluminum scrap required to carry out such commitments, and

(b) The prices paid by the applicant for inventories later acquired to fulfill the commitments described in Appendix A were higher than the Scheduled price limitations.

The applicant should, wherever possible, identify by names of sellers, dates of purchase, grades, quantities, prices, etc., the particular aluminum scrap purchased to meet each respective firm commitment described in Appendix A. It may also be possible to identify such scrap as some particular part or lot of present inventories. Information should be submitted in such form and detail as is practicable in the individual case.

3. Definitions.—

(a) "Firm commitment" means any binding obligation to sell, deliver, or transfer at a fixed price.

(b) "Aluminum scrap" and "grades" of aluminum scrap mean the kinds and grades of aluminum scrap referred to in section 1302.14, Appendix A, of Price Schedule No. 2.

Press Release

Issuance of Price Schedule No. 2

March 24, 1941—PM 180

A Price Schedule setting ceiling prices for aluminum scrap and secondary aluminum, pegged to current prices for virgin aluminum, was issued today by Leon Henderson, Director of the Price Stabilization Division, National Defense Advisory Commission.

High price levels attained by aluminum scrap and secondary aluminum during the past month made this action necessary, Mr. Henderson explained.

"The price schedule will be fully enforced," he said. "The powers of the Government to place compulsory orders, to condemn or requisition

tion properties, to issue priorities and to use other powers to carry out the defense program will be exerted to the utmost against any person whom we find to be disregarding these selling prices."

Prices of aluminum scrap and secondary aluminum have recently been subjected to serious inflationary pressures, Mr. Henderson asserted, both because of the failure of the sources of virgin aluminum to meet current demand—especially the demand of fabricators making items for civilian needs—and because of the recent issuance of a priorities order restricting the use of virgin aluminum to defense purposes.

Under normal conditions, he continued, prices for secondary aluminum do not exceed prices for virgin aluminum. Recently, however, the Price Stabilization Division has received reports of sales of aluminum scrap reaching prices as high as 32 cents a pound—almost double the price of the virgin metal.

"Such prices are not required to draw out aluminum scrap," Mr. Henderson said. "They are merely the results of a speculative demand which has built up inflationary prices. There are supplies of scrap, and these supplies will be tapped at reasonable prices, once it is understood that the Government will not tolerate prices above a fair maximum."

The new Price Schedule establishes two ceiling prices for aluminum scrap. The lower ceiling applies to the first sale of aluminum scrap from the maker to any other person. The higher ceiling applies to any sale of aluminum scrap thereafter by any dealer or other person to any smelter, foundryman, fabricator, or other dealer. The two ceilings are fixed f. o. b. the point of shipment and will allow the dealer a margin of 1½ cents per pound on clippings, borings and turnings, and 1 cent per pound on other types of aluminum scrap.

The maximum prices for secondary aluminum ingot are applicable to any sale or purchase of secondary aluminum ingot by any person. Like the scrap schedules, these prices are made f. o. b. the point of shipment. They leave a spread of 3 to 4 cents per pound for the processor's costs and profits.

"These ceiling prices," Mr. Henderson stated, "will give ample allowance for reasonable profit to both dealers and smelters. However, recent demand for secondary aluminum indicates that there may be some effort on the part of manufacturers and fabricators to purchase scrap direct from dealers, thus circumventing the smelter. To forestall this movement, the Schedule requires dealers to report any sales which they make to any person other than a smelter."

The new Schedule will become immediately effective in a market of already inflated prices. Consequently, a method is provided by which smelters and dealers who have acquired inventories at prices above the new maximum prices to meet previously arranged firm commitments for sales above ceiling prices may secure an exception from

the Price Schedules in order to carry out these firm commitments on the original terms. However, it should be noted that this exception will not be permitted beyond the amount of inventories already acquired either by the smelter or his dealer to carry out the commitment. With this one exception the maximum prices set forth in the new Schedule become immediately and absolutely effective regardless of any pre-existing contracts.

This Schedule is the second to be issued by the Price Stabilization Division. The first Schedule, issued February 17, established ceiling prices for second-hand machine tools, relating the ceiling prices to the prices of equivalent new machine tools. "To date," Mr. Henderson stated, "reports seem to show 100 percent compliance."

Mr. Henderson added that schedules are imminent in iron and steel scrap as well as zinc scrap, and that apparently unwarranted price increases in various other industries have been reported during the past few days.

"Should these movements continue, price ceilings will have to be established in these industries," he said. "We hope that this action will not be necessary, but if it is, we are ready to enforce reasonable price limits."

Press Release

Amendment of Price Schedule No. 2

May 3, 1941—PM 359

Amendments to Price Schedule No. 2, which established maximum prices for aluminum scrap and secondary aluminum ingot, were announced today by Leon Henderson, Administrator, Office of Price Administration and Civilian Supply. The amendments become effective May 5, 1941. An explanatory statement, answering the most common inquiries as to interpretation of the Schedule, was also released.

"These amendments," Mr. Henderson explained, "have been adopted in order to give effect to customary trade practices and to forestall attempts to use the price schedule as an excuse for charging the maximum prices for aluminum scrap which does not meet maximum standards. We have tried to make it clear that the established prices of scrap are on the basis of clean and dry scrap of the highest quality and are for carload lots. Appropriate differentials must be observed where the material does not meet these standards."

The following are the principal changes made in the Price Schedule by the amendments:

(1) The maximum price at which a maker of the scrap may sell old aluminum sheet and aluminum utensils is lowered from 12¢ to 11¢ per pound. No other change is made in the maximum prices of any grades of aluminum scrap or secondary aluminum ingot.

(2) It is emphasized that all maximum scrap prices are for clean and dry scrap and that material not meeting these standards should be sold at prices reduced below the maximum prices in proportion to the percentage of dirt and moisture.

(3) There has been eliminated the provision of section 1302.1 of the Schedule which allowed makers of scrap to request permission from Office of Price Administration and Civilian Supply to sell directly to smelters at prices as high as the established dealers' prices where such sales were customarily made prior to issuance of the Price Schedule. This provision had caused some makers to expect exemption in cases in which the smelter performed functions of a dealer. In lieu of this provision, there has been added a new section 1302.5, exempting from the Schedule customary sales of extrusion butts and ends, sheet clippings or rod turnings of not more than one alloy, and pure clips, where such sales are made by the maker of the scrap to the producer of the material from which the scrap is made and pursuant to a written contract for the reconversion of the scrap into like material and for sale of an equivalent amount of like material to the maker. The contract prices must not, however, have been increased since March 24, 1941.

(4) Aluminum scrap which is delivered in less than carload lots must be sold at prices $\frac{1}{2}$ cent under the established maximum prices set forth in section 1302.14, Appendix A, of the Price Schedule.

(5) The maximum prices established by section 1302.15, Appendix B, of the Price Schedule for secondary aluminum ingot are explicitly stated to be for quantities of 30,000 pounds or more. An additional $\frac{1}{4}$ cent per pound may be charged for quantities of 10,000 to 30,000 pounds, an additional $\frac{1}{2}$ cent for quantities of 1,000 to 10,000 pounds, and an additional 1 cent for quantities under 1,000 pounds.

Special attention is called, in the explanatory statement released with the amended Price Schedule, to the procedure set up for consideration of applications for exceptions from the schedule. Dealers and smelters which have acquired high-priced inventory before March 24, 1941, may, upon application to the OPACS, be granted permission to carry out commitments entered into prior to that date at prices in excess of the established maximum prices to the extent necessary to avoid loss on such inventory. Exceptions may also be granted so as to permit the charging of prices higher than those scheduled for special alloys and special processing. Requests for such exceptions should be made by presenting to Office of Price Administration and Civilian Supply a full and verified statement of the need for such exemption and the facts upon which it is to be based. In case of a special alloy, this statement would ordinarily include an analysis of the alloy.

Press Release

Amendment of Price Schedule No. 2

June 3, 1941—PM 437

Further amendments to Price Schedule No. 2 designed to simplify administration of maximum prices for aluminum scrap and secondary aluminum ingot were issued today by Leon Henderson, Administrator, Office of Price Administration and Civilian Supply.

Principal changes, effective June 3, include:

(1) Special secondary aluminum alloys have been removed from that part of the schedule relating to secondary aluminum ingot. The types of aluminum alloy ingot now covered by the schedule include all silicon alloys, piston alloys, and No. 12 alloy. However, the usual differentials based upon market prices of the ingredients and the expenses of manufacturing are to be observed.

(2) Price regulation has also been removed from aluminum scrap of designated grades produced by the aircraft industry, segregated as to alloy, and returned to the supplier of the original material for reconversion into similar material in accordance with instructions of the Director of Priorities.

(3) Quantity differentials for aluminum scrap have been removed but such differentials continue on secondary aluminum ingot sold in less than 30,000-pound lots.

(4) A special note has been added to section 1302.14, Appendix A, removing from the schedule aluminum foil and light-gauge sheet which does not exceed 0.006 of an inch in thickness.

Removal of special aluminum alloys from the schedule of maximum prices gives the trade wider discretion in establishing fair differentials for such ingots. However, producers and dealers are expected to keep prices of such products in line with the maximum prices established for the more standardized grades. It is expected that customary differentials will be maintained. If this is not done voluntarily, such differentials will have to be established by regulation.

Office of Price Administration and Civilian Supply

For Immediate Release
June 27, 1941

PM 628

An amendment to Price Schedule No. 8 designed to facilitate and encourage imports of scrap and secondary materials containing nickel was issued today by Leon Henderson, Administrator, Office of Price Administration and Civilian Supply.

General effect of the amendment will be to permit the sale in this country of imported scrap and secondary materials containing nickel at prices above the established maximum prices. Resale prices will be sufficient to cover cost of importing the materials, including duty, freight, insurance, etc. However, permission must be obtained from CPACS to carry through each such transaction at the higher price.

Action was taken after consultation with the Office of Production Management and many persons within the industry because of the importance of nickel to the defense program. The amendment provides:

- (1) Scrap and secondary materials containing nickel may be purchased abroad at not above the maximum prices established in Schedule No. 8 for sales in this country. The Schedule fixes maximum prices on an f.o.b. shipping point basis.
- (2) The importer may then apply to OPACS for permission to sell such materials in this country at prices higher than those established as ceilings in Schedule No. 8.
- (3) Such sales in this country will not be permitted at prices exceeding the maximums established in the Schedule for domestic sales, plus the duty, freight, insurance, etc., that must be paid to bring the materials to this country, plus the premiums allowed converters on sales of the particular kind or grade of scrap material involved as set forth in Appendix A of the Schedule.

Forms on which application may be made for permission to sell imported scrap or secondary materials containing nickel at prices above the fixed ceiling prices are available upon request.

A copy of the amendment and of the application form are attached.

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

Part 1308 - Scrap and Secondary Materials Containing Nickel

Amendment to Price Schedule No. 8

The great need of our defense industries for scrap and secondary materials containing nickel makes it necessary to amend Price Schedule No. 8 to facilitate and encourage the importation of such materials.

Accordingly, pursuant to and under the authority of Executive Order 8734, Part 1308, Price Schedule No. 8, is hereby amended by the addition of the following section:

§ 1308.3a Imports

§ 1308.1 and § 1308.2 apply to imports of any of the scrap or secondary materials described in Appendix A or B. However, any person who imports such materials may apply for permission to sell such materials at prices higher than the maximum prices set forth in the Appendices. Such permission shall be applied for in writing upon forms available upon request made to the Office of Price Administration and Civilian Supply, Washington, D. C. Permission will not be granted unless:

- (a) the applicant has purchased the imported materials at prices not exceeding the maximum prices set forth in Appendix A or B; and
- (b) the prices at which the applicant seeks to sell the imported materials are approved by the Office of Price Administration and Civilian Supply. The Office of Price Administration and Civilian Supply will not approve the sale of imported scrap materials containing nickel at prices which exceed the delivered cost of the materials to the applicant plus the premiums allowed a converter on sales of the particular kind or grade of scrap material involved, as set forth in Appendix A, and
- (c) the prospective consumer of the imported materials is disclosed.

