

DIARY

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TREASURY DEPARTMENT

1

INTER-OFFICE COMMUNICATION

DATE April 10, 1940

TO Secretary Morgenthau

CONFIDENTIAL

FROM Mr. Cochran

The foreign exchange market was quieter today and sterling recovered part of the loss sustained in yesterday's trading. It opened at 3.45-7/8 and shortly thereafter business was done at 3.45, the low for the day. The rate then advanced steadily until the mid-afternoon, when a high of 3.45-7/8 was reached. The final quotation was 3.45-3/8.

Sales of spot sterling by the six reporting banks and the Federal Reserve Bank of New York totaled \$455,000, from the following sources:

By commercial concerns.....	\$ 144,000
By foreign banks (Europe, South America and Far East)...	\$ 261,000
By Federal Reserve Bank of New York (for Yugoslavia)....	\$ 50,000
Total.....	\$ 455,000

Purchases of spot sterling amounted to \$22,000, as indicated below:

By commercial concerns.....	\$ 195,000
By foreign banks (Europe and South America).....	\$ 227,000
Total.....	\$ 422,000

The following reporting banks sold cotton bills totaling \$97,000 to the British Control on the basis of the official rate of 4.00-1/2:

\$ 59,000 by the Irving Trust Co.
20,000 by the National City Bank
10,000 by the Bank of Manhattan
8,000 by the Guaranty Trust Co.
<u>\$ 97,000 Total</u>

The Guaranty Trust Company reported that it had purchased \$17,000 for forward delivery from the British Control at 4.03-1/2. Of this amount, \$10,000 will be used to pay for shipments of jute, and \$7,000 for shipments of rubber.

Both the guilder and the belga were again under pressure in Amsterdam as a result of the fear that Holland and Belgium may become involved in the European war. While the rate for the guilder remained steady in this market at .5309 most of the day, it weakened in the latter part of the afternoon to .5308 and the Federal Reserve Bank of New York purchased 100,000 guilders under instructions and for account of the Netherlands Bank. It was reported that the Dutch Central

gave considerable support to its currency in Amsterdam. Such support of goldiers against dollars in the past two days amounted to approximately \$15,000,000. The bourse, after closing at .1695 in New York yesterday, opened in this market at .1687. During the day the rate recovered some of its loss and closed at .1693.

The other important currencies closed as follows:

French francs	.0198-1/4
Swiss francs	.2242-1/2
Canadian dollars	16-1/8 ⁵ discount

A small amount of business in Swedish kronor was transacted at .2590.

We purchased the following amounts of gold from the earmarked accounts of the banks indicated:

\$3,000,000 from the Bank of the Argentine Republic
<u>175,000 from the National Bank of Belgium</u>
\$3,175,000 Total

The Federal Reserve Bank of New York reported that the following shipments of gold had been consigned to it:

\$5,132,000 from South Africa, shipped by the South African Reserve Bank, to be earmarked for account of the Netherlands Bank.

2,514,000 from Canada, shipped by the Bank of Canada, Ottawa, for sale to the U. S. Assay Office at New York.

2,295,000 from England, shipped by the Bank of England for account of the Swiss National Bank. The disposition of this shipment is unknown at the present time.

\$5,901,000 Total

The State Department forwarded to us a cable stating that the Banque Federal, Bern, was shipping \$256,000 in gold from Switzerland to the National City Bank, New York, for sale to the U. S. Assay Office.

The London quotation for spot silver rose the equivalent of 3/15¢ to 42.06¢.

There was a further improvement today in the London silver prices. The spot quotation was fixed at 20-15/16d, up 7/16d, and the forward price was 20-7/8d, up 3/8d. The U. S. equivalents were 32.72¢ and 32.43¢.

Andy and Harman's settlement price for foreign silver was unchanged at 34-3/4¢. The Treasury's purchase price for foreign silver was also unchanged at 35¢.

We made four purchases of silver totaling 390,000 ounces under the Silver Purchase Act. Of this amount, 200,000 ounces represented a sale from inventory, and the remaining 190,000 ounces consisted of new production from foreign countries, for forward delivery.

We also purchased 40,000 ounces of silver from the Bank of Canada under our regular monthly agreement.

CONFIDENTIAL



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 10, 1940

TO Secretary Morgenthau
FROM Mr. Haas *HA*
Subject: Wheat export sales and other market data from the Federal Surplus Commodities Corporation.

Mar. 14: There was a little further export business in American wheat from the Pacific Coast to Europe yesterday, and it was reported that 200,000 bushels were sold.

There was considerable business in Canadian wheat, with the United Kingdom buying about 10,000,000 bushels, all of it for shipment after the opening of navigation via Canadian ports.

There are undoubtedly a good many people who have been bullish on wheat because of the war and the inflationary tendencies surrounding it. But the price is low in Argentina though the crop was almost a failure, and it is also low in Canada even taking account of exchange. There is no doubt that wheat in our own country would have been selling at a considerably lower price except for the successful program wherein the Government exported about 100,000,000 bushels of wheat last year at a subsidy of only 30 cents.

American corn worked for export to Scandinavian countries totaled about 500,000 bushels, all of which was "distressed" American corn in store on the Atlantic Coast, for which there was apparently no market except for export.

Mar. 15: There were no export sales of wheat reported from the Pacific Coast, nor were there any sales of Canadian wheat except for 750,000 bushels which made up part of England's 10,000,000 bushel purchase.

Secretary Morgenthau - 2

About 500,000 bushels of United States corn were sold to Denmark, but at a price about 2 cents per bushel under a replacement basis. It is very doubtful whether there will be any demand for corn from now on in view of the heavy Argentine offerings as a result of the early harvest there.

In spite of recent sales of Canadian wheat, the wheat picture in Canada is far from healthy; clearances of wheat for export from August 1 to date are only 114,000,000 bushels as against 104,000,000 bushels last year. The balance remaining for export and carryover is 350,000,000 bushels as against 157,000,000 bushels last year. Therefore, there is every indication that the reserve on August 1 will be large and the 1940 crop will certainly have to be much smaller to develop any bullish enthusiasm.

Mar. 18: There was no export business reported either for United States grain or for Canadian grain. Business in Europe was at a standstill pending the outcome of the present political conferences.

Mar. 20: There was no export business in American grain, either wheat or corn, while export sales of Canadian wheat were limited to about 200,000 bushels, mostly to Scandinavian countries.

Europe has recently been making rather liberal purchases of Argentine grain and it is interesting to note that yesterday Argentine Rosafe wheat sold about 6 cents a bushel under Number 2 Manitobas, c.i.f. Antwerp.

Mar. 21: There was no export business in American wheat or corn with export sales of 100,000 bushels of Canadian wheat reported.

Mar. 23: With the holidays abroad, there was no export business in American or Canadian grains.

Mar. 26: Export sales of American grain, both wheat and corn, were at a standstill, while Canada reports export sales of Manitoba wheat to the extent of about 250,000 bushels.

Secretary Morgenthau - 3

Mar. 27: It was reported that 250,000 bushels of Pacific wheat have been worked from Portland to Russia.

We received advice from Sydney, Australia, that during the first 15 days of February that country sold 2,500,000 bushels of wheat to Shanghai at prices that, for American wheat, would require a subsidy of 36 to 37 cents per bushel.

Mar. 28: There was a good business in Canadian wheat from Montreal with total sales about 2,000,000 bushels.

It was reported that Denmark bought 300,000 bushels of cash corn for April and May shipment from the Atlantic Coast; this corn was again sold below a replacement basis.

Mar. 29: Export sales of American grain are negligible, with Canada reporting sales of about 200,000 bushels of Canadian wheat, mostly to Scandinavian countries.

Australia has been making larger sales of wheat to Shanghai than have actually been reported lately. Total exports from Australia were somewhat handicapped by the scarcity of ocean freight and high freight rates, but we are advised that shipments will be heavier from now on because the British government is issuing instructions to convoy 100,000 tons of flour monthly from Australia to Great Britain.

In line with the British government's policy of increasing purchases of cotton grown outside of the United States, the Liverpool Cotton Association is considering plans for establishing a new contract on which cotton from Brazil would be taken.

Mar. 30: There was no export business in wheat reported; and even Winnipeg, which was expected to have a very dull market, reported no business at all for the day.

Apr. 1: The United Kingdom and the Continent took almost all of the Canadian cash wheat that was offered overnight, and total sales were close to 10,000,000 bushels. So far as American grain is concerned, the export business is at a standstill.

Secretary Morgenthau - 4

Apr. 2: The export demand for American grain was negligible with Canada reporting sales of about 100,000 bushels of Manitoba wheat.

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TREASURY DEPARTMENT

CONFIDENTIAL

INTER-OFFICE COMMUNICATION

DATE April 10, 1940

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Current Developments in the High-Grade Securities Markets

SUMMARY

- (1) Treasury securities fell sharply in price yesterday on the news of the German invasion of Denmark and Norway, wiping out the gains of the past three weeks (Charts I and II). High-grade corporate securities declined much less.
- (2) Current developments in Europe have not seriously disturbed the market for new corporate issues. A \$7 million debenture offering yesterday went to a premium over the offering price, and another issue of bonds amounting to \$36 million is being offered today.
- (3) Treasury note holdings of weekly reporting member banks in New York City have increased by \$157 million in the past four statement weeks (Chart III). Holdings of Treasury bills in Chicago reporting banks decreased by \$158 million in the three weeks ended April 3, presumably to supply a demand for bills for tax avoidance purposes.
- (4) Foreign government securities declined notably yesterday. Consols declined seven-eighths of a point to 71-1/2 after three weeks of inactivity (Chart IV). Securities of Scandinavian countries and of Continental neutrals broke sharply.

Prepared by: Mr. Murphy
Mr. Turner
Mr. Haas

Secretary Morgenthau - 2

I. Domestic High-Grade Securities Markets

Treasury bonds which had been rising fairly steadily for almost three weeks broke sharply yesterday on the news of the German invasion of Denmark and Norway. The prices of Treasury securities are now at about the level of March 20, just before the latest price advance began (Chart I). The extent of yesterday's movement may be seen in the following table which compares the price movements of Government securities, by maturity classes, from March 20 through April 8, and on April 9:

	Average price change	
	March 20 - April 8	April 8 - April 9
	(In thirty-seconds)	
<u>Notes</u>		
1-3 years	- 1	- 3
3-5 years	+ 4	- 7
<u>Bonds</u>		
5-15 years to call	+22	-21
Over 15 years to call	+28	-30

The average yield of long-term Treasury bonds, moving inversely to prices, which had decreased from 2.26 percent on March 20 to 2.20 percent at the close on Monday, April 8, increased again to 2.26 percent yesterday (Chart II).

The Federal Reserve banks did not engage in open market operations in support of the Government bond market.

The stability of corporate securities on Tuesday is in sharp contrast to the decline in Government securities. High-grade corporate bonds, which had reached a new all-time high at the end of last week, also reacted but not to such a degree as did Treasury bonds. Our average yield of high-grade corporates increased yesterday from its record low of 2.71 percent to 2.73 percent (Chart II). None of the bonds included in the average declined more than three-quarters of a point yesterday, and the average decline for those traded was less than three-eighths of a point.