Issued this 26th day of June, 1941.

LEON HENDERSON
ADMINISTRATOR

JOHN R. HAMM
DEPUTY ADMINISTRATOR

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL.

OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

Washington, D. C.

APPLICATION OF

(Name of Applicant)

(Address)FOR PERMISSION TO SELL IMPORTED SCRAP OR SECONDARY MATERIALS CONTAINING
NICKEL AT PRICES HIGHER THAN THE MAXIMUM PRICES ESTABLISHED BY
PRICE SCHEDULE NO. 8

The applicant herein requests permission, pursuant to the provisions of
1308.3a of Price Schedule No. 8, to sell the scrap or secondary materials contain-
ing nickel, described below, at prices higher than the maximum prices established by
Price Schedule No. 8, and to that end sets forth the following information:

1. Name and address of person from whom the materials were purchased.

2. Date of shipment.

3. If shipped by boat, name of boat.

4. Prices at which such materials were purchased.

| <u>Kind or Grade of Material</u> | <u>Price</u> (f.o.b. point of shipment) | <u>Total Cost to</u> <u>Applicant</u> |
|----------------------------------|-----------------------------------------------|------------------------------------------|
|----------------------------------|-----------------------------------------------|------------------------------------------|

5. Name and address of person to whom such materials are to be sold.

6. State whether such purchaser is a dealer, converter or consumer and if
not a consumer, give the name of the prospective consumer.

7. Prices at which such materials are to be sold.

| <u>Kind or Grade of Material</u> | <u>Price</u> |
|----------------------------------|--------------|
|----------------------------------|--------------|

ApplicantBy

Title of Office

Dated this ___ day
Of _____, 1941.

State of _____)
County of _____) ss:

On this ___ day of _____, 1941, before me personally appeared _____
_____, who being first duly sworn did depose and say that
he is the _____ of the _____; that he executed
the foregoing Application on behalf of said _____ and was duly
authorized so to do, and that he has knowledge of the facts and statements set
forth in said Application and in the Appendices thereto and that they are accurate
and complete to the best of his knowledge, information and belief.

Notary Public in and for the County of _____
_____, State of _____
My commission expires _____

8. Definitions:

(a) The term "person" includes an individual, partnership, associa-
tion, corporation or other business entity.

(b) "Scrap or secondary materials containing nickel" and "kinds or
grades" of such materials mean the kinds and grades of scrap and secondary
materials containing nickel referred to in Appendix A and Appendix B of Price
Schedule No. 8.

#-#-#

OFFICE FOR EMERGENCY MANAGEMENT

Office of Price Administration and Civilian Supply

For PM Release
Saturday, June 28, 1941

PM 637

A schedule establishing ceiling prices for six leading types of cotton cloth (grey goods) was issued today by Leon Henderson, Administrator, Office of Price Administration and Civilian Supply.

The price ceilings established are generally about 15% below current levels. It is pointed out, however, that during the past 12 months prices of grey goods have risen sharply, the average increase amounting to 68%. In connection with contracts entered into at prices above the ceilings, the schedule provides that sellers who have acquired grey goods at prices higher than the applicable maximums prior to June 28 and who have contracted to sell at higher than the maximums may make application to OPACS for permission to carry out such contracts, provided that such deliveries are completed on or before September 3, 1941.

The schedule establishes a maximum price of 39 cents per pound for print cloth, carded broad cloth, and tobacco cloth; maximum prices of 30 cents, 32 cents, and 33 1/2 cents per pound for three classes of sheetings; a maximum price of 25 cents per pound for part waste osnaburgs; and a maximum price of 54 cents per pound for combed broadcloths. These prices are f.o.b. the seller's point of shipment. They are gross prices before discounts of any nature and they include all commissions.

The price ceilings take into account the current price of raw cotton and at the same time make adequate allowance for operating costs of mills. In the case of print cloth, for example, the 39 cent ceiling allows for a mill margin of 21 cents a pound and a cotton content cost of 18 cents a pound. The mill margin at the present time is around 28 cents a pound, having moved

- 2 -

up to this level from 21 cents reached in the third week in March. Since 1925 the mill margin has exceeded 21 cents in only four years—1925, 1933, 1937, and the present time—thus indicating the reasonableness of the 21 cent figure. Mill margins of 17, 18, and 19 cents early in the year were highly stimulating to production and the 21 cent figure allows fully for any recent wage and other cost increases which may have occurred.

Ceiling prices in the schedule are mandatory only as to the types of grey goods specified. It is expected, however, that ceilings on these six types will establish a basis for prices of other constructions and that normal interplay of market forces will bring the others into line. If this does not happen the ceilings will be extended to cover specifically other types of grey goods. Prices charged by converters are expected to reflect the lower prices established in the ceilings and will be watched closely. OPACS is currently studying the price situation for rayon fabrics and if necessary will also take action in that field.

Text of the schedule is attached.

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION
AND CIVILIAN SUPPLY

Part 1316 - Cotton Textiles

PRICE SCHEDULE NO. 11 - Cotton Grey Goods

The Office of Price Administration and Civilian Supply is charged with the maintenance of price stability and the prevention of undue price rises and dislocations.

Cotton Grey Goods are used as the basic fabric for finished cotton textiles. They are also used extensively in an unfinished state. Finished cotton textiles constitute a major portion of the material used in both military and civilian clothing. Furthermore, Cotton Grey Goods, in both their finished and unfinished states, are indispensable to the manufacture of numerous other items used by both the armed forces and civilians.

In the last 12 months the cotton grey goods market has advanced sharply. During that period there has been a 68 per cent increase in the average price of the principal constructions. This has meant a 106 per cent increase in the average mill margin for those types of cloth. This upward price movement has been out of all proportion to any increases in costs of materials and production. Largely responsible for this inflationary trend have been the fear of buyers that prices would continue to rise, and the activity of speculators and hoarders who have taken advantage of this fear and of the heavy demand for textiles arising from defense needs.

It is apparent, therefore, that in order to insure stability of the price structure and to forestall widespread speculation, hoarding, and profiteering, the national defense and the public interest require that maximum prices be established for Cotton Grey Goods.

The maximum prices set forth below allow a mill margin substantially above the average which the industry had enjoyed during the past five years.

On the basis of information secured by independent investigation by this Office, and upon information furnished by the trade, I find that the maximum prices herein established are necessary and reasonable.

Accordingly, pursuant to the authority vested in me by Executive Order No. 8734, and after consultation with the Price Administration Committee, it is hereby directed that:

§ 1316.1 Definitions

(a) The term "Cotton Grey Goods," as used herein, means cotton grey goods, in their unchanged mill state, of the types listed in Section 1316.7 hereof; it does not include any cotton grey goods which, in the performance of a recognized commercial service, have been either (i) further processed or (ii) cut and repackaged.

(b) The term "person" includes an individual, corporation, association, partnership, or other business entity.*

* §§ 1316.1 to 1316.8, inclusive, are issued pursuant to the authority contained in Executive Order No. 8734.

§ 1316.3 Maximum Prices Established for Cotton Grey Goods

(a) On and after June 30, 1941, regardless of any commitment theretofore entered into, no person shall sell or deliver, or offer to sell or deliver, any Cotton Grey Goods, and no person shall buy or accept delivery of, or offer to buy or accept delivery of, any Cotton Grey Goods at a price exceeding the maximum prices set forth in Section 1316.7, except that:

- (1) Any person who prior to June 30, 1941, acquired Cotton Grey Goods at a price higher than the applicable maximum price set forth in Section 1316.7, and prior to that date entered into a firm commitment for the sale of such Cotton Grey Goods to any person, may, upon approval by the Office of Price Administration and Civilian Supply of an applica-

tion filed on or before July 31, 1941 on Form No. 111:1 (copies of which may be obtained on request made to the Office of Price Administration and Civilian Supply, Washington, D. C.) be permitted to deliver and accept payment for Cotton Grey Goods at the price contract for, provided that such deliveries are completed on or before September 2, 1941;

- (2) The prices established herein are not applicable to sales or deliveries of Cotton Grey Goods to any person or persons outside the United States, its territories and possessions.

(b) The prices established by this Schedule are f.o.b. the the seller's point of shipment. They are gross prices before discounts of any nature are deducted and they include all commissions.*

§ 1316.3 Records. Every person who, during any calendar month, shall sell 500 pounds or more of Cotton Grey Goods shall keep for inspection by the Office of Price Administration and Civilian Supply, and preserve for a period of not less than one year, a complete and accurate record of every sale of Cotton Grey Goods made during such month, the person to whom such sale was made, the date thereof, the price paid, and the quantity and specifications of the goods sold.*

§ 1316.4 Reports. On or before August 7, 1941, and on the 7th day of each calendar month thereafter, every person who, during the preceding calendar month, has made sales or deliveries, other than those described in Section 1316.2 (a) (2), of Cotton Grey Goods aggregating 500 pounds or more shall submit to the Office of Price Administration and Civilian Supply a report, on Report Form No. 111:2 (copies of which

may be obtained upon request made to the Office of Price Administration and Civilian Supply, Washington, D. C.), in which he shall make a sworn statement that during the preceding calendar month all such sales, either for immediate or future delivery, and deliveries, other than those described in Section 1316.2 (a) (2), were made at prices in conformity with this Schedule or with an exception or modification thereof.

§ 1316.5 Enforcement. In the event of refusal or failure to abide by the price limitations, report requirements, and other provisions contained in this Schedule, or in the event of any evasion or attempt to evade the price limitations or other provisions contained in this Schedule, the Office of Price Administration and Civilian Supply will make every effort to assure (i) that the Congress and the public are fully informed of any failure to abide by the provisions of this Schedule, and (ii) that the powers of the Government are fully exerted in order to protect the public interest and the interests of those persons who conform with this Schedule in the observance of the maximum prices herein set forth. Persons who have evidence of the demand or receipt of prices above the limitations set forth, or any evasion of or effort to evade such prices, or of speculation, or of the hoarding or accumulation of unnecessary inventories thereof, are urged to communicate with the Office of Price Administration and Civilian Supply.*

§ 1316.6 Modification of the Price Schedule. Persons complaining of hardship or inequity in the operation of this Schedule may apply to the Office of Price Administration and Civilian Supply for approval of any modification thereof or exception thereto.*

§ 1316.7 Schedule of Maximum PricesMaximum Prices for Cotton Grey Goods

| <u>Type of Cloth</u> | <u>Price per pound, f.o.b. seller's point of shipment</u> |
|------------------------------------------------------------|---------------------------------------------------------------|
| Standard print cloth, 40" and narrower | \$.39 |
| Carded broadcloth, 40" and narrower, 100 sley and below | .39 |
| Combed broadcloth, 40" and narrower, 136 sley and below | .54 |
| Sheetings, 40" and narrower | |
| A. Yarn numbers up to 15s, inclusive | .30 |
| B. Yarn numbers 16s to 21s, inclusive | .32 |
| C. Yarn numbers above 21s | .335 |
| Part waste osnaburgs, 40" and narrower | .25 |
| Tobacco cloth, 40" and narrower | .39* |

§ 1316.8 Effective Date. This Schedule shall take effect
June 28, 1941.*

Issued this 27th day of June, 1941.

/s/ Leon Henderson
Leon Henderson,
Administrator

Certified to be a true copy
of the original

John E. Hamm,
Deputy Administrator

OFFICE FOR EMERGENCY MANAGEMENT

OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

For Immediate Release
July 1, 1941

PM 649

Priority status for repair and maintenance materials and equipment required for uninterrupted operation of a wide range of industrial processes and public services was assured today when the Civilian Supply Allocation Division of the Office of Price Administration and Civilian Supply promulgated an allocation program covering such items.

Action was necessitated by growing demands on raw materials as result of the defense program and the priorities granted in connection therewith which have made it difficult for manufacturers of repair and maintenance materials and equipment to fill their orders. Effect will be to assure continued operation of essential industries and services which otherwise might have to curtail because of inability to secure needed repair or maintenance parts.

The program covers 26 industries and services whose continued operation is essential to the public welfare and maintenance of civilian supplies. Other industries will be added when their problems have been analyzed. The program provides that such materials and equipment shall be allocated prior to all other civilian requirements and prior to defense requirements to the extent consistent with the defense program as determined by the Office of Production Management. Administration and enforcement of the program will be carried out by the OPM.

Text of the program including the list of industries and services covered is attached:

OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

For Immediate Release
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The program covers 26 industries and services whose continued operation is essential to the public welfare and maintenance of civilian supplies. Other industries will be added when their problems have been analyzed. The program provides that such materials and equipment shall be allocated prior to all other civilian requirements and prior to defense requirements to the extent consistent with the defense program as determined by the Office of Production Management. Administration and enforcement of the program will be carried out by the OPM.

Text of the program including the list of industries and services covered is attached:

TITLE 32 - NATIONAL DEFENSE

CHAPTER XI: OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

Part 1318 - Materials and Equipment
Used in Maintenance and Repair WorkCivilian Allocation Program for Materials
and Equipment Used in Maintenance and Repair Work

Increasing demands from all sources and the priorities granted to defense requirements have made it difficult for other enterprises to obtain materials and equipment needed for purposes of maintenance and repair quickly enough so that essential operations can be maintained without interruption. It is necessary, therefore, to provide priority status for the materials and equipment required to maintain such existing facilities in a satisfactory operating condition.

Furthermore, in cases where unforeseeable breakdowns occur and the need for equipment and materials becomes acute, a very high level of preference is required.

Accordingly, pursuant to and under the authority vested in me by Executive Order No. 8734, particularly Section 2(a) thereof, the following program for the allocation of materials and equipment for maintenance and repair of facilities employed in non-defense operations is announced:

§ 1318.1 Allocation of Materials and Equipment for Maintenance and Repair. Materials and equipment necessary for the maintenance and repair of facilities employed in operations in the following classifications shall be allocated to such use prior to the satisfaction of other competing civilian demands:

Railroads

Street railway, subway, elevated, and interurban lines
Commercial airlines maintaining regular scheduled service
Commercial operation of motor buses - local, interurban
and interstate
Shipping - including ocean, lake, river and canal commerce
Pipe lines - oil and gas
Commercial operation of motor trucks
Highway maintenance
Telephone communication
Telegraph communication
Radio commercial communication - including commercial
broadcasting
Electrical energy production and distribution
Gas production and distribution - manufactured and natural
Water production and distribution
Sewer service
Petroleum production and refining
Food processing and storing
Farm equipment employed in farming operations
Mining and quarrying
Coke converting
Metallurgical plants engaged in the production of raw materials
Production of chemicals
Protective services - fire and police
Research - industrial and academic
Hospitals, clinics and sanatoria
Public buildings, institutions, schools and parks.*

* § 1318.1 to 1318.5 inclusive, issued pursuant to the authority
contained in Executive Order No. 8734.

§ 1318.2 Emergency Maintenance and Repair. Materials and equipment necessary for emergency maintenance and repair of facilities in the above classifications shall be allocated to such use prior to all other civilian requirements and prior to defence requirements to the extent consistent with the defense program as determined by the Office of Production Management.*

§ 1318.3 Avoidance of Excessive Inventories. Allocations made under this program shall not be used to accumulate excessive inventories, or to divert parts still serviceable.*

§ 1318.4 Definitions. As used herein, the term "maintenance" means the upkeep of property and equipment, and the term "repair" means the restoration of property and equipment to a sound state after wear and tear, damage, destruction of parts, or the like. These terms include replacement of parts which have been worn out, damaged or destroyed, but do not include replacement when the new part or parts represent a changeover in model, the introduction of superior type equipment to replace usable equipment of an older or inferior type or design, or a substitution more extensive than that which is necessary to replace the part or parts that are worn out, damaged or destroyed.*

§ 1318.5 Enforcement. The foregoing program is to be administered and enforced by the Office of Production Management.*

Issued this 30th day of June, 1941.

Leon Henderson,
Administrator

Certified to be a true copy of the original

John E. Hamm
Deputy Administrator

OFFICE FOR EMERGENCY MANAGEMENT

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OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

For Immediate Release
Tuesday, July 1, 1941

PM 651

Emergency allocation of material and equipment necessary for construction and repair of machinery needed by the canning industry to handle this year's crop of perishable vegetables and fruits was ordered yesterday by the Civilian Supply Allocation Division of the Office of Price Administration and Civilian Supply, Leon Henderson, Administrator, announced.

Action was taken through issuance of a civilian allocation program to be administered, enforced, and limited by the Office of Production Management. Effect will be to avoid loss of a part of the year's crop because of shortages of canning equipment, thus aiding in the maintenance of civilian supplies of needed foodstuffs.

The program provides that deliveries of equipment and material, now on the Priorities Critical List, necessary for construction and repair of machinery in various parts of the canning industry shall be given emergency preference ratings to the extent found consistent by OPM with the defense program. The program applies to orders manufacturers have on hand calling for delivery on or before August 1 and to be actually shipped not later than August 15.

Copy of the program is attached:

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

Part 1317 - Material and Equipment
for the Construction and Repair of
Canning Machinery

CIVILIAN ALLOCATION PROGRAM

At the present time there is an urgent need for material and equipment necessary for the construction and repair of machinery for the canning industry. There is insufficient machinery to can this year's perishable vegetable and fruit crop, which will result in the loss of a portion of this year's crops unless prompt measures are taken to remedy the shortage. It is necessary, therefore, to allocate sufficient material and equipment to the construction and repair of canning machinery to meet the present emergency.

Accordingly, pursuant to and under the authority vested in me by Executive Order No. 8734, particularly Section 2(a) thereof, the following program for allocation of material and equipment necessary for the construction and repair of canning machinery is announced:

§ 1317.1 Emergency Allocation of Material and Equipment for the Construction and Repair of Canning Machinery. Deliveries of equipment and material now on the Priorities Critical List which are necessary for the construction and repair of machinery to be used in the preparation, processing, filling, labeling, closing and packaging of this year's fruit and vegetable crops shall be given an emergency preference rating effective for obtaining such equipment and material to the extent determined by the Office of Production Management to be consistent with the defense program; provided, however, that the manufacturer of the machinery has on hand orders calling for its delivery on or before August 1, 1941, and

the machinery is to be actually shipped not later than August 15, 1941.*

*§ 1317.1 to 1317.2, inclusive, issued pursuant to the authority contained in Executive Order No. 8734.

§ 1317.2 Administration, Enforcement and Limitation. This program shall be administered, enforced and limited by the Office of Production Management.*

Issued this day of June, 1941.

Leon Henderson,
Administrator

CERTIFIED TO BE A TRUE AND CORRECT COPY OF THE ORIGINAL.

John E. Hamm, Deputy Administrator

July 3, 1941

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

According to Mr. Parlmeter of the Associated Press you asked him to talk with me about the proposed tax on leased wires, which he feared might be applicable to newspaper wire services.

In the absence of some affirmative action by the Committee, leased wire services for newspapers and radio broadcasters would not be subject to the proposed excise tax.

The existing excise tax on telephone and telegraph messages would be extended to leased wire services under the provisions of the proposal adopted tentatively by the Ways and Means Committee. However, there is now a provision (Section 3466 of the Internal Revenue Code) exempting from tax the telephone and telegraph services used by newspapers and radio broadcasters. In the absence of action by the Committee, this exemption would presumably apply to the tax on leased wires. So far as I am aware, no consideration has been given to this specific question.



TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Thursday, July 3, 1941

Press Service
No. 26-30

Secretary Morgenthau today announced a plan to make it easier for taxpayers, large and small, to meet the unprecedented tax bills required by the National Defense program. Under this plan, two series of notes would be issued as outlined below, both dated August 1, 1941, and maturing August 1, 1943.

On January 1 of each year hereafter, two new series will be provided so that a taxpayer can always purchase notes during the entire year in which he is receiving his income, to be used in payment of his taxes due in the following year. The reason for the two-year note is to permit a taxpayer, if he so desires, to begin saving in January of one year and continue throughout that year to save for his taxes due in March, June, September, and December of the following year.

All notes are to be sold at par and accrued interest, if any, and will be redeemed at any time after three months from the month of issue, but not before January, 1942, when presented in payment of income taxes at par and accrued interest up to and including the month in which such taxes are paid. Interest will not accrue beyond the maturity of the notes. If not presented in payment of

- 2 -

income taxes, they will be redeemed for cash under certain specified conditions at the purchase price paid for the notes. In other words, the taxpayer, in this case, gets back just the amount he paid for the notes and no more.

The notes will not be registered, but will have the purchaser's name and address inscribed thereon so that the Collector of Internal Revenue can compare the purchaser's name with that on his tax return. They will not be transferable; nor can they be used as collateral. Applications for purchases of both series of notes can be made through the taxpayer's bank and the bank may credit the proceeds to its War Loan Deposit Account, if it has such an account. Applications can also be made directly to the Federal Reserve Banks or to the Treasurer of the United States.

These notes may be used to pay any Federal income taxes (current and back personal and corporation taxes, and excess-profits taxes). Further details regarding these issues will be contained in the official circular to be released about July 20, 1941.

TAX SERIES - A-1943

Notes of this series will be issued in denominations of \$25, \$50, and \$100. The amount of this series which can be

- 3 -

presented in payment of income taxes will be limited to \$1200 in any one tax year by any one taxpayer. The notes will provide a return of about 1.92 per cent a year, but the rate per cent will not be expressed. For a \$25 denomination, it will be expressed at 4 cents a month, \$50 denomination at 8 cents a month, and for the \$100 denomination at 16 cents a month. By following this method it is made simple to compute the cost when the taxpayer purchases the notes and simple both to the taxpayer and the Collector of Internal Revenue to compute the credit that may be applied to the taxes due. There will be a schedule of values printed on each note. These notes will be redeemed for cash at the Federal Reserve Bank of issue at any time at the price paid by the taxpayer.

TAX SERIES - B-1943

Notes of this series will be issued in denominations of \$100, \$500, \$1,000, \$10,000, and \$100,000. The amount of these notes which can be presented in payment of taxes is limited only by the amount of taxes due. The Secretary will, however, reserve the right to reject any and all subscriptions. The notes will provide a return of slightly less than 1/2 of 1 percent (about 0.48%) a year, but here, as in Series A, in order to simplify

- 4 -

computations, the rate per cent will not be expressed. It will be stated as 4 cents a month for a \$100 denomination, 20 cents for a \$500 denomination, and so on. There will be a schedule of values printed on each note. These notes will be redeemed for cash at the Federal Reserve Bank of issue, after sixty days and upon thirty days' notice at the price paid by the taxpayer.

ooOoo

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE July 3, 1941

TO Secretary Morgenthau
FROM Mr. Kuhn

In connection with the new tax notes, you might wish to make the following points at your press conference:

1. American taxpayers have shown in a great variety of ways that they are willing to pay the heaviest tax bill in history for the sake of national defense. Congress is now considering a tax bill that will produce three and a half billions in additional revenue, in accordance with the expressed wish of the people. The Treasury's primary purpose in issuing these new notes is to serve the convenience of the men and women who are ready to put their dollars to work for the safety of the country.

2. But we have other purposes which, we think, will be served by these new securities. I hope that the new tax notes will encourage thrift by enabling men and women to save regularly for meeting their tax bills. I also hope that they will speed up tax collections, reduce the volume of back taxes payable, and thus save the government unnecessary expense. Finally, if these tax notes are to fulfill their purpose, they will help to check the rising cost of living by withdrawing taxes from current earnings.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

MA

DATE July 3, 1941

TO Ferdinand Kuhn, Jr.
FROM Herbert Merillat

PRESS OPINION ON TAXES:
REACTION TO COMMITTEE BILL

Two opinions are found in almost all editorial comment on the Ways and Means Committee's personal income tax proposals: (1) that the failure to broaden the base is a major defect in the bill, and (2) that the proposed taxes are very severe even though smaller in the lower brackets than the Treasury requested.