II. New Security Issues

The market for new issues does not appear to have been greatly disturbed by current developments in Europe. An offering yesterday of \$7 millions of 3-1/2 percent, 15-year debentures of the United Biscuit Company of America which was priced at 102 went to a premium of 1/2 point over the offering price. Further indication of "business as usual" is found in the offering today of \$36 millions of 3 percent, 21-year first mortgage bonds of the Inland Steel Company, at 102 to yield about 2.87 percent to maturity.

An interesting feature of the short-term financing of the last two weeks was the sale of an aggregate of \$74 millions of six-month notes by 26 local housing authorities. The first issue of such notes, amounting to \$50 millions, occurred last November. The recent transactions bring the total to \$158 millions; but the first \$50 millions will come due in about a month. As was the case in the earlier issues, the repayment provisions are such as to make the notes guaranteed in effect by the United States. The bulk of the new issue, including \$39 millions issued by the New York City Housing Authority, was purchased by a syndicate headed by the Chemical Bank and Trust Company on an interest cost basis of .44 percent. The interest cost on the last November's offering was .60 percent.

Also of interest is the offering last week of 714,835 shares of common stock of the Indianapolis Power and Light Company, for an aggregate of \$17 millions. The offering constitutes the entire common stock of the company, and about 69,000 shares represent new money financing. This is reported to be the largest block of common stock of a public utility company offered directly to the public in more than ten years. The issue was oversubscribed and went to a fractional premium over the offering price.

III. Bank Holdings of Government Securities

Treasury note holdings of weekly reporting member banks in New York City increased by \$157 millions between March 6, the date of their most recent low, and April 3, the latest statement date (Chart III). The Treasury note portfolios of New York reporting banks are now \$30 millions above the level at which they stood last December, before the December financing reduced the outstanding note volume by more than \$1 billion. Reporting banks outside of New York City have reduced their Treasury note holdings by about \$61 millions since March 6.

Secretary Morgenthau - 4

Treasury bill holdings of weekly reporting member banks have been declining since March 13. Almost the entire decline is accounted for by the decrease in the portfolios of Chicago banks, which disposed of \$158 millions out of a net decrease for all reporting banks of \$163 millions. Presumably these bills were purchased by individuals and corporations for purposes of tax avoidance.

It is also interesting to note that the quarterly statements of New York City banks indicate that over half of the net changes in the Government security holdings and loans of weekly reporting member banks in that City were accounted for by one bank. Government security holdings of weekly reporting banks increased by \$153 millions and their loans decreased by \$113 millions in the first quarter of 1940. The Governments held by the Guaranty Trust Company increased by \$111 millions, and the loans of this bank decreased by \$61 millions.

IV. Foreign Securities Markets

The new turn in the European war yesterday sent the prices of foreign Government securities down sharply. British 2-1/2 percent consols after about three weeks of relative inactivity closed yesterday at 71-1/2, to yield 3.51 percent, off seven-eighths of a point from the price of the previous day, but still one point above the new minimum established three weeks ago (Chart IV). French 3 percent rentes also declined in price yesterday, closing at 74.50, equivalent to a yield of 4.04 percent, as compared with 75.50 the previous day and 73.40 on Monday, March 18.

The bonds of Scandinavian Governments sustained large price losses yesterday, and securities of leading Continental neutrals also fell sharply. The following table shows the 1939 and 1940 high prices, and the closing prices on Monday and Tuesday for representative securities of the two Scandinavian countries invaded by Germany, and of Belgium and Italy:*

	: 1939 :	1940 :	Monday :	Tuesday
	: High :	High :	April 8 :	April 9
Norway, 4-1/4s of 1965	103-7/8	80-1/2	71	41
Denmark, 4-1/2s of 1962	97-1/2	55-7/8	39-7/8	23
Belgium, 6s of 1955	108	100-1/2	100-1/8	90-1/2
Italy, 7s of 1951	76-1/2	72	62	57-1/2

* No Swedish Government bonds are quoted in New York.

Chart I

CHANGES IN THE PRICES OF U.S. SECURITIES

Points Plotted Represent the Difference from June 5, 1939 Price of Each Maturity Class

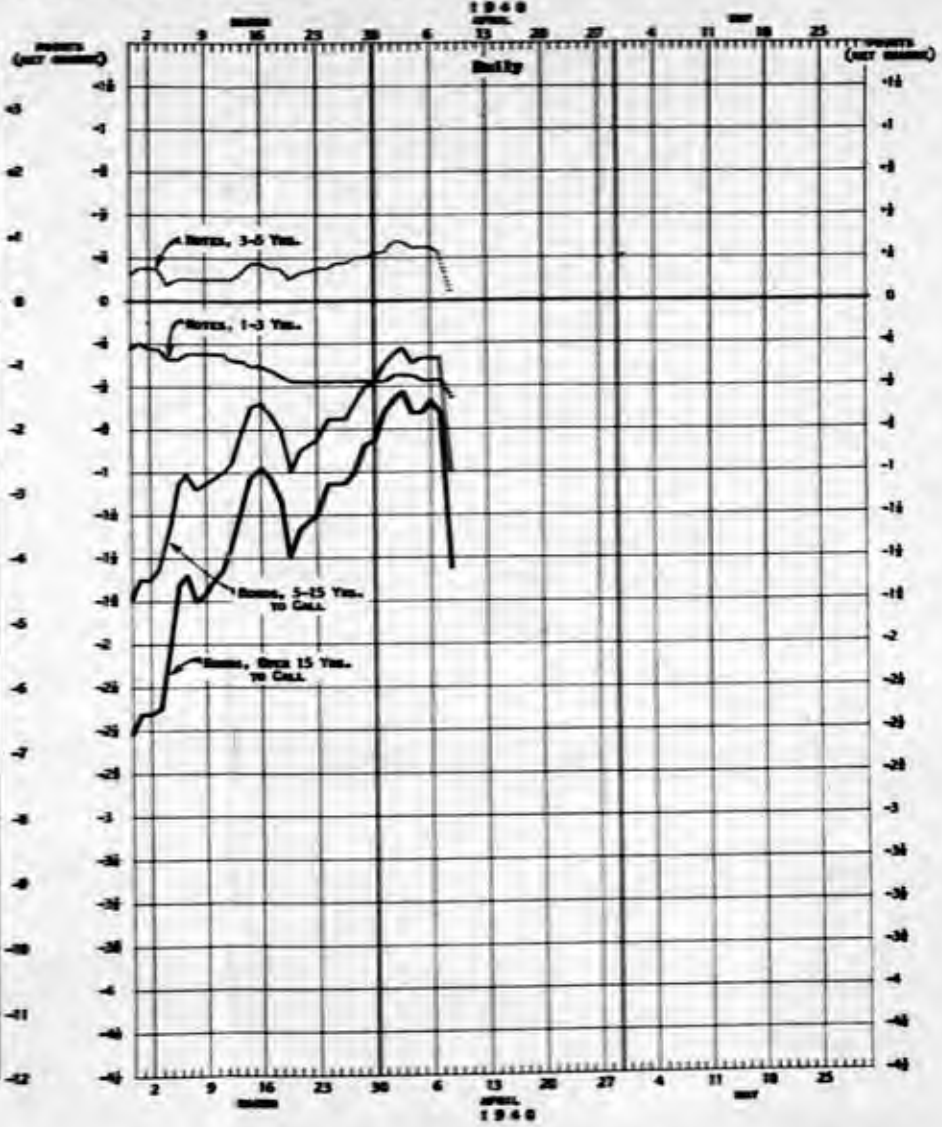
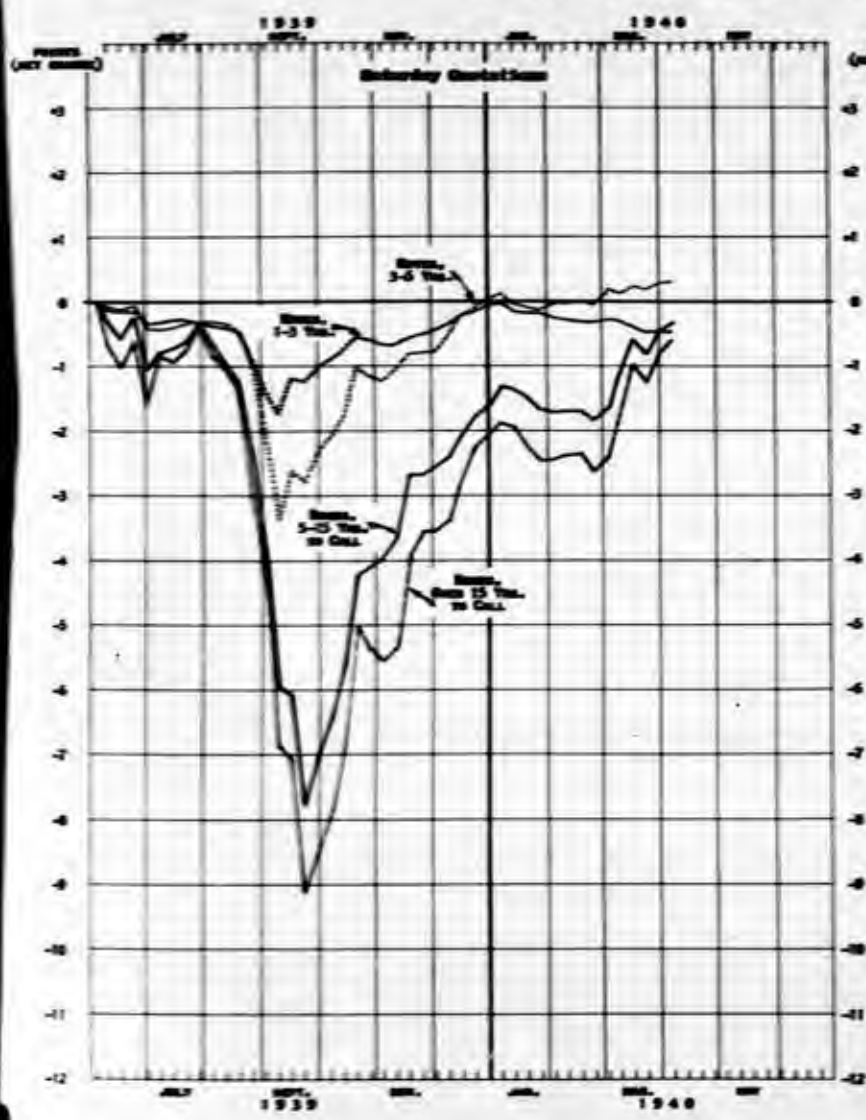
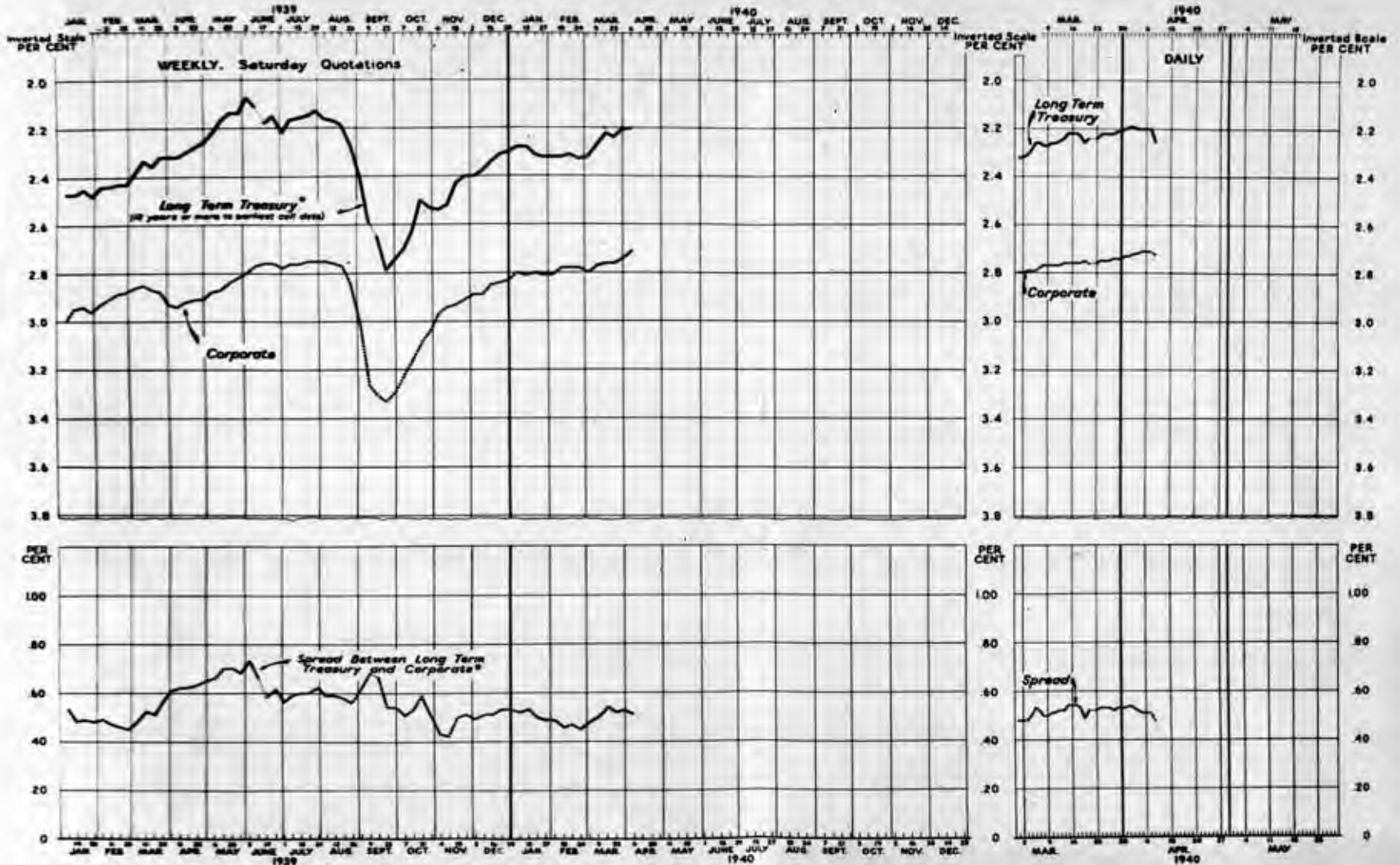