On the subject of a broader base, most editorials take this line: persons below the present exemption levels ought to make direct tax payments in this emergency, in order to have a feeling of sharing in the defense program and to acquire an interest in federal fiscal affairs; too much of the proposed tax burden falls on individuals with "moderate" incomes; the fact that steep surtaxes apply to the first dollar of income above the personal exemption makes more pronounced the discrimination in favor of persons now exempt from the income tax; the Committee is guilty of playing politics with an important issue and only refrains from reducing exemptions out of fear of losing votes.

Along with remarks on the severity of the new taxes there are frequent admonitions to taxpayers that they should begin to plan now how to meet their tax bills. Careful budgeting will be required of lower-bracket incomes, it is said. Anticipating the Treasury's announcement of details of its tax-prepayment plan, many papers have remarked on the need for such a plan and praised the Treasury for preparing it.

Excises

As OPACS runs into difficulties in its price-control program, interest has mounted in measures to prevent inflation. Price control occupies the center of attention, but the importance of taxes is recognized. Business Week suggested that OPACS and OPM prepare lists of consumer goods, consumption of which should be or will be curtailed, and use such lists as a basis for working out schedules of excises.

The New York Times recently outlined a program of excise taxation similar in principle to the Henderson-Eccles excise suggestions, and called for (1) minimum taxes on necessary and useful articles of which there is no shortage; (2) maximum taxes (consistent with a revenue-raising purpose) on luxuries not competing with defense; and (3) taxes sufficiently heavy to discourage consumption of durable consumer goods competing with defense.

No comment is yet available on the list of excises tentatively agreed upon by the Committee.

Labor and Inflation

In line with labor's attitude on the danger of inflation, described in last week's report, Philip Murray's article in the June 28 issue of "The Nation" scouts the idea that the nation faces a serious shortage of consumer goods, with consequent inflation. He sees no need for living standards to be lowered and attacks tax proposals which have promoted as inflation curbs - taxes on low incomes and "deferred pay" plans.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 3, 1941

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

You have the legal authority to authorize the Des Moines Register and Tribune to publish the reproduction of the savings stamp in a mimeographed line drawing 4 x 6". Secret Service has no objection to your authorizing the reproduction of the stamp.

S. W. F. H.

CONFIDENTIAL

UNITED STATES SAVINGS BONDS AND SAVINGS STAMPS

Monthly Sales in June Compared with May, 1941

On Basis of Issue Price

(Amounts in thousands of dollars)

| Item | Sales | | | | Decrease in June compared with May | | | |
|-------------------------|-----------|-----------|----------------|-----------|------------------------------------|---------|----------------|---------|
| | Monthly | | Daily Average* | | Monthly | | Daily Average* | |
| | June | May | June | May | Amount | Percent | Amount | Percent |
| Series E - Post Offices | \$ 40,788 | \$ 42,836 | \$ 1,632 | \$ 1,648 | \$ 2,048 | 4.8% | \$ 16 | 1.0% |
| Series E - Banks | 57,936 | 72,059 | 2,317 | 2,772 | 14,123 | 19.6 | 455 | 16.4 |
| Series E - Total | 98,725 | 114,895 | 3,949 | 4,419 | 16,170 | 14.1 | 470 | 10.6 |
| Series F - Banks | 22,965 | 45,521 | 919 | 1,751 | 22,556 | 49.6 | 832 | 47.5 |
| Series G - Banks | 147,275 | 277,872 | 5,891 | 10,687 | 130,597 | 47.0 | 4,796 | 44.9 |
| Total | \$268,965 | \$438,288 | \$ 10,759 | \$ 16,857 | \$169,323 | 38.6% | \$ 6,098 | 36.2% |
| Stamps | \$ 2,998 | \$ 3,475 | \$ 120 | \$ 134 | \$ 477 | 13.7% | \$ 14 | 10.4% |

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

July 3, 1941.

Source: Division of Savings Bonds. Figures shown as post office sales of Series E bonds are deposits by postmasters with the Treasurer of the United States. The bank figures are taken from Federal Reserve Bank reports (weekly reports for Series E; daily reports for Series F and G) and include their own sales. Stamp figures are estimated by the Post Office Department; figures through June 7 have been prorated to agree with complete reports by postmasters which are made quarter-monthly.

* Average per business day. There were 25 business days in June and 26 in May.

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

CCC 5/8 Percent Notes Maturing on August 1, 1941

Amount Owned on May 31, 1941 by the Twenty-Five
Largest Holders Reporting to the Treasury

(In millions of dollars)

| | |
|------------------------------------------------------|--------------|
| Metropolitan Life Insurance Co., New York..... | 16.0 |
| First National Bank, New York, N.Y..... | 14.4 |
| Commerce Trust Co., Kansas City, Mo..... | 8.5 |
| Bank of Manhattan Co., New York..... | 8.5 |
| French American Banking Corp., New York, N.Y..... | 8.1 |
| J. P. Morgan & Co., Inc., New York..... | 6.3 |
| National Bank of Detroit, Detroit, Mich..... | 6.1 |
| Bankers Trust Co., New York..... | 6.0 |
| Lumbermen's Mutual Casualty Co., Chicago, Ill..... | 4.2 |
| Brown Brothers Harriman & Co., New York..... | 3.2 |
| Bank of North Dakota, Bismarck, N.D..... | 3.1 |
| City National Bank & Trust, Chicago..... | 2.7 |
| Manufacturers' Trust Co., New York..... | 2.7 |
| First National Bank, Boston, Mass..... | 2.3 |
| First National Bank of Chicago, Chicago, Ill..... | 2.2 |
| American Trust Co., San Francisco..... | 2.0 |
| First National Bank, Shreveport, La..... | 2.0 |
| The Detroit Bank, Detroit, Mich..... | 1.9 |
| New York Life Ins. Co., Madison Square, N.Y..... | 1.8 |
| Anglo-California National Bank, San Francisco..... | 1.8 |
| Bank of America N.T. & S.A., San Francisco..... | 1.6 |
| United States National Bank, Portland, Ore..... | 1.3 |
| First Huntington National Bank, Huntington, W.Va... | 1.3 |
| Central Missouri Trust Co., Jefferson City, Mo..... | 1.1 |
| Providence Institution for Savings, Providence, R.I. | <u>1.1</u> |
| Total amount owned by 25 largest holders..... | <u>110.2</u> |
| Total amount outstanding..... | <u>202.6</u> |
| Percent of total owned by 25 largest holders..... | 54.4% |

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

July 3, 1941

DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

THURSDAY - JULY 3, 1941

Time: 9:30 - 9:45 A.M.

Program: Stepmother

Station: WJSV

Time: 9:45 - 10:00 A.M.

Program: Woman of Courage

Station: WJSV

Time: 1:00 - 1:15 P.M.

Program: Young Dr. Malone

Station: WJSV

Time: 9:00 - 9:15 A.M.

Program: The Story of Bess Johnson

Station: WRC

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.

July 3, 1941

TO: The Secretary ✓
Mr. Adams
Mr. Callahan
Mr. Dietz
Mr. Graves
Mr. Houghteling
Mr. Kuhn
Mr. Mahan
Prof. Odegard
Mr. Olney
Mr. Paige
Mr. Powel
Mr. Sloan

FROM: Mr. Duffus

Thursday, July 3rd, "Rochester" (of radio fame) appeared on our 4:45 broadcast and we had two band concerts - matinee and evening.

For July 4th, we will have the American Legion Boys' Band in the afternoon and, at 7:30 p.m. we will have the Navy Band with Lucy Monroe, the "Star Spangled Banner" soprano, on a CBS hook-up.

The Navy Band will also give a concert Saturday noon.



RESERVE SAVINGS STAFF

*Presented by
Mr. P. Lucas*

TREASURY DEPARTMENT

WASHINGTON

7-3-41

"AMERICA PREFERRED"

A half-hour program sponsored by the Treasury Department over the Mutual Broadcasting System. Sunday, 12:00 to 12:30 PM, originating in New York. The present set-up calls for a ten weeks series with Mutual agreeing to continue indefinitely.

This program is designed for the cultural and classical type of listener.

Opening program, Sunday, July 13

Pierre van Paassen - narrator

Guest speakers (two will be selected by Thursday)

- Louis Adamic - Jugoslavia
- Martha Ostenseo - Norway
- Angelo Patri - Italy
- Albert Einstein - Germany
- Dean Alfange - Greece

Guest artist

Jarmila Novotna - Czechoslovakia
Metropolitan Opera Star - Soprano

Mr. van Paassen and the Legion for American Unity want to have the following people appear on the first program for a few seconds to greet the opening of the series. Mrs. Roosevelt could speak for three or four minutes from Washington. The following names (with the exception of Mrs. Roosevelt) are now being contacted by Mr. van Paassen and his manager. We will know by Thursday afternoon whether or not this angle works; if it does, we will have a 45-minute show the first time. Following is a list of names suggested by Mr. van Paassen:

Mrs. Roosevelt

Somerset Maugham
Erich Remarque
Jan Struthers
Sinclair Lewis
VanWyck Brooks

Henri Bernstein
Sigrid Undset
Ferenc Molnar
Theodore Dreiser
Walter Winchell

Jules Romain
Paul Lukas
Anna Tolstoy
Ernest Hemingway
Pastors - Conference
of Jews and Christians

TREASURY DEPARTMENT
WASHINGTON



DEFENSE SAVINGS STAFF

GUEST ARTISTS WHO HAVE BEEN ASSIGNED DEFINITE DATES

Jarmila Novotna - Metropolitan Opera Soprano - July 13th

Jan Peerce - Metropolitan Opera Tenor - July 20th

Ania Dorfmann - Pianist - August 3rd

Mischa Elman - Violinist - August 24th

Artur Schnabel - Pianist - October 5th

Efrem Zimbalist - Pianist - July 27th (He may change the date)

TREASURY DEPARTMENT

WASHINGTON



DEFENSE SAVINGS STAFF

GUEST ARTISTS TO WHOM WE WILL ASSIGN DATES AS WE SECURE THEM

Sergei Rachmaninoff - Pianist

Yehudi Menuhin - Violinist

Jascha Heifetz - Violinist

Vladimir Horowitz - Pianist

Jose Iturbi - Pianist

Adolph Busch - Violinist

The Legion for American Unity, at my request, has formed a Guest Artists Committee which will serve as the date booking bureau for the artists. The committee is composed of the following outstanding names in the musical world: Ernest Bloch, composer; Samuel Chotzinoff, musical critic; Walter Damrosch, composer and conductor; Ernest Hutcheson, President, Juilliard School of Music; Hermann Irion, Steinway and Sons; Hans Kindler, Conductor, National Symphony Orchestra; Lotte Lehmann, Metropolitan Opera Star; and Fritz Reiner, Musical Director, Pittsburgh Symphony Orchestra.

COPY
JUL 3 1941

Dear General Arnold:

Thank you for your memorandum of June 23, 1941, enclosing a copy of the Proceedings of the Joint Aircraft Committee. The work of the Committee is of considerable interest to me, and I appreciate your sending the report to me.

Sincerely,

[Signed] E. Hergenthan, 597

Major General H. H. Arnold,
Chairman, Joint Aircraft Committee,
Washington, D. C.

W:va 7/1/41

FILE TO MR. HAAS.

By Messenger

JOINT AIRCRAFT COMMITTEE

Washington, D. C.

June 23, 1941

MEMORANDUM TO: Secretary of the Treasury

SUBJECT: Proceedings of the Joint Aircraft
Committee

1. At the direction of the members of the Joint Aircraft Committee there is enclosed herewith for your information a copy of the Proceedings of the Joint Aircraft Committee. This booklet has been prepared as a brief history of the work of the Committee from its organization to May 1, 1941.

2. While it is apparent that all of the work of the Committee has been of a constructive and noteworthy nature, your attention is particularly directed to the schedule of cases on the Standardization of Aircraft in the last part of the booklet. It is the belief of the Committee that outstanding results have been obtained in this direction in a very short period of time.

/s/ H. H. Arnold

H. H. Arnold
Major General, U. S. Army
Chairman, Joint Aircraft
Committee

Enclosure.

C
O
P
Y

151

JUL 3 1941

My dear Mr. President:

I have your letter of June 24, 1941, requesting advice as to what defense articles the Treasury has available now and will have available to the close of this year for transfer under Section 3 (a)(2) of the Lend-Lease Act of March 11, 1941.

The Treasury has been thoroughly canvassed, and I am of the opinion that no articles of substantial significance will be available for transfer this year under the above-quoted section 3 (a)(2). As you know, the Department has transferred ten Coast Guard cutters to Great Britain in accordance with the provisions of the Lend-Lease Act. Any further transfer of equipment and material now in the possession of the Coast Guard would probably impair the efficient performance of that service.

Faithfully yours,

(Signed) E. Rergenthan, Sr.

The President,

The White House.

HD/op 7/3/41

File to Mr. Thompson

By Messenger

MEMORANDUM:

On the afternoon of July 2, 1941, Assistant Collector O'Keefe at New York phoned Commissioner Johnson that rumors were persistent in shipping circles in New York, that (1) all Japanese vessels had been ordered to be in home waters by July 31, 1941, and (2) that principal officers of the Mitsui and Mitsubishi Companies had been ordered to be in Japan on July 15, 1941.

Inquiry shows that at 3 P.M. on July 2, 1941, Naval Intelligence Agent Peterkin of New York reported to the Navy Department that definite confidential information was received from Japanese lines and executives that all Japanese ships must be in the Pacific Ocean by August 1, 1941.

Customs agents at New York do not believe the information to the above two officials came from the same source, but we do not know Naval Intelligence Agent Peterkin's source of information.

CIRCUMSTANCES SUPPORTING INFORMATION

Seattle: Customs agents report that during the past six weeks about one-half of the Japanese residents of that area have cashed their life insurance policies, and that many families of native-born and American-born Japanese have departed for Japan during the past 30 days. This is also being checked at other points on the Pacific coast.

New York: Customs agents report that Mitsui Line is moving its quarters from Pier 30, Brooklyn, N. Y., but to what point has not been learned. They do not expect a vessel for two or three months and it is rumored they are discontinuing leasing of offices and docks.

San Francisco: Customs Agents have information from local Naval Intelligence that Mitsui and Mitsubishi Companies, on or about July 1, issued instructions to their employees that their families must go back to Japan immediately. They report that allowance of \$200 per month, per family, has been heretofore paid and that, due to lack of dollar credits, these allowances have become burdensome and could no longer be continued.

New Orleans: Customs agents state that Japanese S.S. AMAGISAN MARU, originally scheduled to arrive New Orleans July 9, 1941, for oil cargo and to proceed to San Diego for bunkers, received change of orders today from New York office cancelling call at San Diego and will proceed from New Orleans direct to Katsuo, Japan.

CIRCUMSTANCES DISPUTING INFORMATION

New York: Customs agents state no unusual activities of Japanese steamships. Actual examination of offices of all principal Japanese steamship and commercial offices show no signs of packing or other indications of intended departure.

San Francisco: Customs agents state no signs of unusual activities or acceleration of movements of Japanese individuals and that arrangements proceeding for shipments of cotton to Japan from Los Angeles during August and September.

from Customs

JUL 3 1941

My dear Mr. Attorney General:

Receipt is acknowledged of your letter of July 2, 1941, with respect to the recommendation of the Chairman of the Maritime Commission that the German and Italian vessels which have been sabotaged should be forfeited pursuant to the Espionage Act of June 15, 1917.

In view of the matters set forth in your letter, the Department of the Treasury will direct the appropriate collectors of customs to seize the above-mentioned vessels pursuant to section 8 of Title II of the Espionage Act of June 15, 1917, 40 Stat. 220 (U.S.C. title 50, sec. 193) immediately upon advice from the Department of State that such seizure would not contravene the foreign policy of the United States.

I am transmitting a copy of this letter to the Secretary of State. ✓

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

FILE TO MR. FOLEY

The Honorable

The Attorney General of the United States.

Original sent by hand 3:45 p.m.
7/3/41; from G. U. Office.

HC:ERF:mjb
7-3-41

July 3, 1941

My dear Mr. Secretary:

I am enclosing a copy of a letter dated July 3, 1941, to the Attorney General with respect to the recommendation of the Chairman of the Maritime Commission that the German and Italian vessels which have been sabotaged should be forfeited pursuant to the Espionage Act of June 15, 1917.

Sincerely yours,

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

The Honorable

The Secretary of State.

Orig. and con. sent by hand 3:45 pm
7/3/41 from G. C. Office.

FILE TO MR. FOLEY

Enclosure

P.S. Please let me hear from you promptly
one way or the other.

HC:ERF:mjb
7-3-41

(Initialed) H.M.Jr.

July 3, 1941

My dear Mr. Secretary:

I am enclosing a copy of a letter dated July 3, 1941, to the Attorney General with respect to the recommendation of the Chairman of the Maritime Commission that the German and Italian vessels which have been sabotaged should be forfeited pursuant to the Espionage Act of June 15, 1917.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of State.

FILE TO MR. FOLEY

Enclosure P.S. Please let me hear from you promptly
one way or the other.

HC:ERF:mjb
7-3-41

(Initialed) H.M.Jr.

Orig. and enc. sent by hand
at 3:45 p.m. 7/3/41, from G.C. Office.

July 3, 1941 ✓

copy

My dear Mr. Attorney General:

Receipt is acknowledged of your letter of July 2, 1941, with respect to the recommendation of the Chairman of the Maritime Commission that the German and Italian vessels which have been sabotaged should be forfeited pursuant to the Espionage Act of June 15, 1917.

In view of the matters set forth in your letter, the Department of the Treasury will direct the appropriate collectors of customs to seize the above-mentioned vessels pursuant to section 3 of Title II of the Espionage Act of June 15, 1917, 40 Stat. 220 (U.S.C. title 50, sec. 193) immediately upon advice from the Department of State that such seizure would not contravene the foreign policy of the United States.

I am transmitting a copy of this letter to the Secretary of State.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Attorney General of the United States.

Original sent by hand 3:45 p.m.
7/3/41; from G. O. Office.

FILE TO MR. FOLEY.

TO:

COPY

157

Under Secretary Bell

I agree that Mr. Welles' letter of July 3 should close the Aldrich case. Likewise I think we should file unanswered the attached letter of April 30 from the Department of State, since the recent extension of our Freezing Control has clarified the policies in question.

(initialled) H.M.C.

July 14, 1941

COPY

Mr. Cochran

Seems to me this closes case.

(initialled) DWB

COPY

DEPARTMENT OF STATE
Washington

July 3, 1941

My dear Mr. Secretary:

I refer to your letter of May 16 and Mr. Winthrop W. Aldrich's of May 12 concerning transactions of the Chase National Bank with German, Italian and Japanese firms.

This Department appreciates Mr. Aldrich's concern that that the policies of the Chase National Bank, in its relations with foreign countries, be in harmony with the policies of this Government. However, the issuance of the executive order of June 14 establishing control over German and Italian assets in this country makes a specific reply to his inquiries in this letter no longer necessary or pertinent, and the Department does not desire to comment with reference to the Japanese transactions.

Sincerely yours,

(Signed) Sumner Welles

Acting Secretary.

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

COPY

May 16, 1941

To Files
From Mr. Cochran

When we originally received the letter of April 30 from Under Secretary Welles in regard to American banks extending credit facilities which assist in the export of strategic and critical war materials to Germany and Japan from Brazil, I discussed it with Under Secretary Bell. We agreed that the Treasury should not take the initiative in calling together a group of New York banks and considering requesting them not to extend the facilities under reference. We thought the appropriate time to go into this matter would be whenever we establish the contemplated Capital Control Committee, or when the joint committee of the State, Treasury and Justice Departments may be established for passing upon matters of economic and financial interest such as that under reference.

When Mr. Bell sent to me for initialing last night a letter drafted to the Secretary of State, requesting the latter's suggestions for a reply to an attached inquiry from Mr. Aldrich of the Chase Bank, I pointed out to Mr. Bell that Mr. Aldrich's letter raises the question of general Governmental policy to be laid down for the guidance of banks in their dealings with such countries as Germany, Italy and Japan. In this connection we had not yet answered the letter from the Department of State of April 30 which dealt with one phase of this general problem, namely, that of American banks financing exports of strategic and critical war materials from Brazil to Germany and Japan.

At Mr. Bell's suggestion, I took the letter to Secretary Hull and obtained Secretary Morgenthau's signature thereto this afternoon. The Secretary also signed the acknowledgment addressed directly to Mr. Aldrich. I explained the background to Secretary Morgenthau, including the unanswered letter of April 30, and he agreed to the position which we have taken. If the State Department, in answering our letter with respect to Mr. Aldrich's inquiry, raises the point brought up in its letter of April 30, then the two Departments should have a more thorough discussion of the points involved and decide whether a position can be immediately taken, or whether a setting up of one or both of the committees in question should be awaited.

(initialed) H.M.G.

C O P Y

MAY 16 1941

Dear Mr. Secretary:

I am enclosing herewith copy of a letter dated May 12, 1941, together with memorandum referred to therein, from Mr. Winthrop W. Aldrich, Chairman of the Board of Directors of the Chase National Bank of New York, raising certain questions as to the advisability of that Bank's continuing to furnish certain banking facilities to German, Italian and Japanese banks and firms,

I would appreciate it if you could advise me as to how the Treasury should reply to this letter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of State.

COPY

MAY 16 1941

Dear Mr. Aldrich:

I have your letter of May 12, 1941, enclosing a memorandum outlining the nature and scope of certain transactions which your bank is carrying on with German, Italian, and Japanese banks and firms, and advising me that you would be glad to be guided by the wishes of the Treasury either now or at any time in the future, if in my opinion it should be inadvisable for your bank to continue to furnish any of these facilities.

I appreciate very much your bringing this matter to my attention. I have it under study and will be glad to advise you in case we want to take advantage of your kind offer.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Winthrop W. Aldrich,
Chairman,
Board of Directors,
The Chase National Bank,
New York City.

COPIY

THE CHASE NATIONAL BANK
of the City of New York
NEW YORK

May 12, 1941

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

Dear Mr. Secretary:

Those of us who are responsible for conducting the policy of this Bank recognize that during the present period of international tension it is extremely important that American banks should cooperate in every possible way with the Administration.

On the other hand, it is difficult, in the absence of action by the United States Government to control assets owned by German, Italian and Japanese nationals, for us to refuse to continue to handle for the benefit of our American customers and depositors such ordinary business as they may have in Central Europe, Italy and Japan, or to refuse to continue our correspondent relations with German, Italian and Japanese banks and firms.

The nature and scope of the transactions which I have in mind are outlined in the enclosed memorandum. I have no reason to suppose that any of these transactions is in any way contrary to the policy which the Administration would wish to have us follow, but with the thought in mind that it might not have occurred to you that some of these transactions were being carried on, I have felt it desirable to call them to your attention.

I am sure that it is not necessary for me to tell you that if, in your opinion, it should be inadvisable for us to continue to furnish any of these facilities, we will be glad to be guided by your wishes either now or at any time in the future.

Very sincerely yours,

/s/ Winthrop W. Aldrich

Chairman Board of Directors.

Enclosure.