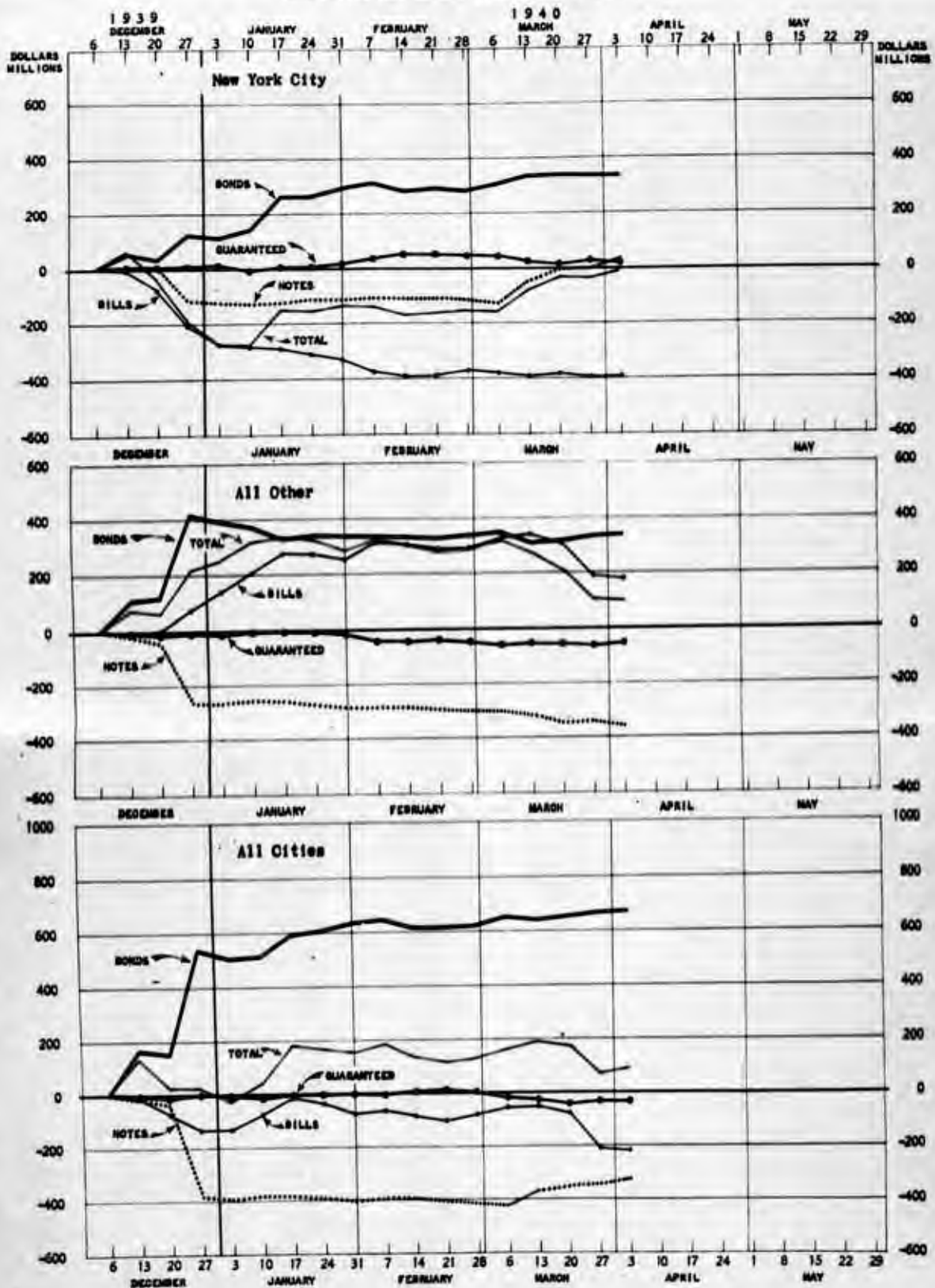
Chart II

COMPARATIVE YIELDS OF AVERAGE OF ALL LONG TERM U.S. TREASURY AND AVERAGE OF HIGH GRADE CORPORATE BONDS

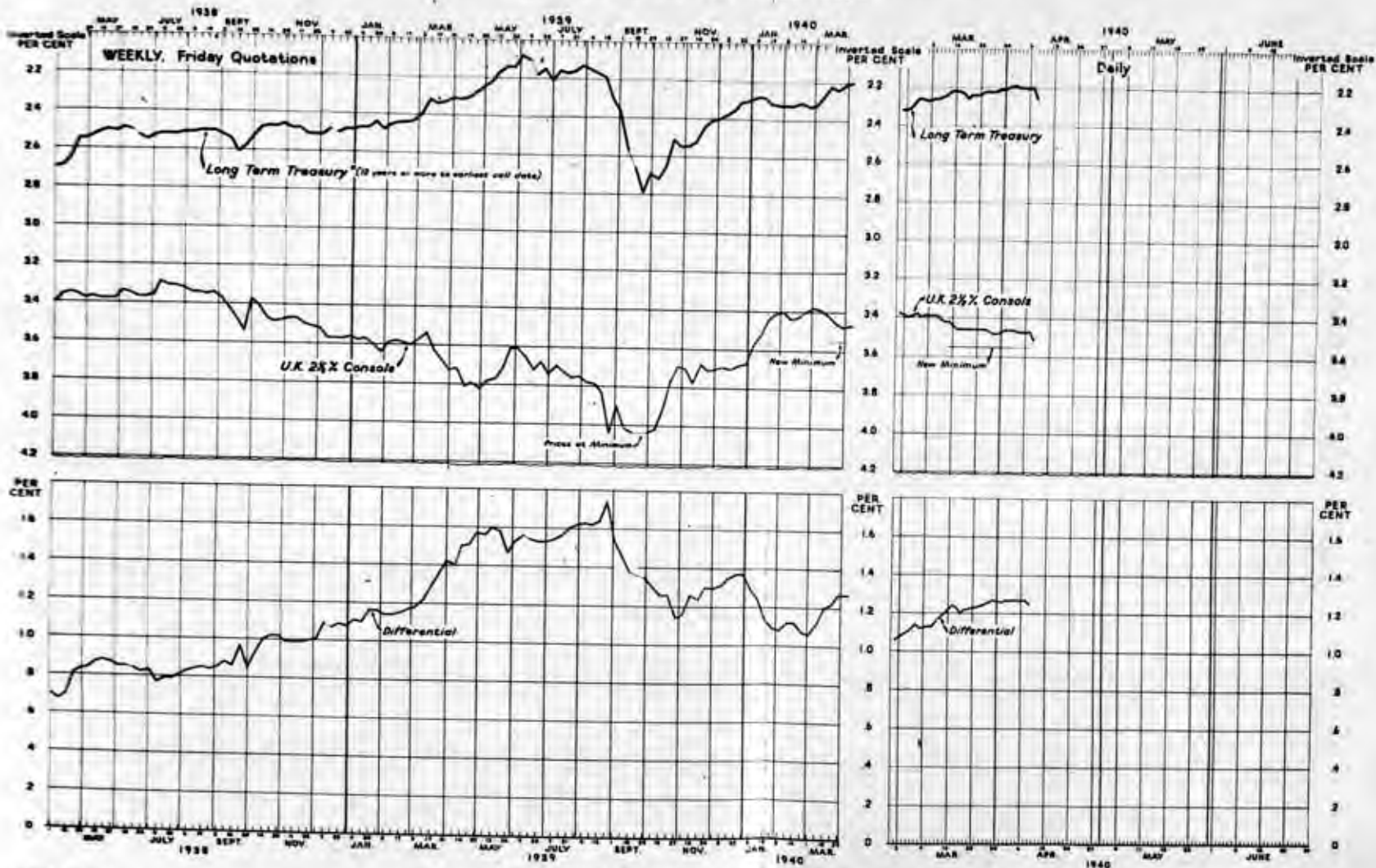


*Based on the indicated change in composition of Long Term Treasury average.

U.S. GOVERNMENT SECURITY HOLDINGS, WEEKLY REPORTING MEMBER BANKS
 Cumulative Net Change from December 6, 1939



COMPARATIVE YIELDS OF AVERAGE OF ALL LONG TERM U.S. TREASURY BONDS AND U.K. 2½% CONSOLS



Issued by the Secretary of the Treasury
Bureau of National Affairs

*Break in line indicates change in composition of Long Term Treasury averages.

April 10, 1940.
11:07 a.m.

H.M.Jr: Hello.

Operator: Go ahead.

H.M.Jr: Hello.

George Harrison: Hello.

H.M.Jr: Yes.

H: Oh Henry?

H.M.Jr: Yes.

H: I'm in session with the foreign exchange committee, I'm in a little booth so I can talk privately to you.

H.M.Jr: Well -

H: Can I talk to you a minute?

H.M.Jr: I can listen. I have people here.

H: Yes, well that's all right. I've put it up to them and their whole disposition is to go as far as they possibly can and I think certainly as far as the compromise that you suggested.

H.M.Jr: Yes.

H: And this is a draft of what they tentatively agreed upon and asked me to ask you if you thought it would be all right. And at the request of the Treasury Department they'd like to put that in if you really mean it. The foreign exchange committee has agreed to ask all banks, bankers and stock exchange houses for the time being and until further notice to withhold all payments and withdrawals from Danish and Norwegian accounts, pending reference of each transaction to the Treasury Department. It is therefore suggested that any contemplated transaction be submitted to the Federal Reserve Bank of New York for transmission to the Treasury Department.

H.M.Jr: Now is this to go out publicly?

H: That will go out on the ticker.

H.M.Jr: Now I've got to, I'm going to ask you, if you don't mind, to read that to Ed Foley.

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H: Yes.

H.M.Jr: And let him take a look at it and I want him to be satisfied.

H: Now can I say just one thing. It says "pending reference to".

H.M.Jr: Yes.

H: It doesn't say reference and approval because they say that there are a great many transactions which they are confident you would approve.

H.M.Jr: Yes.

H: But which their lawyers would say they would have to execute even if the Treasury was reluctant to approve.

H.M.Jr: Unless we invoke -

H: Yes of course. And of course if you invoke that, that would completely protect them, but their favorites are three classes of transaction, for instance checks dated prior to April 8, for instance. They would have no question about paying. Now, supposing you, for some reason or another, said you didn't want them to pay such a check they would, the law would say they had to or they would be liable. There are also for instance obligations to pay themselves on account of maturing acceptances. This would not be possible. They would have to refer such a transaction to you, but supposing you said no, they would feel they would have to do it legally, and there would be no protection to their own stockholders or a suit would get by stockholders unless they did make the payment.

H.M.Jr: Well now -

H: There are a number of transactions like that which I would hope we would be able to get blanket approval of.

H.M.Jr: Well now George, I'm going to talk to Ed a minute on this wire, see?

H: Yes.

H.M.Jr: And then I'm going to ask you to repeat everything

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that you've said to me.

H: Yes.

H.M.Jr: Because he's consulting the Attorney General, so that he knows what we're doing, so that we stay within our authority.

H: Yes.

H.M.Jr: Will you hold on a minute?

H: I'll hold on.

H.M.Jr: Please.

Operator: Operator.

H.M.Jr: Put Mr. Foley on this wire.

O: All right.

H.M.Jr: Please. Just a minute George.

H: He knows of your conversations with me, doesn't he?

H.M.Jr: Yes, he was here this morning.

Operator: Shall I put Mr. Foley on?

H.M.Jr: Put him on the same wire.

O: Right. Go ahead.

Ed
Foley: Hello.

H: Hello, Mr. Foley?

F: Yes sir.

H.M.Jr: Just one minute George. I'm going to hang up.

H: All right.

H.M.Jr: Ed, George Harrison is on the wire, and I want him to tell you just what he told me about a proposed release.

F: Yes.

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H.M.Jr: Take it down, or have someone take it down and listen very carefully, and after you've decided that we can or can not go along then come in and see me, will you please?

F: Yes I will.

H.M.Jr: And George Harrison is on the wire now.

F: O.K. All right.

H.M.Jr: Thank you.

F: Hello, Governor Harrison.

April 10, 1940
1:00 p.m.

H.M.Jr: Hello.

Operator: Go ahead.

Harry Collins: Hello.

H.M.Jr: Yes, Harry.

C: Mr. Secretary, pardon me for annoying you, sir, but concerning this meeting this afternoon, after we left they expressed the wish that they just talk informally with these contractors in my office as a neutral ground.

H.M.Jr: Yes.

C: And is that perfectly all right without having anybody else in here with them? Because when the final kill comes, of course there will have to be representatives of the committee.

H.M.Jr: Well, Harry, now I've had these -- I think it's a mistake.

C: To have -- not to have somebody here?

H.M.Jr: I do.

C: Well.....

H.M.Jr: I think it's a mistake -- that's my offhand opinion.

C: Well, I'll abide by your decision obviously, sir.

H.M.Jr: I mean, everything is a matter of great importance but I think that I'd have one -- somebody there from the Army and Navy.

C: Well, suppose I have the regular board here then.

H.M.Jr: I'd have the regular board.

C: All right, sir.

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H.M.Jr: I'd have the regular board.
C: All right, sir. I'll do that.
H.M.Jr: Yeah.
C: Thank you, sir.

April 10, 1940
2:03 p.m.

H.M.Jr: Yes.

Operator: Mr. Harris for you.

H.M.Jr: Hello.

Basil
Harris: Yes.

H.M.Jr: Basil.....

H: Yes.

H.M.Jr: Sumner Welles had lunch with me and he's interested -- he said if he could legally do something for the Italian line it would be good ball.

H: Yes.

H.M.Jr: Now, what is the situation on that?

H: Well, that was the -- the narcotic case that I was speaking about.

H.M.Jr: Yes. Well now,.....

H: I have already talked with their lawyers and told them that we would entertain a -- an offer of 20 cents on a dollar.

H.M.Jr: I see.

H: And they seemed to think that was pretty fair.

H.M.Jr: Well now, when you come to an agreement I promised Sumner Welles we'd let him know so he personally could let the Italian Ambassador know.

H: Yes.

H.M.Jr: He wants to make quite a thing out of it.

H: Yes. Well now, it's rather -- the cases are rather unusual. We could even, with a pretty clear conscience, go even further than that.

H.M.Jr: Briefly what are the circumstances?

- 2 -

H: Well, the circumstances are that there were -- there are four particular ships, the Rex, the Ida, the Arsa and the Vulcania.

H.M.Jr: Yes.

H: And there were importations of narcotics. In one or two cases the Italian line themselves have worked -- well, the Italian Government, to begin with, have worked very closely with our Treasury people in Italy.

H.M.Jr: Yes.

H: And it's through that cooperation really that these discoveries were brought to light, but the fact they were on these ships and were picked up that technically makes them the violators.

H.M.Jr: Yeah.

H: You see, that's the general subject that I wanted to talk to you about some time ago and I think we are being pretty severe on these fellows.

H.M.Jr: Well now, let me ask you this.

H: Yes.

H.M.Jr: Did the Captain of the ship cooperate?

H: Yes, in every way.

H.M.Jr: Had this ever happened before?

H: Well, we had trouble up until about two years ago when the Italian government took this up officially. Since then there has been very little of it. And....

H.M.Jr: Uh-huh. But the Line does cooperate?

H: Oh, tremendously!

H.M.Jr: They do?

H: Yes.

- 3 -

H.M.Jr: Look up what I did in the case of the Danish ship.

H: Right.

H.M.Jr: There was a Danish ship where they cooperated and Mr. Hull asked me to do something about it.

H: Yeah.

H.M.Jr: I don't know what I did in that case.

H: Yes.

H.M.Jr: But supposing you look it up and it would be time enough tomorrow morning, wouldn't it?

H: Yes. Well now -- Yes, just to -- a little -- one further word, and that is I felt fairly strongly on this so I put it up to the head of the Narcotics. What's his name -- Anslinger.

H.M.Jr: Yes.

H: And the people over in the Bureau, they wrote a memorandum feeling that everything possible should be done for the Italians in view of the cooperation.

H.M.Jr: I see. Well, supposing you look up what I did in the case of that Danish thing. It was about two years ago.

H: Yes.

H.M.Jr: And then you might bring in Anslinger's memorandum and I'll take a look at it.

H: Yes. All right.

H.M.Jr: See?

H: Very good.

H.M.Jr: Thank you.

H: Thank you.

April 10, 1940
3:26 p.m.

H.M.Jr: Hello.

Operator: Mr. Berle is in a conference but not with Secretary Hull. I can get him to the phone if you'd like me to.

H.M.Jr: Yes, get him to the phone.

O: All right.
(Pause.)

H.M.Jr: Hello.

O: Mr. Berle. Go ahead.

H.M.Jr: Hello.

Berle: Hello, Mr. Secretary.

H.M.Jr: How are you?

B: Well, we've had a lot of work to do and so have you. I'm glad you took such swift action that night as you did. I think that's one of the best things that have happened in a long time.

H.M.Jr: Meaning what?

B: Blocking those balances.

H.M.Jr: Oh, yes. Now that's what I'm calling you about. I talked to the President and I told the President that after the meeting this morning that we had come to the decision that if we wanted to carry out his orders we needed an executive order.

B: Right.

H.M.Jr: And he wanted to know about Mr. Hull, so I've just called Mr. Hull and Feis was in there and evidently he had in mind a different -- something else, and that is the question of Danish securities, you see? Which is something entirely different.

- 2 -

- B: Well that's something entirely different and I don't know why H.F. worries with that kind of thing. I suppose that there are American liberty bonds and things, government bonds, held in Switzerland by Danes and so forth, but that's a separate question and a long way off and a tough job anyway.
- H.W.Jr: Well, and if we were going to do anything the exchange control would be the first step anyway.
- B: Of course. The two aren't incompatible.
- H.W.Jr: Correct. Now, I've asked him please to send for you and have you inform him what happened in the meeting this morning.
- B: I will. Unfortunately I haven't had a chance to check back. The meeting only broke up, as you know, about a quarter of two; then we had this proclamation to get out.
- H.W.Jr: I understand. Now, I am sending over to you a copy of the President's executive order which has been approved by Robert Jackson.
- B: Right.
- H.W.Jr: And I'm going to ask, if you would approve -- if you would initial it and I'm going to ask you if Mr. Hull approves it, he'd initial it.
- B: I'll do so with pleasure.
- H.W.Jr: So that -- because it's so important that I'd like to have both your initials and Mr. Hull's on it.
- B: Well, I think mine are supererogatory but you're welcome to them.
- H.W.Jr: Well, if you don't mind -- I don't know whether you do that at the State Department, but we do that over here.
- B: Yes, we do that here too. I ought to say this, the Department's position technically in the meeting was that we favor the step. The method of doing it, of course, is entirely in your jurisdiction.

- 3 -

H.M.Jr: Well, we've had a long talk here and if I'm going to do what the President asked me to do in the whole United States and not just in New York.

B: Yes.

H.M.Jr: I can't do it without an executive order.

B: That was the sense of the meeting and I, myself say, I personally agree with it.

H.M.Jr: And the President said he'd sign it, but I want Mr. Hull to know what it's about and I want him to approve it if he will.

B: All right, sir. I'll endeavor to see that that's done.