COPY

May 12, 1941

I - GERMANY

- A) - We continue to carry current accounts in the names of German banks and firms and effect payments and collections on their behalf, including all the routine banking transactions involved in an ordinary correspondent relationship.
- B) - Ever since the German crisis of 1931, we have been actively engaged in the liquidation of credits extended by this and other American banks in Germany. Under the Standstill Agreements concluded with the German banks, the American banks had the right to acquire debtors to settle their debts in German Marks. These Marks were and are still being sold to buyers in the United States and elsewhere and are generally used for support of families, charitable contributions and travel.
- C) - Prominent American concerns doing business in Germany are using our services in connection with the transfer to the United States, after conversion, of interest, dividends, royalties collected in Marks in Germany.
- D) - We have been instrumental in liquidating funds inherited by United States citizens or residents in Germany.
- E) - We have received from German residents of the United States desirous of returning to Germany to take up permanent residence there, dollars which were credited to the account of the Deutsche Golddiskontbank for the purpose of conversion into Marks to be paid to these emigrants upon their arrival in Germany.

The gross volume of all transactions completed during the first four months of 1941 amounted to slightly under \$4,300,000.

- 2 -

II - ITALY

- A) - We continue to carry current accounts in the names of Italian banks and firms and effect payments and collections on their behalf, including all the routine banking transactions involved in an ordinary correspondent relationship.
- B) - Prominent American concerns doing business in Italy are using our services in connection with the transfer to the United States, after conversion, of interest, dividends, royalties collected in Lires in Italy.
- C) - For American investors, holders of Italian shares and dollar bonds in default, we have been instrumental in the sale and disposal thereof in Italy.
- D) - We have made and are making remittances representing gifts, support of families and charitable contributions, mainly for account of Italian residents in the United States and for the Catholic Church. Considerable payments of this kind have been made to the Vatican, the Society of Jesus and various missionary societies in Italy. Other sales are made mainly to steamship companies, passenger, travel and freight agencies and American and Italian banks.
- X) - We are transferring funds to subsidiaries and agents of American firms in Italy and to the Italian Offices of the American Press.

The gross volume of all transactions completed during the first four months of 1941 amounted to slightly under \$1,900,000.

III - JAPAN

- A) - We continue to carry current accounts in the names of Japanese banks and firms, most of whom are established in New York, and effect payments and collections on their behalf including all the routine transactions involved in an ordinary correspondent relationship, such as opening of commercial credits on a fully

- 3 -

secured basis to finance the importation of silk and rubber, loans against goods in warehouse (stored in this country), loans against U. S. Government Bonds, discount of trade acceptances and purchase and sale of foreign exchange.

The gross volume of such transactions on our books at the present time amounts to about \$6,100,000.

- 3 -

secured basis to finance the importation of silk and rubber, loans against goods in warehouse (stored in this country), loans against U. S. Government Bonds, discount of trade acceptances and purchase and sale of foreign exchange.

The gross volume of such transactions on our books at the present time amounts to about \$6,100,000.

COPYDEPARTMENT OF STATE
Washington

April 30, 1941

CONFIDENTIAL

My dear Mr. Secretary:

As you no doubt know, the Department is busily engaged, along with the buying agencies of this Government, in acquiring to the utmost possible extent strategic and critical raw materials produced in the American republics. In this connection a telegraphic report was received from our embassy at Rio de Janeiro which brings out the fact that various products on our strategic and critical raw materials list are being exported to Germany and Japan from Brazil, use being made of our commercial banking facilities. I enclose a paraphrase of the cable.

It is my judgment that we should endeavor to bring to an end this financial output on the part of the American banks. It occurs to me that the simplest way might be if the Treasury or the Federal Reserve Bank of New York would informally discuss the matter with the banks engaging in this business and seek to secure agreement that it would be foregone. If the Treasury is willing to arrange such a meeting, I should be very glad to see that a representative of the State Department is present to help in presentation of the matter. You might also wish to have present a representative selected by the Federal Loan Administrator.

-2-

I should appreciate your assistance in this matter.

Sincerely yours,

For the Secretary of State:

(Signed) Sumner Welles

Under Secretary.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

Enclosure:

No. 349 of April 23
from Rio de Janeiro

Copy:lg 7/14/41

C O P Y

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil

DATE: April 23, 1941, 7 p. m.

NO.: 349

Industrial diamonds and other strategic materials, as previously reported by the Embassy, are being exported to Germany and Japan from Brazil, using United States commercial banking facilities. Certain strategic materials are being exported from the United States only under license, at the same time, and the shipment of such materials from Brazil and other non-American destinations on credits extended by American banks is partially defeating the general objectives of the export control of the United States.

I wonder whether the Department would have any suggestions as to possibility of persuading U.S. banks not to open foreign commercial credits for strategic materials unless the credits are documentary and concern only shipments to countries in the Western Hemisphere, or unless some other destination has been officially approved.

Just this measure in itself I realize might not be sufficient to bring about a substantial lessening of the movement to non-American countries of strategic materials. However, American banks would at least be prevented from facilitating such movement of materials, and other efforts of the United States in that direction might be strengthened.

CAFFERY.

RA:LEW

Copy:lg 7/14/41

JUL 3 1941

My dear Mr. Secretary:

Reference is made to your letter dated June 18, 1941, in which you informed the Treasury of the desire of the National Bank of the Republic of Haiti to purchase \$750,000 worth of gold for the purpose of serving as a reserve against the circulation of Haitian currency, such gold to remain on deposit with the Federal Reserve Bank of New York for the account of the National Bank of the Republic of Haiti. With your letter there was enclosed a translation of the instructions received by the *Charge d'Affaires* ad interim of the Republic of Haiti.

For appropriate communication to the Government of the Republic of Haiti, the following information is provided. Gold can be acquired in the United States only under Treasury license. The National Bank of the Republic of Haiti should address its request for the purchase of gold to the Federal Reserve Bank of New York which would, in turn, apply to the Treasury Department for the necessary license. The Treasury Department's present calling price for gold is \$35 (plus 1/4%) per fine troy ounce of gold and its present buying rate for gold is \$35 (less 1/4%) per fine troy ounce of gold. The Federal Reserve Bank of New York purchases gold only as agent of the United States, at the Treasury Department's current buying price. As you are aware, the \$35 price for gold has been maintained since it was established in January 1934.

The Federal Reserve Bank of New York will be pleased to submit to its Board of Directors for approval a request from the National Bank of the Republic of Haiti to earmark gold in its vaults for the account of that Bank.

The Federal Reserve Bank of New York does not make a charge for holding gold under earmark but asks for reimbursement of actual labor cost incurred in connection with the receiving, checking, weighing, delivering, etc., of gold for foreign account. The labor cost of receiving gold for earmarking is 33.97 cents per bar of standard size (approximately 300 gross ounces), or its equivalent, and that of releasing gold from earmark 21.62 cents per bar as above, or its equivalent.

- 2 -

You are assured that it will be a pleasure for the Treasury to be of any possible assistance to the National Bank of the Republic of Haiti in acquiring gold for its currency reserve.

Sincerely yours,

Secretary of the Treasury.

The Honorable
Sumner Welles,
Acting Secretary of State.

(Init.) H. M. G.; MB; WH; EH; GHS; WFT

MS:log-6/25/41

COPY

June 24, 1941.

To: Mr. Cochran
 From: L. W. Knabe

Subject: Purchase of gold and its assaying
 by Federal Reserve Bank of New York
 for account of the National Bank of
 the Republic of Haiti.

As you know, gold can be acquired in this country only under Treasury license; therefore, upon receipt of a request from the National Bank of the Republic of Haiti to purchase gold here for its account, the Federal Reserve Bank of New York would apply to the Treasury Department for the necessary license. As you also know, the Treasury Department's present selling price for gold is \$35 (plus 1/4%) per fine troy ounce of gold and its present buying rate for gold is \$35 (less 1/4%) per fine troy ounce of gold. The Federal Reserve Bank of New York purchases gold only as agent of the United States, at the Treasury Department's present buying price.

The Federal Reserve Bank of New York will be pleased to submit to its board of directors for approval a request from the National Bank of the Republic of Haiti to assay gold in its vaults for the account of that bank.

The Federal Reserve Bank of New York does not make a charge for holding gold under assay but asks for reimbursement of actual labor cost incurred in connection with the receiving, checking, weighing, delivering, etc., of gold for foreign account. The labor cost of receiving gold for assaying is 22.87¢ per bar of standard size (approximately 400 gross ounces), or its equivalent, and that of releasing gold from assay 21.68¢ per bar as above, or its equivalent.

(1) L.W.K.

600117-5-41

Sveriges
Riksbank

C
O
P
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Stockholm, July 3rd, 1941.

Mr. H. Merle Cochran,
c/o The Treasury,

Washington, D. C.

My dear Merle,

Your letter of May 26th arrived on June 30th. I thank you most heartily for the very valuable help you have rendered Mr. Bostrom and Magnusson. All your European friends are happy that a man with such a thorough knowledge of European matters is holding such a central position in the Treasury as you are. We thank you for the licences given us. You can be assured that we will cooperate wholeheartedly with you.

I have had a very interesting trip to Basle, the first one during the war. We were a very small company: McKittrick, Weber and I. At the General Meeting there were with exception of us only the usual members of the management of the bank. We lunched at the "Trois Rois" without any Swiss bankers.

We are sorry for the delay which the B.I.S. had with regard to the transfer to the Swiss National Bank. I hope that these matters in the meantime have been arranged. We agreed that McKittrick should go to America to tell your American friends something about the B.I.S. and the very correct and neutral way, in which they now handle everything. I understood, however, the other day that it was doubtful, whether McKittrick should be able to make the trip.

The work in the B.I.S. is still going on along the same lines as previously. They still have the same good team-work and you cannot find any difference between the different nationalities in their willingness to work for the B.I.S. All central bankers in Europe, with whom I have come into contact, have been interested to keep up the B.I.S. organisation in the hope that it should be able to contribute to the solution of the monetary problems of the world after the war.

Since the dollar no longer can be used as a medium, when a central bank in Europe wants to buy another European currency, the situation is the following: We have only 4 possibilities of getting e.g. Swiss francs, which is the currency mostly demanded:

They are to buy Swiss francs

- 1/ against Swedish kronor,
- 2/ " gold,
- 3/ " reichsmarks,
- 4/ " another currency, dollars escudos or pesos, if a buyer of such a currency can be found.

The Swiss National Bank is not buyer neither of dollars nor of escudos, and as a rule not of pesos. We have been informed through Magnusson that we can buy pesos in New York after a special licence.

It is difficult to deal in gold as it is from time to time absolutely impossible to send gold from our country to another one. The air-lines from Sweden to Berlin have now been reopened, and this will make our work easier.

- 3 -

The Swiss are in principle willing to buy gold in Stockholm but only on the condition that, if they should request it, we send the gold to Switzerland at our expense. This stipulation they have taken over from your tripartite agreement. I have, however, told them that there is at present quite another situation, as the transport possibilities are not the same and as the costs are very much higher. We are now negotiating with Switzerland and hope to come to some arrangement.

The reason why there is a demand for Swiss francs is, that some of the countries in Southern and South-East Europe are uneasy about the Swedish situation. They therefore prefer Swiss francs. Switzerland is to them something more concrete than our country far in the North. From the political point of view I think that the situation is practically the same; both of us are now totally surrounded by German armies or armies belonging to German allies. The Swiss and the Swedes cannot see any reason why the Germans should try to invade them.

I am enclosing a short memorandum on my discussions in Basle, which might be of some interest to the American observer, this time very much missed by those present. Jac was in his old good form. The annual report is, however, very much delayed on account of the difficulties to obtain the necessary information. He hoped, however, that the report should be ready during the latter part of July.

- 4 -

I suppose that you heard of the death of our friend Janssen. He has ever since he returned from France been rather depressed. He died, however, from a thrombus after an operation.

As you will understand the German war against Russia has brought us in a position, which is rather difficult. I hope that our friends abroad will understand the political necessity of permitting the Germans to send the division to Finland by railway through Sweden. You must when considering this decision remember that Finland's fight for freedom is part of our fight. The problem is, however, to some extent now another one than it was during Finland's fight in 1939-1940. The difference from the Finnish point of view is, however, mainly that this time the German army is helping Finland and that the Swedish help to Finland need not be as substantial as during the last war.