H.M.Jr: And so the next move is -- he said he would send for you and we are sending by hand to your office this -- a copy of this thing.

B: Right.

H.M.Jr: And I take it after Mr. Hull has seen you he'll call me. And they told me what you said at the meeting which influenced me greatly, and that is that if we do this, this is a notice to Germany. Well now if we go into Holland, or Belgium, or Switzerland, and those funds are in the United States, we can't get them.

B: Well, Mr. Secretary, the whole background was this. You may know that we canvassed the subject partly at my instance in the -- after the seizure of Czechoslovakia.

H.M.Jr: Yes.

B: At that time I was impressed with the fact that this kind of operation was a purely profitable operation.

H.M.Jr: Yes.

B: And I don't see why we should desist in making a profitable one with all our desire for international law and the rest of it. The other thing

- 4 -

was that for neutrality I don't see that it cuts either way. If we accept just casually the work of a military government there, which is virtually what you've got, we'll have trouble from the other side.

H.M.Jr: Yeah.

B: So since we're between two fires on that either way we had better, seems to me, do the thing that serves our own interest best.

H.M.Jr: Well, in other words, let's scrape the icing off.

B: Yes.

H.M.Jr: Off the cake.

B: That's it.

H.M.Jr: And if they still want the cake all right, but they're not going to get the icing.

B: Well, it struck me that that was the point of view that ought to be considered.

H.M.Jr: Well, I told the President that this had great political significance.

B: Well, I think it does.

H.M.Jr: Yes.

B: But I think for myself that we've gotten past the stage where we can be -- we can be awfully worried about what a very small minority says in a matter which may become of major significance if it goes on.

H.M.Jr: Minority being one per cent.

B: Not more than that at the outside.

H.M.Jr: Right.

B: Right.

H.M.Jr: Thank you.

B: Not at all, sir.

April 10, 1940
3:45 p.m.

George
Harrison: Hello, Henry.

H.M.Jr: Yes.

H: We've just broken up our meeting.

H.M.Jr: Yes.

H: And I presented to them your suggestion that they advise us of any further transactions that they might have today.....

H.M.Jr: Yes.

H:before consummation.

H.M.Jr: Yeah.

H: They said they would do so.

H.M.Jr: Good.

H: Although if they are the kind that they think are legal obligations that they'd have to pay without doubt they would -- I told them we'd give them word back before five o'clock.

H.M.Jr: Yeah, that's right.

H: And if you said no I don't know what fix they'd be in. They'd probably have to pay them anyway.

H.M.Jr: Well, they didn't know of any?

H: No. In fact, they say they don't think there'll be many more today anyway and the only chance is that they'll get some from the three o'clock clearings, that is checks.....

HM.Jr: Yeah.

H:drawn on their account that come through the clearings that they will probably have to pay or dishonor by three-fifty. Now, they -- I don't know whether they can do it -- I mean, return them through the clearings.

H.M.Jr: Yeah.

- 2 -

H: But all those checks will probably be dated before April 8th anyway.

H.M.Jr: Yeah.

H: Now, I've got Knoke on the telephone because the Federal Reserve Bank of New York has some transactions that are ordered for this afternoon that are still pending.

H.M.Jr: Yeah.

H: And we would like to comply with your request too.

H.M.Jr: Well, can't Knoke dictate those to Cochran so I can get them in writing and take a look at them?

H: All right.

H.M.Jr: What?

H: All right.

H.M.Jr: It's pretty hard to do it all on the phone.

H: I agree, but I'm just saying this is going to be one of the difficulties, but we'll give them to you any way that you want.

H.M.Jr: Well, I -- I suggest that you give them to Merle Cochran and then let Merle bring them in.

H: Yeah. All right. Well, he'll do that.

H.M.Jr: Yeah.

H: Some of them are obviously necessary.

H.M.Jr: Yeah.

H: I mean, some, for instance, where we are getting securities delivered to us for the Norwegian bank and the Norge bank, Central bank, and pay out cash against them. Now, it's only changing the form of their assets.

H.M.Jr: Yeah.

- 3 -

H: That, I should think, we would have to do.

H.M.Jr: Well, if you -- you could just let Knoke talk with Cochran and let Cochran make notes on it and then he can come in.

H: All right.

H.M.Jr: I think that would be the easiest way for me.

H: First-rate.

H.M.Jr: Thank you.

April 10, 1940
4:40 p.m.

H.M.Jr: Hello.

Operator: Secretary Hull.

H.M.Jr: Thank you. Hello.

Hull's
Secretary: He's coming right on, sir.

H.M.Jr: Thank you.

Cordell
HULL: Hello, Henry.

H.M.Jr: Hello, Cordell.

H: I just O.K.'d that and sent it back. I -- Berle was out at a meeting and just got back a few minutes ago so I could see him.

H.M.Jr: Well, that's fine.

H: By the way, those bonds I referred to are held by -- mainly by individual Americans here in this country.

H.M.Jr: I see.

H: And the actual -- the amount will probably run over that.

H.M.Jr: I see. Well.....

H: And that's why it's so important not to let any government money get out of here until they're paid. Especially with the Germans in charge over there.

H.M.Jr: Oh, I agree with you, and.....

H: They wiped out the Polish debt, you know, just complete.

H.M.Jr: Yeah. Well, this is the first step. The one thing dove-tails with the other, I think.

- 2 -

H: Yeah. Yeah.

H.M.Jr: Cordell, you're sending this over by messenger to me?

H: Yes.

H.M.Jr: And you told them to come right to my office?

H: I'll tell them to take it right to your office.

H.M.Jr: Thank you.

H: Yeah. All right.

H.M.Jr: Thank you.

add use

33 ✓

REYKJAVIK.--ICELAND DECLARED ITS VIRTUAL INDEPENDENCE FROM

DENMARK TODAY WHEN PARLIAMENT AUTHORIZED THE GOVERNMENT TO TAKE OVER

THE PREROGATIVES OF KING CHRISTIAN.

4/10--21036A

ADD ICELAND, REYKJAVIK

THE DECISION OF THE ICELANDIC ALTHING OR PARLIAMENT -- THE WORLD'S OLDEST PARLIAMENTARY BODY WHICH DATES FROM THE 9TH CENTURY -- WAS THE FIRST REACTION TO GERMAN INVASION OF DENMARK FROM THIS NORTHERN OUTPOST WHICH IS JOINED TO DENMARK THROUGH A UNIQUE TYPE OF MUTUAL MONARCHY.

ICELAND IS TECHNICALLY SEL-GOVERNED BUT HAS RECOGNIZED THE DANISH KING AS ITS SOVEREIGN.

THE DECISION OF THE ALTHING TO CUT -- AT LEAST FOR THE TIME BEING -- ITS LINK WITH THE DANISH SOVEREIGN WAS TAKEN ON GROUNDS THAT KING CHRISTIAN IS NOW UNABLE TO EXERCISE HIS POWERS OFFICE.

4/16--2103EA

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE

April 10, 1940

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

You have asked for a progress report on the movie cases. Since my memorandum of December 30, 1939, the following action has taken place:

1. Bioff Case: Bioff was indicted for income tax evasion in Los Angeles in January. In March, he was remanded by Governor Olson of California to Illinois to serve out the six months sentence for pandering passed in 1922. The Illinois Courts have held that Bioff must complete his sentence and I understand he was committed to Bridewell prison yesterday. The trial of the income tax charge was set down for May 22. However, the United States District Judge indicated that he would not go ahead with the trial until Bioff had completed his sentence in Illinois.

2. Schenck Case: The personal income tax case against Joseph Schenck has been forwarded to United States District Attorney Cahill in New York, who is presenting the case to a grand jury. Special Agent Oftedal is assisting Cahill's lawyers. Codd and Moskowitz have already been before the grand jury; a bench warrant has been issued for the appearance of former Treasury agent Kadis; and Schenck is scheduled to appear before the grand jury next week.

On February 21, Sam Clark advised Wenchel that Justice had no objection to the issuance of deficiency letters for 1935 and 1936, notwithstanding the grand jury investigation. Accordingly, letters have been sent out in the amount of \$186,787.32 for 1935 and \$96,295.97 for 1936.

3. Zanuck Case: You will remember that Sam Clark decided that we should proceed with the civil case arising out of the Twentieth Century-Fox merger before any criminal action was commenced. We have sent out a 90-day letter giving Zanuck a notice of deficiency in the amount of \$730,576.04 for 1935. A petition has been filed with the Board of Tax Appeals by Zanuck stating that he does not owe the tax. The next thing before the Board is a trial which should be reached in about a year.

I shall continue to keep you informed.

E. H. F.

GROUP MEETING

April 10, 1940.
9:00 a.m.

Present: Mr. Haas
Mr. Cochran
Mr. Thompson
Captain Puleston
Mr. Cotton
Mr. White
Mr. Harris
Mr. Gaston
Mr. Sullivan
Mr. Foley
Mr. Schwarz
Mr. Bartelt
Mr. Johnson
Mrs Klotz

H.M.Jr: Herbert, I asked you last night after talking to the President to have these things ready in regard to Denmark and Norway. Now, where do we stand?

Gaston: Well, I have passed on the work to Mr. Johnson and I think they are all ready. Mr. Johnson talked to Mr. Harris.

Harris: They are all ready.

H.M.Jr: Are you ready to report?

Harris: Well, they are all ready to go out this second. We have had no official word from the State Department on the extension of the belligerent zone.

H.M.Jr: Are you familiar yourself with it, or do you want to bring Johnson in here?

Harris: Johnson knows more - well, what --

H.M.Jr: Where is Johnson?

Harris: He ought to be in my office by now.

H.M.Jr: The point is, who knows what we did?

Gaston: In regard to Czechoslovakia, we first got notification from the State Department of the change

- 2 -

in jurisdiction and then we got out an announcement that the rates of duty applicable to German products would apply from and after midnight of that day to the products of Czechoslovakia and we added to give importers all possible notice. Well, they had about five or six hours notice. Now, when I talked to --

- H.M.Jr: How soon after they took over Czechoslovakia did we do that?
- Gaston: About the next day afterward.
- H.M.Jr: Do you (Mr. Johnson) know exactly how soon after the Germans went into Czechoslovakia we acted on Czechoslovakia?
- Johnson: All the Sudetan land, it was a matter of several weeks from October 11 to November 10. I am not sure of the date of October 11.
- H.M.Jr: I see. We didn't do it the next day?
- Johnson: No, because we couldn't get anything from the State Department.
- H.M.Jr: What does the State Department have to tell us?
- Johnson: A letter on the official recognition by the United States of change of sovereignty.
- Gaston: But on Czechoslovakian products, we acted within 24 hours and there was a great deal of complaint from importers.
- H.M.Jr: What do you mean?
- Johnson: On Bohemia-Moravia, they moved, I believe the first word we had was about the 15th of March. That news was somewhat confused. We had our letter out on the 18th of March, which was really 24 hours after any certainty.
- Gaston: Yes.
- H.M.Jr: What did you do in that case?

- 3 -

Johnson: We sent a telegram to all Collectors of Customs telling them that we were today advised by the State Department of a change of sovereignty.

H.M.Jr: On what countries?

Johnson: The part of Czechoslovakia not covered by the Sudeten transfer, that is, Bohemia-Moravia.

H.M.Jr: Which came first? I have got to refresh my memory.

Johnson: Sudeten land came first in November of 1938.

Gaston: That was under the Munich Agreement.

H.M.Jr: First was what?

Johnson: Sudeten land.

H.M.Jr: And that - what was the date, approximately?

Johnson: My recollection is October 11 and November 10.

H.M.Jr: And then we moved on Sudeten land?

Johnson: Yes, sir.

Gaston: That and Sudeten land.

H.M.Jr: Then when Germany went into Czechoslovakia, when was that?

Johnson: Into Czechoslovakia proper on the 15th of March, I think it was.

H.M.Jr: And how quickly did we move on that

Johnson: Our telegram went out on the 18th, I believe.

H.M.Jr: Does anybody know - how long will it take you to get those dates?

Johnson: I have the references to the dates to our action, but as to the actual movements of the Germans, I would have to check outside.

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H.M.Jr: What were the dates of our actions?

Johnson: I have a reference to the Treasury Decision.

H.M.Jr: This thing of Denmark, am I not right that it is nearer to when they moved into Czechoslovakia than it is the Sudeten land?

Johnson: We ought to get in touch with the State Department this morning and have a letter by noon, I should think.

H.M.Jr: What would that letter say?

Johnson: It would support this statement. The State Department having today advised the Treasury Department that it regards Denmark as being under the de facto government of German authorities.

H.M.Jr: May I have that?

Johnson: It is a draft of a telegram.

H.M.Jr: Basil, how much time do you think these people, the fellows in New York, the business men, ought to have to be fair to them? They say they are complaining.

Harris: I would think two weeks would be ample.

Johnson: Might I say that we made it on date of exportation and our action was very recently sustained in the Court of Customs Appeals and Patent Appeals.

H.M.Jr: The date of exportation?

Johnson: We made the change effective as to dates of exportation.

H.M.Jr: I remember something - does that mean the date of invoice?

Johnson: That was true in the case of Czechoslovakia, because that is an inland country. We do not have that situation here. We would make it the date of sailing of the vessel.

- 5 -

- White: You remember, Mr. Secretary, there would be a time that we felt that there hadn't been enough time allowed for those who may have goods in freight cars, et cetera, so we altered the procedure.
- H.M.Jr: There are two different things, Harry. The one that is comparable to this is the time the Germans went into Czechoslovakia. In that case, didn't we say when a thing was on the train, or was that in Sudeten land?
- Johnson: There was no difference in the two except in this respect, that on the Sudeten land, on the original order, we didn't define the date of exportation until sometime after our telegram went out and then we said we would apply the usual Customs rule as to inland countries, that is, the date of exportation would be determined by the date of the invoice in the absence of better evidence.
- H.M.Jr: Now, let me put it this way. If a steamer had sailed yesterday from Denmark, that would come in under the Danish customs.
- Johnson: Yes, sir.
- H.M.Jr: But let's say they were loading a steamer today.
- Johnson: They would have to change the marks, have to take the higher duties.
- H.M.Jr: As of today?
- Johnson: Unless they got away before midnight.
- Gaston: If we set midnight as the cut-off date.
- Johnson: That is the way I have drafted it.
- White: Last time we moved a little bit quickly and questioned - fudged in the interpretation in order to give a little more time.
- H.M.Jr: But what you are talking about, Johnson, is to say that anything which is loaded up to midnight tonight would clear as Danish goods?

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Johnson: Anything - departure, rather than loading.

H.M.Jr: Do you think that is fair?

Harris: Yes, that makes it about the two weeks I was talking about. You are talking about departure rather than arrival. I think departure is better.

White: In the light of the last time when we thought we rushed it just a little bit, unless there is some good reason I think we had better err on the side of a few days in the other direction, because this is very much akin to the kind of problem that gave us a little trouble in Czechoslovakia.

Gaston: I would give them 24 hours to get cables over.

H.M.Jr: Well, we can argue a little bit. I want to call up the State Department. What we want is a letter from the State Department, advising us that Denmark is under the de facto administration of the German authorities.

Johnson: Yes, sir.

H.M.Jr: Now, we also want to raise the question, do they want to give us such a letter from Norway and until we get that kind of a letter, we can't act, is that right?

Johnson: We shouldn't.

Foley: That is right.

H.M.Jr: Is that the next move?

Foley: Yes.

H.M.Jr: Everybody agree?

Gaston: This is Denmark, only.

Johnson: Harry, any deferred effective date should be handled through withholding it from the State Department.

White: Yes, but there was some fudging there which helps out.

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Gaston: The situation isn't very clear as to Norway yet.

White: I am wondering whether they might treat that lower part of Norway like they did Sudeten land. Part of the delay was due, you remember, to the series of negotiations we had with the State Department to determine its status. It is possible that in the light of that precedent they may act much more quickly and determine that a part of Norway which they are certain is under control --

(Telephone conversation with Secretary Hull follows:)

April 10, 1940
9:12 a.m.

H.M.Jr: Hello.

Operator: Secretary Hull coming on.

H.M.Jr: Thank you. Hello.

Secy Hull's

Secretary: He's coming right on, Mr. Secretary.

H.M.Jr: Thank you. (Pause) Hello.

Cordell

Hull: Hello, Henry.

H.M.Jr: Good morning.

H: I hope you are well.

H.M.Jr: I'm well. And you?

H: Yes.

H.M.Jr: Cordell, I'm calling -- I think you were there last night when the President called me.

H: Yeah.

H.M.Jr: And are you going to give us a letter advising us that Denmark is under a defacto administration of the German authorities?

H: We're trying -- we're trying to get the fullest Official data, you know.

H.M.Jr: Yes.

H: And I can tell this morning.....

H.M.Jr: Yes.

H:as soon as I get this in here and sum it up I can, within an hour or two, an hour maybe, I can tell you.

H.M.Jr: All right, because.....

- 2 -

H: Do you remember in -- in Czechoslovakia the German Government took charge of foreign affairs and finances.

H.M.Jr: Yes.

H: And left the balance of the government to the other fellows.

H.M.Jr: Yes. Well now, the two cases -- I take it you're referring to the second when they marched into Czechoslovakia.

H: Yes. No, I'm referring to the one when they took Bohemia.

H.M.Jr: Oh.

H: That's where the big money was, you know.

H.M.Jr: I see. Well, there's the Sudetenland on October 11th, or thereabouts which we.....

H: Yes.

H.M.Jr:treated one way, and then when they went in on March 15th we treated it another way.

H: Yeah. Well, it's -- they're going to rob everybody over there, I'm thinking.

H.M.Jr: Yeah.

H: Take everything that belongs to everybody else that they can find, private and public.

H.M.Jr: I'm sure. Well, we will wait then.....

H: Yeah.

H.M.Jr:until we hear from you to give us a definition.

H: Yes, all right. We'll call -- I'll call you up just a little later.

H.M.Jr: Now, one other thing, please. How are you going to -- are you going to treat Norway the same way?

- 3 -

H: Norway is -- they haven't made known yet just what their attitude is, but I'm thinking that they're going to put on an avowed protectorate; that means German government practically.

H.M.Jr: I see.

H: But we've got to see just a little further on that.

H.M.Jr: Well, in both cases when you know I'd appreciate it if you'd call me.

H: Yes, all right, Henry. I'm glad to see you back.

H.M.Jr: Thank you.

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- Johnson: I will keep in touch with the people who are writing letters over there.
- H.M.Jr: Yes, but the point is - well, that helps you, doesn't it, to define where we are at?
- Johnson: Yes, sir.
- Foley: I don't think we ought to do anything until we get official notice from the State Department of the occupied territory and then once we get it, I think we have to act very promptly. I don't think we can wait.
- White: Could you do this, merely to avoid repetition --
- Foley: They can delay over there.
- White: To avoid repetition of what happened last time, I am wondering whether Chick Schwarz couldn't let out that here is a case that is similar and as soon as - if we receive notice, then action will be taken instantly and that would get out in the paper and give them two days notice.
- H.M.Jr: No, absolutely not.
- Schwarz: The business men, on the basis of previous experiences, certainly are watching. They know what is likely to happen.
- H.M.Jr: After all, I have called Mr. Hull now at 9:15 and he is working on it and he said he will let me know in an hour or so. You can't expect anything more. I take it, Basil, you will have everybody on their toes and ready to go.
- Harris: They way they are running now, you only have a boat about every ten days or two weeks coming out of Denmark anyhow.
- H.M.Jr: Can you find out if there is any boat loading there?
- Harris: Yes. In Norway, you have got a little different situation. There are three American boats that are fully loaded at the moment and have not departed. They are awaiting instructions from the State Department.

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- Cotton: As long as Norway is fighting, that is an entirely different thing. I don't see how we could say it was German until they quit.
- Harris: Well, the State Department will determine that.
- B.W.Jr: Now, I haven't heard yet from George Harrison, but the President, when I talked to him last night, was very insistent that all balances be frozen and that we don't let anything go through for Denmark and Norway. Some Swiss bank had told somebody in the State Department that Denmark - I don't know whether it was Denmark or Norway - Denmark had three or four hundred million dollars over here, which I don't believe anything like that. Well anyway, I called up George last night a little before 10:00 o'clock and told him that for today I wished he would ask his committee - they are still on the volunteer basis - that any transaction of any kind, governmental or private, should be submitted to Washington, to me, to pass on, see, because I have the authority to do that. Better look that up, Foley. But he said, "Do you want to keep it on a volunteer basis," and I said yes and explained to them that we want to stall on it for 24 hours and this is just Wednesday's plan and so he said that he would get his bunch together and he was sure that they would go along, because they were very much pleased that they got the blessing yesterday of the Treasury. I mean, that tickled them. They were allowed to say they had consulted with the Treasury and that put them back again in good standing.
- Gaston: The Danish Minister wanted you to know that he was very much pleased with your action in freeing the accounts.
- (Telephone conversation with George Harrison follows.)

April 10, 1940
9:19 a.m.

Operator: Go ahead.

George
Harrison: Hello.

H.M.Jr: Hello, George.

H: Good morning, Henry.

H.M.Jr: How are you?

H: I've been in touch with Loree and I told him what you were anxious to have accomplished up here today.

H.M.Jr: Yeah.

H: He was very sympathetic and willing, but he says that there's this difficulty, that while they'd be perfectly willing to advise you of every withdrawal, that nevertheless there are certain ones which their lawyers say they must legally make for customers and that they have no legal right not to make. He said unlike Canada and Great Britain they would be in the fix that they would be subject to damages, suit for damages, if they refused to make certain legal payments for customers. In Great Britain and Canada they've got a governmental indemnity if they fail to make payment. Now he said, and he hoped this would be satisfactory, that they will make only such payments as their lawyers say they must legally make for legitimate customers and that all others they will refer to you for approval and that they will advise you of every payment even those that their lawyers say they must make.

H.M.Jr: Well, now look, the world is made up of compromises, see?

H: Yeah.

H.M.Jr: When their lawyers tell them that they've got to make a transaction, see?

H: Yeah.

- 2 -

H.M.Jr: Before the money passes, I want them to tell me about it.

H: Well, I'll -- I'll see what I can get.

H.M.Jr: See? Before the money passes I want to know about it. See?

H: Yeah.

H.M.Jr: You put that up to them.