My boy Lars got bronchitis and is probably now somewhere in the Rocky Mountains to get rid of it. He has got something to do during the summer in Los Angeles. I do not yet know what. From the autumn he has obtained an exchange-scholarship at the University of Chicago instead of a friend of his, who has been unable to go to the States on account of his military service.

With kind regards from family to family.

Yours ever,

/s/ Ivar Rooth

3. 7. 1941.

176

Notes from conversations in Switzerland, June 1941.

There has been a certain demand for gold coin and bullion in Switzerland, mostly from France. French and American gold coins are not obtainable now. The latter commanded a premium of about 15%. According to Swiss reports the German authorities in France which have 60 - 80 milliard Fr. at their disposal at Banque de France and German soldiers are said to buy gold coins in France, paying a substantial premium. The Germans are now buying French securities in Holland and probably also such bonds and shares of other countries which have been placed in Holland. The German demand for Swiss securities is not great, probably owing to the lack of German claims in Switzerland.

To the two latest Swiss State loans, issued in May, one being a $3\frac{1}{2}\%$ loan for 12 years and the other of 3% for 6 years, over 600 million Swiss Fr. were subscribed. The Government accepted the subscription of 280 million Fr. to each. Of the loan, yielding an interest of $3\frac{1}{2}\%$, about 200 million Fr. were taken over by private subscribers, 25 millions by insurance companies and 55 millions by industries and banks. Of the 3% loan 200 million Fr. were subscribed by banks and approximately 80 millions by industries and insurance companies.

It was believed that France would pay the interest of her Government debts in Swiss Fr. as well as her commercial debts to Swiss enterprises. These liabilities were estimated at about 40 million Swiss Fr., principally originating from deliveries of raw

materials and food supplies, effected while France was still at war.

The Swiss banks have been told to sell foreign currency only for strictly commercial transactions or for the settlement of financial liabilities. A French citizen may have 3,000:-- Swiss Fr. a month, whereas citizens of other occupied countries only get 1,000:-- Swiss Fr. monthly. Exceptions from this rule are made only very seldom.

In May 1940 a gentlemen's agreement was made with the Swiss banks mainly for the purpose of preventing the flight of capital from Switzerland. Any Swiss person wishing to migrate or any foreigner having investments in Switzerland may export his money. Foreigners are at liberty to sell bonds or shares - including Swiss ones - and to have the money transferred. A Swiss citizen, possessing foreign securities, is now allowed to sell them to other Swiss citizens. He also has a right to sell currencies, originating from export transactions, to other Swiss citizens or to change them into other currencies.

The Swiss National Bank does not open any account in foreign currencies for foreign banks. It is only buying gold and dollars, when the corresponding sum is required for the payment of Swiss exports or for the settlement of financial liabilities towards Switzerland. At the National Bank there was a general feeling of satisfaction as to the private currency restrictions. For the time being there was no difficulty in keeping the Swiss currency stable.

- 3 -

Farmers and the heavy industry have availed themselves of the situation to raise prices. Up to now farmers obtained substantially more than compensation for the increased costs, owing to their great influence with the Government. The industry, above all the aluminium and textile industries, have made very big profits. The excellent profits of the aluminium industry have caused a sharp rise in all industrial shares. The quotations were previously rather low. At present many shares only yield about 3%. Before long the National Bank intends to propose a more efficient war profit taxation.

During my stay there were certain fears of a continued rise in prices. The cost of living had risen by about 24% since the outbreak of the war, whereas wages rose by 10 - 12% during the same period. Lately there has been some claims from labour quarters for unchanged prices, for the subvention of milk and some other necessities. If these claims are not met, higher wages will be demanded. Previously the Government always complied with the demands of the farmers but the other day the Minister of Food Supply spoke decidedly against higher agricultural prices.

The crop prospects were good with the exception of the hay crop, which was late. The fruit harvest did not seem to be very good.

COPY: mew 8/11/41

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy at Rio de Janeiro, Brazil

DATE: July 3, 1941, 5 p.m.

NO.: 503

You are requested to renew your inquiries into the matter treated in the Department's 585 of June 9 and to urge that action now be taken on the specific instructions which have been received by the Bank of Brazil from the President of the National Bank of Yugoslavia.

TO THE SECRETARY
TECHNICAL ASSISTANT
OFFICE OF THE

22 11 AM @ JUL 10

EA:FL:NDK

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DEPARTMENT

PARAPHRASE OF TELEGRAM RECEIVED**FROM: American Embassy, Bogotá, Colombia****DATE: July 3, 1941, 4 p.m.****NO. 1 248**

This office is being flooded with requests for details respecting funds being frozen in the United States, and the Embassy asks that the Department forward by air mail all regulations which are available. Detailed information is requested concerning the policy which local banks should adopt with regard to drafts, checks and travelers checks drawn by European nationals on United States banks, the status of such nationals residing in Colombia, and the countries which are covered by Executive Order No. 8785.

Business firms in this locality are being advised that they should procure a new finance license, which, it appears, have to be obtained before export licenses are granted. Instructions have been received by several agents to confirm and report as soon as possible the nationality of all their customers, and as regards corporations, the nationality of all stockholders who control more than one-quarter of the stock of the corporation. A request has been received by one agent to furnish an affidavit giving information as to date of establishment, his nationality, whether he is a refugee or not, and also a reference on the basis that if his records are not submitted to the Federal Reserve Bank, no commissions can be paid.

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I do not wish to make any comment until I can make a study of these new regulations, but I wish to inform you that importing offices in Colombia are confused about the regulations. Considerable ill will and misunderstanding has been caused in Colombia because of existing regulations in the United States, even though they are advisable and necessary, and this condition should be remedied. In Bogotá alone, 1248 American manufacturers are represented, and if each agent has to make a survey like that pointed out in paragraph two of this telegram, the result will be a great deal of confusion and duplication. For years this office has been collecting such information and as there are at the present time in Washington over 4,000 World Trade Directory reports, besides special studies which cover 639 Italian and German individuals and firms, the Embassy hopes that if at all possible the above data be used before private firms are asked for the same.

BRADEN

TO THE OFFICE OF THE
TECHNICAL ASSISTANT
OF THE U.S. DEPT. OF COMMERCE

61 & MR T JUL 14 1948

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DEPARTMENT OF COMMERCE

EAM:MM

Copy of Letter from B. Mexico City, July 2, 1941

During the period under review there has again been some talk of a nearing definite settlement of all pending questions between the United States and Mexico, but no official expressions have been voiced, except that the Secretary of Foreign Relations has tacitly admitted that negotiations are progressing, and that results will be made known in due time. It has been stated in press reports that as a consequence of such a settlement, or as part thereof, the United States will buy all of Mexico's exportable production. Naturally, hopes in this respect are high strung. It was also said that until such arrangements can be concluded, Mexico will not allow exports of strategical material to any country outside this hemisphere. Except for some metals as lead and quicksilver being shipped to Japan, we do not know of any exports of importance to other countries. But these rumors, if nothing else, help to keep the general public in an optimistic mood and distracting attention from other matters.

The Reds have behaved pretty discreetly, and there has only been some talk about a motion to be presented to Congress by the Communist Party, proposing that diplomatic relations with Soviet Russia should be reestablished, a rumor which has not been taken very seriously. On the whole, there has been less agitation in connection with developments abroad than could have been expected.

The discovery by the Banco de Mexico of counterfeit 50 peso bills was just about to cause some alarm. But since the Bank is exchanging all 50 peso bills in unlimited amounts, calm was soon reestablished. Again are Spanish refugees mentioned in connection with this letter. See our last week's letter.

Rains continue to damage railroad traffic, and for the last few days damage on the West Coast, mainly between Guadalajara and Manzanillo, has been reported.

The President is on his tour through the States of Morelos and Guerrero and is expected to return to his office early next week.

The Technical Commission to study the Social Security Law was inaugurated by Secretary of Labor, Lic. Ignacio Garcia Tellez, on Monday last. There seems to be little doubt that the proposed law will be sent to Congress during its next period.

Mexico announced the payment of another million pesos on account of indemnities to expropriated American land owners.

There is nothing to be reported from the labor field, and the exchange has held steady at around 4.8575.

C
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YDEPARTMENT OF STATE
WashingtonIn reply refer to
EA 840.51 Frozen Credits/2298

July 3, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits a copy of telegram no. 870 from the American Embassy in Rome, dated June 25, 1941, and a copy of the Department's reply thereto, dated June 28, 1941, concerning Italian funds frozen in the United States.

Enclosures:

1. No. 870 from Rome,
June 25, 1941.
2. No. 447 to Rome,
June 28, 1941.

Copy:lg 7/5/41

C
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TELEGRAM SENT

MD

GRAY

June 28, 1941

3 p.m.

AMEMBASSY,

ROME.

447

Your 870, June 25, 8 p.m.

The remittance of funds from the United States to Americans living in Italy will be governed by the terms of General License no. 33 as indicated in your telegram.

WELLES Acting
(BL)

EA:GL:VCL

840.51 Frozen Credits/2298

Copy:lg 7/5/41

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GMW

GRAY

Rome

Dated June 25, 1941

Rec'd 10:30 a.m., 26th

Secretary of State,
Washington.

870, June 25, 8 p.m.

Department's telegram no. 429, June 21.

For use in answering questions received daily, the Embassy would appreciate being informed whether the remittance of funds from the United States to Americans living in Italy will be governed by the terms of General License Number 33, as amended under Executive Order Number 8389 which the Embassy understands provides for remittance up to \$500 per month plus a single sum of \$1,000 in case of repatriation.

TO THE SECRETARY
DEPARTMENT OF STATE
WASHINGTON
PHILLIPS

BTM

JUN 26 1941

Copy:lg 7/5/41

RECEIVED
DEPARTMENT OF STATE
WASHINGTON

C
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DEPARTMENT OF STATE

Washington

July 3, 1941

In reply refer to
EA 893.51/7233

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a paraphrase of telegram no. 254 dated June 24, 10 a.m., from the American Ambassador at Chungking, inquiring whether the Embassy is expected to provide Mr. Fox with confidential clerical assistance.

Enclosure:

Paraphrase.

Copy:lg 7/5/41

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China

DATE: June 24, 1941, 10 a.m.

NO.: 254

I refer to my telegrams 239 of June 15 and 253 of June 24 and to the Department's telegram 120 of June 18.

Is it expected that the Embassy shall provide Fox confidential clerical assistance?

GAUSS

EA:FL:MMM

Copy:lg 7/5/41

For Miss Chaussey

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 3, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

| | |
|------------------------------------|---------|
| Sold to commercial concerns | £97,000 |
| Purchased from commercial concerns | £ 6,000 |

Open market sterling was quoted first at 4.03-1/2. About noon the rate moved down to 4.03-1/4 and remained there for the balance of the day. The reported transactions consisted of the sale of £7,000 to commercial concerns.

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

| | |
|--------------------------|------------------|
| Canadian dollar | 11-5/8% discount |
| Argentine peso (free) | .2375 |
| Brazilian milreis (free) | .0505 |
| Uruguayan peso (free) | .4425 |
| Mexican peso | .2070 |
| Cuban peso | 1-1/8% discount |
| Japanese yen | .2358 |

In Shanghai the news that China had severed diplomatic relations with both Germany and Italy depressed the yuan to 5-9/32¢, off 1/8¢. Sterling was also lower at 3.90, off 3¢.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported the shipment of \$1,100,000 in gold from India, consigned to the Chase National Bank of New York. Of this amount, \$900,000 is for the account of the National Bank of India, and \$200,000 is for the account of the Chase National Bank of New York. The gold will be sold to the Assay Office at New York.

In London, spot and forward silver were both again unchanged at 23-3/8d, equivalent to 42.44¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 34-3/4¢.