H: Yes. Well I'll try it. Loree is up town now at a New York Central meeting. I got him out of the meeting.

H.M.Jr: Well, get him out again.

H: He's going to talk to Ravenske and I'll call Ravenske direct.

H.M.Jr: Before the -- if the lawyer says that^a/certain transaction has to pass, before the money passes hands, I want to be consulted.

H: Yeah.

H.M.Jr: See?

H: Yeah.

H.M.Jr: Will you -- will you put that up.....

H: Well, I'll put it up to him. I remember, you know, this is the same fix we got into in Czechoslovakia. As a matter of fact, I question whether there are going to be any transactions anyway.

H.M.Jr: Well I'll have to insist on this, George.

H: Yes.

H.M.Jr: And lacking that we'll have to look up our legal rights.

H: Yes.

H.M.Jr: Now, I'd much rather not have to ask for it legally, but.....

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H: Oh gosh, I hope so!

H.M.Jr: Well, I -- I've got my instructions; I've got to carry them out.

H: Uh-huh.

H.M.Jr: And before any money passes I want to be consulted.

H: Uh-huh. All right. Well, I'll let you know -- I'll put that back to them.

H.M.Jr: I've got to be firm on this, George.

H: Yes. All right, sir.

H.M.Jr: Thank you.

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Poley: Well, we would have to amend the foreign exchange order of 1934 and I have got the amendment. Now, I don't know whether I can get Justice to go along with me, because that is the thing they talked on last time.

H.M.Jr: Well, you have got a new department over there. Now, what I thought I would do is this: When these things come in, I thought I would set up an informal committee on this thing and I want you, Merle, to sort of be Chairman and I want Harry to be in on it and I thought if you (Poley) would let Bernstein sit in on it and then when we got a transaction of this nature, the three of you go over it and decide yes or no and then let me know and within five minutes, I will see you. You can tell that, that it isn't going to be stalled around. I don't want you tied up on this thing.

White: Do you have any idea of possibly not worrying you about amounts of let's say a thousand or two thousand? Set some figure. There will be a number of small checks.

H.M.Jr: What we can do is, you can tell him whatever the close of the business day is, get them all in and if you come in at 3:00 or 3:30 it will only take five minutes. The first ones, you see, I want to see them.

White: Do you want to talk to them?

H.M.Jr: Knocke to you (Cochran). But the little committee - and you get them all together and you have a little meeting and say you have got something. There were two yesterday, weren't there?

Cochran: Yes.

H.M.Jr: But the President is very insistent and I can't let this crowd block me off.

Cochran: I will get in touch with Knocke.

H.M.Jr: And we will pass each day on the day's business. We won't carry it over and I don't know about the legal authority, but I am going on the basis

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I have got all the authority in the world.

White: Ed, can't you find out today?

Foley: Whether I can get Justice to go along with me?

White: Sure.

Foley: I think if the President says he wants it and he will sign the order, I don't think we have to worry about the Department of Justice.

White: I mean have it ready.

E.W.Jr: You heard Mr. Hull. I was surprised to hear Mr. Hull.

Foley: And so long as you talked to George Harrison the way you did, they will cooperate with you, because they don't want you to invoke your foreign exchange control powers. That is the last thing in the world they want.

White: You heard his response.

Foley: Sure.

Harris: Is the proclamation on the extension of the belligerent areas signed?

E.W.Jr: The President said he didn't think he would do anything on that last night. He didn't see - when I got through talking to him, I called up Herbert and asked him to notify the people, but as I said last night, he didn't seem to think he was going to do anything on that just now, but that the one thing - and you could hear Mr. Hull - that they are both interested in, is to not let the Germans lay their hands on this money.

Cotton: Is there the slightest doubt, Ed, about the legal authority?

Foley: Under the reporting power, Joe, we here in the Treasury think that we can require all balances in this country to be reported and all withdrawals out of those balances to be reported and approved

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here before they can be taken down. Now, when we discussed the matter with Justice about a year ago in connection with the proposed Executive Order, they gagged a little bit on that reporting power and I don't know what their attitude would be at the present time. We think that we can extend the foreign exchange order to do this.

H.M.Jr: Eddie, have you got that letter ready?

Bartelt: Yes, sir.

H.M.Jr: Did you clear it with the --

Bartelt: I have drawn this in alternate form, Mr. Secretary, because if we issue the 500 million, it would be over our debt limitation, counting on the 700 million from the corporations and 460 million net taxes. I have the two forms. This one is on the assumption that there won't be any finance. This one is on the assumption that there will and this shows it without the financing. We will be over our statutory authority in June, 1941, by 210 million.

H.M.Jr: With no financing?

Bartelt: With no financing. It will be all right until March and with the financing you will be under in December, but you will be a little over in March on 200 million, counting the 460 million in taxes.

H.M.Jr: You mean it is under --

Bartelt: Under the limitation, it will be 336 in December.

H.M.Jr: Well, change this title. Put this black title and put this word over in red. Well, this is with the 500 million. You are all right --

Bartelt: Until March, 1941.

H.M.Jr: No, you are not here. You go over here.

Bartelt: Yes, in March, 1941, you would be 200 million over.

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H.M.Jr: What would your balance be?

Bartelt: One billion, nine hundred ninety-eight. Now, that is counting the 700 million and the 450 million.

H.M.Jr: I think I would put in the five.

Bartelt: You would?

H.M.Jr: Yes, because he can say, "Well, if you take that March last --" I mean, this gives you a balance of that much. That gives you a balance of that much and this thing here, that is no financing.

Bartelt: That is the same thing without any financing.

H.M.Jr: Which way do you think it is?

Bartelt: I just wondered as a matter of policy if you wanted to issue anything which would take you over the debt limitation. Of course, you do have in that picture these special obligations to trust funds that might hold up.

H.M.Jr: Rewrite it and let me take a look at it.

Bartelt: As I say, you have in this picture the special issues of trust funds and you could hold these up a while.

H.M.Jr: Anybody wants to see me, I am available and if anything breaks with Mr. Hull, I will have another staff conference.

RE DANISH AND NORWEGIAN ACCOUNTS

April 10, 1940.
11:45 a.m.

Present: Mr. Cochran
Mr. White
Mr. Gaston
Mr. Foley
Mr. Bernstein
Mrs Flots

Foley: Do you want me to start on this thing?

H.M.Jr: Yes.

Foley: Governor Harrison called the Secretary and said that he had his foreign exchange committee together and that they had drawn up some statement that they wanted the Secretary to approve and if it met with his approval, they wanted to put it on the wire. The statement is this:

"At the request of the Treasury Department, the Foreign Exchange Committee has agreed to ask all banks, bankers and stockbroker houses for the time being and until further notice to withhold all payments or withdrawals --"

H.M.Jr: I want to interrupt you there. If we say stock exchange houses, Jerry Frank will say the same thing he said last time. We have no right to give instructions to stock exchange houses without talking to SEC.

Foley: "....to withhold all payments and withdrawals from Danish and Norwegian accounts pending reference of each transaction to the Treasury Department. It is therefore suggested that any contemplated transaction be submitted to the Federal Reserve Bank of New York for transmission to the Treasury Department."

George Harrison recognizes that the Treasury has power by Executive Order to impose complete foreign exchange controls, so there would have to be a complete licensing before any withdrawals could be made from any accounts of countries or nationals of those countries specified in an Executive Order. That he wants to avoid if it is at all possible to do it.

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I have two objections right away to the language that he has given. First, it applies only to the banks in New York and it doesn't apply to the rest of the country and there very well may be accounts in Boston and Philadelphia and other parts of the country. Second, it seems to me that the inclusion of the words, "At the request of the Treasury Department", make us liable and I don't think without some kind of Executive Order of the character I just mentioned the Treasury would have the power to consent to the use of that language.

White: That troubles me particularly when it is combined with --

H.M.Jr: Now wait a minute. You call up George Harrison and say that - say that this is under discussion. We won't have an answer until sometime about half past 2:00 or 3:00. I want you people to go into Mr. Gaston's office and see if you can come to an agreement and I will see you after lunch. I have been working at a hundred miles an hour from 9:00 until now and my brain is tired and if Mr. Hull cannot make up his mind whether Denmark has been raided or not, takes all day, I can take two hours. You go into Mr. Gaston's office and call me up on this thing. Hull called me up and said he would like to send somebody over and he said, "Who do you want," and I said, "How about Berle?" and he didn't seem to like that. Do you want anybody from the State Department at this time?

Cochran: You have to have them before you take final action.

Gaston: I think it would be very desirable to carry them along.

Foley: And if we have somebody from the State Department, probably we would want somebody from SEC. They were in our other discussions.

H.M.Jr: Herbert, I will call up Mr. Hull now and Mr. Frank and ask them to send somebody over to your office, that we want somebody.

Gaston: Yes.

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White: In the meantime, they are following instructions in New York of freezing the balances.

H.M.Jr: Well, you are to contact Knoke.

Cochran: They have just finished one transaction yesterday. We have held up the others.

H.M.Jr: They have done one?

Cochran: The one you okayed yesterday. They carried out one of those yesterday. Today they have done nothing so far.

White: In the New York area, only.

Cochran: That is, as far as I know.

White: We have no information of what they are doing in other areas.

H.M.Jr: Why not have somebody come over from --

Foley: You had better get somebody from Justice, too.

H.M.Jr: You can do that.

Foley: I will do that.

H.M.Jr: And we will talk to the Federal Reserve Board. He put it up to me, Berle or Pels, and I wouldn't say. I will see you fellows at, let's say, 2:30. Merle, will you call up and tell them to freeze everything in the meantime?

Who is going to call George Harrison?

Foley: I will call him.

White: And of course this bill only applies to the New York area, so I don't know whether you are covering the President's instructions.

Foley: I think I had better talk to Governor Harrison and --

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- H.M.Jr: I always understood when we had New York we had everything.
- White: They have probably got 97 percent of it.
- H.M.Jr: Why didn't you think of it sooner, Harry? My God, you bring it in and what have you been doing all morning? I told you on that committee. Why do you suggest it at a quarter of 12:00? Why bring it up to me? Why don't you use your own brain? All these people who bring it in, "Have I thought of the rest of the country?" Why don't you think of it, or Cochran?
- White: Now that we have thought of it --
- H.M.Jr: Why don't you do something? Why don't you do something about it yourselves, use your own brains? Everybody comes to me and asks what I have done about it. What have I got 75,000 employees for?
- White: All right.

JT

GRAY

BUENOS AIRES

Dated April 10, 1940

Rec'd 6:35 p.m.

Secretary of State,

Washington.

98, April 10, 3 p.m.

According to a communique of the Minister of Finance of April 9 the Central Bank of Argentina and the Bank of England have reached an agreement on future transfers of a financial character to Great Britain and the Empire by which only official pounds, based on the official dollar-pound rate (at present 4.02), may be sold locally for such purpose. Central Bank circulars giving appropriate institutions (instructions?) to the banks were issued this morning. In effect, according to official interpretation obtained by private banks, it means the suppression of "free market" transactions in pounds, although banks are still permitted to buy free pounds here and arbitrage them in New York or elsewhere for free currencies.

ARMOUR

HFD

RE DANISH AND NORWEGIAN BALANCES

April 10, 1940.

2:30 p.m.