We made one purchase of silver in New York amounting to 200,000 ounces under the Silver Purchase Act. This represented new production silver from Peru for forward delivery.

-2-

We also purchased 275,000 ounces of silver from Canada under our regular monthly agreement.

The Federal Reserve Bank's report of June 25, listing deposits of banks in Asia with the New York agencies of Japanese banks, showed that such deposits totaled \$62,761,000, a decrease of \$4,048,000 since June 18. Most of the change in deposits took place on the books of the Yokohama Specie Bank's New York agency. The latter's principal dollar liabilities to and dollar claims on Japanese banks in Asia stood as follows on June 25:

| | <u>June 25</u> | <u>Change from June 18</u> |
|----------------------------------------------------|----------------|--------------------------------|
| Liabilities: Deposits for Japan and Manchuria..... | \$40,702,000 | - \$3,323,000 |
| Deposits for China..... | 15,385,000 | - 522,000 |
| " : U.S.Treas.Bills, comm. paper, etc..... | 29,040,000 | - 1,791,000 |
| Claims : Loans..... | \$12,706,000 | - \$1,619,000 |
| " : Other - mainly Jap. import bills..... | 5,897,000 | - 1,618,000 |

It will be noted that the decline of \$3,323,000 in Japanese and Manchurian deposits was accompanied by reductions of \$1,619,000 in loans and \$1,618,000 in Japanese import bills.

CONFIDENTIAL

190

BRITISH EMBASSY,
WASHINGTON, D.C.

3rd July, 1941

PERSONAL AND
SECRET

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Hanfick

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

TELEGRAM RECEIVED FROM LONDON JULY 1ST, 1941.

June 27th and June 30th considerable reinforcements of aircraft arrived safely at Malta.

2. Fighter Command are giving protection to East Coast convoys during darkness hours.

3. Destroyer sunk in bombing attack off Tobruk; no casualties.

4. Attack on convoy by Maryland and Swordfish aircraft on June 25th. One ship hit amidship by bomb fire started. Later Swordfish attacked with torpedoes two ships hit and probably sunk and third ship believed hit. All four merchant vessels of the convoy estimated at 20,000 tons each escorted by 6 destroyers.

5. Military. Finland.

Reliable sources in Finland report patrol activity and small arms fire along most of the front and fairly heavy artillery fire some 50 miles north east of Viborg and that full-scale operations have begun near the Soviet occupied base of Hangö.

6. Analysis of Soviet-German Official Communiques suggests the position is as follows:

Baltic States. German claim to have occupied Dvinsk and Vilna apparently well-founded. Russian troops withdrawing from Kaunas area to North east of this line appear to be in considerable difficulties being attacked in the flank and rear. Minsk Area: Large numbers of Soviet troops appear to have been cut off in the region of Bialystok having been over run by German armoured formations.

South of Pripet marshes: Germans probably on line of the last Soviet-Polish frontier and are driving east towards Kieff. Soviet admission of penetration of the

frontier /

-2-

frontier may be intended to forestall German claims in respect of progress.

7. Syria. Palmyra now completely surrounded. Vichy French are said to be making efforts to enroll volunteers from native elements but the response is meagre.

8. Royal Air Force June 29th/30th. Bremen Hamburg - our attacks very (some words undecipherable). Sixty three tons of H.E. and 13,800 incendiaries (some words undecipherable) at the former three large fires caused. At the latter 43 tons of H.E. dropped starting two very large fires, one in Blohm and Voss shipyards. Docks at Bremer-Haven and Kiel attacked.

9. June 30th 17 Blenheims escorted by large force of fighters scored many direct hits on power station south of Lille and on huge factory close by. Fighters shot down 6 M.E. 109 one Spitfire missing. Other Blenheims attacking shipping off the Dutch coast claimed 5,000 ton and 3,000 ton ship and 500 tons trawler as total losses; 4 Blenheims scored direct hits on crowded railway centre near Oldenburg and another successful attack on Bremen docks. Targets at Sylt and Terschelling also bombed. Five Halifax 4 engined bombers attacked targets at Kiel. From these daylight operations 2 Blenheims and one Halifax missing.

10. June /

-3-

10. June 30th/July 1st. 64 Aircraft sent to attack Cologne, Dusseldorf, Duisburg, 4 missing.
11. Syria. June 29th/30th. 5 heavy bombers scored direct hits on docks and shipping Beirut. Blenheims made daylight attacks against Palmyra and citadel and military depot at Suweida. Fighters destroyed or damaged 10 twin engined aircraft on the ground at various landing grounds and shot down 1 Glen Martin.
12. German Air Force June 30th/July 1st. About 74 enemy aircraft operating 13 came inland; some bombs dropped in South Wales.
13. Egypt. Alexandria June 28th/29th. About 15 aircraft attacked and caused some damage. Following day 6 raids made on naval units 8 enemy aircraft claimed as destroyed and 3 damaged. We lost two fighters.

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G-2/2657-220 No. 433 M.I.D., W.D. 12:00 M., July 3, 1941.

SITUATION REPORTI. RUSSO-GERMAN FIGHT.

Ground: The German-Finnish forces make gains in Murmansk sector. The advance is slower on the southeastern frontier towards the Karelian Isthmus.

Some Russian troop units remain in existence in the peninsula of Latvia to the northwest of Riga. German troops are advancing northeastward from Riga and Dwinsk. The Russian communique of July 3 reports the repulse of German attacks "in the direction of Borisov, Bobruisk and Slusk".

In the Bialystock region Germans continue attacks to wipe out the remnants of the Russian armies encircled in that area.

South of the Pinsk Marshes German attacks continue in the direction of Shepetovska and Tarnapol. Fighting is proceeding near the latter city. Hungarian forces are advancing across the Carpathian Mountains into southern Galicia. A German-Roumanian drive across the Pruth River from northern Moldavia has commenced. The initial objective of this drive appears to be the Dniester River line.

Air: No change in the general situation.

II. BRITISH-GERMAN FIGHT.

Air: German. Exceedingly light activity.

British. Normal operations; day sweeps over occupied territory and night bombing of Bremen and the Ruhr.

III. MEDITERRANEAN FIGHT.

Ground: Nothing of importance.

Air: Scattered operations over Syria by both sides.

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Paraphrase of Code Cablegram
Received at the War Department
at 12:17, July 5, 1941.

London, filed 18:30, July 5, 1941.

1. British Air Activity over the Continent.

a. Night of July 1-2. British bombers dropped five tons of high explosives on Charbourg and 64 tons on Brest.

b. Day of July 2. Five Blenheim were sent out to attack the Lille power station; three to attack Marville airbase and five to attack shipping. 216 fighters were sent out on offensive patrols, 130 on interception patrols, 166 as protection for shipping and 31 on special patrols.

c. Night of July 2. Bombers were dispatched as follows: 41 to Cologne, 39 to Duisburg; 68 to Bremen; 6 to Charbourg and 7 dropped leaflets over Lille, Orleans, and Paris.

2. German Air Activity over Britain.

a. Day of July 1. 15 reconnaissance and 5 long range bombers were reported. Over German territory there were 300 fighters used on defensive patrols.

b. Night of July 1. 10 fighters, 20 long range bombers, and 20 mine layers were reported.

c. Day of July 2. There were defensive patrols along the Belgian, Netherlands, and French coasts.

d. Night of July 2. Raiders entered the English Channel, Cardigan Bay and Thames Estuary.

3. Aircraft Losses Reported.

a. British losses. Day of July 2. 2 Blenheim unreported, 7

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Spitfires and 1 Hurricane lost.

Night of July 2. 4 bombers unreported.

b. Axis losses. End of July 2. 16 Me-109's of which 4 were Me-109F's were destroyed; 4 Me-109F's and 2 Me-109's probably destroyed; 1 Me-109F and 5 Me-109's damaged.

4. British Air Activity, Other Theaters.

a. Middle East Theater. July 1. British bombers made attacks upon Beirut, Saida and Tybira, while fighters attacked airdromes at Basalia, Deir Es Zor, and Aleppo with good results.

END

Distribution:

Secretary of War
State Department

— Secretary of Treasury
Chief of the Army Air Force
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
CNR
Assistant Chief of Staff, G-3
Air Corps

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Paraphrase of Code Cablegram
Received at the War Department
at 11:39, July 4, 1941

London, filed: 16:30, July 4, 1941.

1. British Air Activity over the Continent.

a. Night of July 2-3. The following are the numbers of tons of high explosive bombs and numbers of incendiaries dropped by Britain upon the targets named: Cologne, 47 and 7000; Bremen, 88 and 7000; Duisburg, 14 and 2000; 5 tons of high explosive bombs upon Dusseldorf and 8 of same upon Cherbourg.

b. Day of July 3. Operating in defense of shipping were 220 fighters. The number of fighters performing interception patrols was 111, those in offensive operations, 435, and those in special patrols, 40. The railway yards at Hasebreuch were attacked by a squadron of Blenheims. Most of the operations of this day consisted of sweeps over the Channel area, particularly near Calais.

c. Night of July 3-4. 90 Bombers were dispatched to Essen and 68 to Bremen. Off Lorient, 4 bombers were engaged in laying mines.

2. German Air Activity over Britain.

a. Day of July 3. Germany operated offensively with 15 reconnaissance aircraft and 5 long range bombers. Over German territory defensive patrols were maintained by 300 fighters.

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b. Night of July 2-3. 15 min-laying aircraft, 5 fighters and 15 long range bombers were dispatched.

c. Day of July 3. Offensive patrols were operated along the coasts of France, Belgium and Holland and reconnaissance flights were made over the Channel.

d. Night of July 3-4. Not a single bomb fell in Britain, nor was any other German air activity in this theater reported.

3. Aircraft Losses Reported.

a. British losses. Seven bombers were unreported from the operations of the night of July 3-4. One Blenheim and six Spitfires failed to return from the daylight activity of July 3.

b. Axis losses. During the day of July 3, Germany lost 5 Me-109's and 6 Me-109F's; 1 Messerschel (H.E.1 - G-2) and 6 Me-109's were probably shot down; and 2 Me-109's were damaged.

4. British Air Activity, Other Theaters.

a. North African Theater. Derna, Gasaka, Tripoli and Benghazi were bombed.

LHM

Distribution:

Secretary of War
 State Department
 Secretary of Treasury
 Chief of the Army Air Forces
 Assistant Chief of Staff, G-2
 War Plans Division
 Office of Naval Intelligence
 G.H.Q.
 G-3
 A.C.

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TREASURY DEPARTMENT

FOR RELEASE, MORNING NEWSPAPERS
Friday, July 4, 1941.

The Secretary of the Treasury, by this public notice, invites tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated July 9, 1941, and will mature October 8, 1941, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (parity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern Standard time, Monday, July 7, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others

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must be accompanied by payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on July 9, 1941.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall

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be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

FRIDAY - JULY 4, 1941

Time: 9:15 - 9:30 A.M.

Program: Myrt & Marge

Station: WJSV

Time: 8:00 - 8:30 P.M.

Program: Philip Morris' Great Plays

Station: WJSV

Time: 8:30 - 9:00 P.M.

Program: Uncle Walter's Dog House

Station: WRC

Time: 9:00 - 9:30 P.M.

Program: Hollywood Premiere

Station: WJSV

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.

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YPARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Rio de Janeiro
TO : Secretary of State, Washington
DATED: July 4, 1941, 3 p.m.
NUMBER: 793

Negotiations are being carried on between the Vichy Government and the Government of Brazil regarding the purchase of Sao Paulo cotton worth one hundred million francs (approximately 60,000 bales) payment to be effected by repatriation of Brazilian franc bonds. The firm of Monteiro, Aranha, Ltda. is handling the deal in Rio de Janeiro. The Embassy states that this firm also figured in the recent cotton deal between the Brazilian and British Governments and obtained a profit of approximately twenty percent according to the British Embassy in Rio de Janeiro.

CAFFERY

Copy:bj:7-16-41