Present: Mr. Gaston
Mr. White
Mr. Cochran
Mr. Foley
Mr. Bernstein

Gaston: Well, we discussed the whole thing for about an hour and a half and we decided that everybody agreed that something ought to be done about these Norwegian and Danish balances and nearly everybody was - we discussed the possibilities of voluntary action of the banks and the possibilities of an Executive Order and most of us were in favor of an Executive Order, which has been drafted.

Mr. Cochran thinks the other procedure would be best, but in following the other procedure he doesn't think that we ought to attempt to require them to report transactions here for approval and it seems to me that takes a good deal of force out of that method of procedure.

Ronald Ransom was a little bit in doubt. Off-hand, he leaned toward the voluntary method of procedure, but he himself thought his Board would be willing to go along on the other method.

Goldenweiser was quite firm from the outset that if we are going to do anything effective we had better do it in a formal way, through the Executive Order.

Berle, I think, took that same position, but he thought the decision of the method was mainly a Treasury problem. They were willing to accede to whatever the Treasury wanted to do, but he was quite positive that something must be done, these balances must be frozen.

The Securities and Exchange people, Purcell and one other man, were there and they didn't consider it their special problem. They agreed to talk it over among the members of the Board, but so far as dealing with balances which are held by brokers, they said that didn't concern them so long as it wasn't a securities matter.

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- H.W.Jr: I have got to ask some questions to see if I understand the problem. There is the volunteer method whereby I say that George Harrison is able to volunteer a committee that no transfers of governmental or central banks of private funds be transferred from one person to another where the source of the origin of the ownership is either in Denmark or Norway and one step further, say before the actual transaction takes place, day to day we will see where we are at. I want the actual transactions submitted to Washington for approval or disapproval. Is that stating it correctly?
- Gaston: That is the way you had it this morning.
- H.W.Jr: That is the way I had it this morning. He comes back and says to me that their lawyers say there are certain transactions which they have to legally agree to and that it isn't in this country the same as in Canada or England, where if they refuse to consummate their transaction, they will be indemnified by the Government.
- Gaston: That is right, that is what he said.
- H.W.Jr: And therefore he gets this thing out in which he said he is doing this at our request, but they don't agree to submit these transactions to us, which their lawyers say they have to do.
- Foley: No, he would submit everything to us.
- Gaston: He was willing to submit it, but stating at the Treasury's request and placing the responsibility definitely on the Treasury by announcing that the individual transactions were being referred to the Treasury.
- H.W.Jr: Now that method, I understand. I am not sure that I understand the alternate. What is the other one?
- Gaston: The other method is for the President to sign an Executive Order which establishes control over the balances of the Danish and Norwegian Governments and their nationals in this country,

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so that those balances cannot be used except by the permission, formal permission of the Treasury Department.

- H.M.Jr: And this Order would only affect these two?
- Gaston: Only those two.
- Foley: Specifically.
- White: Because those two countries are specified.
- H.M.Jr: Have we anything in writing from the State Department advising us that these countries have been invaded or anything?
- White: It is not involved. They don't have to have that.
- Foley: It is not necessary. You see, this isn't a Customs matter. This is a matter of --
- H.M.Jr: Talk out loud, Bernie, damn it!
- Bernstein: If you are at all concerned with the position of the State Department, if they initial the documents it seems you have got complete protection on that point.
- Gaston: It is not Treasury, it is a Presidential action.
- H.M.Jr: Doesn't it have to go through the State Department? It has to have their seal put on it.
- Foley: That is right.
- H.M.Jr: It has to go through --
- White: Have the State Department seal.
- H.M.Jr: Oh yes, any Order must have the seal. Any Order that he signs as Secretary of the State.
- Gaston: The Great Seal of the United States which the Secretary of State is accustomed to use.

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- H.M.Jr: That is put on at the State Department?
- Foley: Berle had no hesitation in saying that it was all right with the State Department. He said either way would be all right.
- White: But he went further. He said it was definitely the State Department's view that something ought to be done, but he had a personal idea as to the best way of doing it, but the Department had no view as to which way the Treasury feels is a desirable way of doing it.
- H.M.Jr: What was his personal idea?
- Foley: He thought the formal way through an Executive Order is the more effective way to deal with the situation, but he thought it was up to the Treasury to decide whether it wanted to go the informal route or the formal route, although personally he felt the formal way was better.
- Gaston: We thought that you would probably want to check with George Harrison before you took final action after talking to us, and I presume you want - since Merle was the only one who argued forcibly against it --
- H.M.Jr: I want to hear Merle.
- Gaston: Yes.
- Cochran: I am getting to be sort of a professional minority, I think, Mr. Secretary.
- H.M.Jr: Don't let that worry you.
- Cochran: On this --
- H.M.Jr: If everybody agreed, it wouldn't be any use of having conferences. We wouldn't have any lawyers, either.
- Cochran: If we had a definite mandate from the President to take the most effective way to stop these things, I would say go ahead at once, go ahead and draft an Order, an Executive Order. But if

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we haven't that, if we are still discussing the merits of the situation and what measures we might take, I think we should do neither this nor the other of requiring them to submit informally here for decision. I think if they want to keep us informed as to what is going on so that we can properly examine transactions, I think we can properly request that, but not submit it here for decision. My point is partly one of policy and precedent that I think that we may have the full authority under legislation to put on this limited exchange control, full exchange control as far as these two countries and their currencies and their balances are involved. I think that emergency, though, was intended for an American emergency and not for a Danish or Norwegian, and I don't see how the interests of our own people require this. I shared the idea, somewhat, of Mr. Ransom that this might be interpreted as the President taking the opportunity, availing himself of this emergency legislation to perform an act which might be considered un-neutral. My principal objection was on the ground that it was not an American emergency, that we shouldn't start this one step in exchange control, we didn't do it with Poland, we didn't do it with Czechoslovakia, we had an informal arrangement there with Czechoslovakia. With Poland, the State Department was able to certify as to a change or transfer of Government, as to signatures of the central bankers who carried on the Bank of Poland in France. I think they would still be available to give that service and I think what we ought to do now is to tell George Harrison to let his bankers know that they ought to take all due precautions and that the State Department will see that such information is published as we get officially. We could help them in deciding.

E.W.Jr:

Let me interrupt. I want to go back a minute. If you go back on the volunteer basis, which wasn't quite clear, they agreed to submit these various matters. Now, do they submit them before the transaction is consummated?

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- Cookran: Well, I think that is the point which raised --
- E.M.Jr: That is what isn't clear.
- Gaston: I have got Ronald Hanson out here.
- E.M.Jr: Sure. Will the thing be consummated or do they submit them all?
- Foley: Mr. Secretary, when you say go back to the volunteer basis, I don't know whether you mean the basis we had yesterday or what we would have if the thing that George Harrison proposed on the telephone is put into effect. Now, if you are talking about what George Harrison proposed on the telephone, they would all be submitted in advance through the Federal Reserve Bank in New York to the Treasury, but the Treasury would have to assume the responsibility, the legal responsibility for having those transactions held up and submitted here. The proposed statement that he wants to put out says that this action is being taken at the request of the Treasury Department.
- My point is that there isn't any authority in the absence of an Executive Order from the President for the Treasury to take such action. What was done yesterday is not the same as what is being proposed now.
- E.M.Jr: What is the difference?
- Foley: The difference between what was done yesterday and what is being proposed now is that yesterday they simply said after consultation with the Treasury and the Federal Reserve Board, the banks in New York had agreed to suspend any transactions dealing with Danish and Norwegian accounts. That was purely a voluntary action on their part and no attempt on their part to share or to impose responsibilities on the Treasury. Now they are asking us to accept the responsibility for it, which I say we haven't got the power to do.
- Now, if you want to accomplish what would be accomplished by George Harrison's proposal,

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it can be done simply by having an Executive Order.

H.M.Jr: Now wait a minute. Let me just say this: I don't want to get into exchange control unless I have to. I don't like it, see. You go back to the thing which was ruined by Johnny Hanes when I said in a meeting here, "What I want to do is continue business as usual," and he overplayed it so that it made it the laughing stock, but I said what I meant. He opened our exchanges and everything else and I wanted to make this place the one place in the world where you can have free trade and - but I mean, he overplayed it so that it got to be a kind of a - I mean, no matter what you do, he would throw that at you. You remember.

Foley: I remember.

H.M.Jr: Now, this thing of exchange control is a very serious thing and I don't want to go into the thing lightly, you see.

Foley: That is right.

H.M.Jr: And inasmuch as this Administration hasn't done anything yet about Norway and Denmark, anything that we do will be highlighted all over the world, because it will be the first step that we take. They haven't done anything, so this will be the first step. Now, the only argument that I can see in doing it is a purely political one, is that if the President wants to notify Germany he doesn't like what they are doing, then he takes this step and in this way notifies them that he is displeased with what they are doing. Therefore, he is taking this very drastic measure by issuing an Executive Order. That is a political question, isn't it?

Foley: And also indicating to these countries that they can't go in and commit highway robbery in other countries and get dollar balances in the United States.

H.M.Jr: What I don't see, I don't quite see how we slipped from yesterday's arrangement into this.

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What brought on this difference?

Foley: When you asked George Harrison this morning to have all transactions submitted to you before they were cleared by the banks, including the ones where the lawyers of the banks told them that they would incur legal liability if they held them up. Now, in my mind, sir, there is no difference in effect if you publish what George Harrison wants you to do and what you would accomplish if you would put out an Executive Order.

H.M.Jr: Just hold it, Herbert. Except that if you do what George Harrison says, you don't think I have the legal authority?

Foley: No.

H.M.Jr: You think that thing should be done by the President and not by me?

Foley: That is it.

H.M.Jr: Why should I do something illegal?

Foley: I don't think you should, sir.

H.M.Jr: That takes care of that situation, doesn't it?

Foley: Yes, sir.

H.M.Jr: I mean, that - if I am usurping my authority, then I don't want to do that.

Foley: That is right, and I think that all of the objections that pertain to putting out an amendment to your existing foreign exchange control executive order apply to this statement that George Harrison wants to put on the wires. It will be construed the same way and in addition to that, people will say that you are taking action you have no power to take and you are unwilling to assume a direct method of doing it, which you have under the statute, namely, by Executive Order.

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- H.W.Jr: Do you want to say something?
- Gaston: Yes, the only thing I was going to say as to that was that another exception was that this voluntary method, I don't think, could be made to cover the whole field that the other would cover.
- H.W.Jr: What about covering the United States?
- Foley: Well, this obviously would only cover the New York area and you would have to have similar arrangements in each of the Federal Reserve districts.
- H.W.Jr: What about if the President does an Executive Order?
- Foley: That applies all over, everywhere in the United States.
- H.W.Jr: Well, by this discussion my feeling is that I shouldn't do it the way George Harrison has got it written, because I would be accused of being dictatorial.
- White: I think we all agree on that.
- Cochran: Yes, I agree.
- H.W.Jr: You agree to that?
- Cochran: Yes, sir.
- H.W.Jr: Then let's agree that that is out. Then it gets down to this: What other kinds of transactions which the lawyers, the New York lawyers tell these banks they have to do, what kind are those?
- Cochran: You may have one tomorrow where Norway has obtained an Export-Import Bank credit, you see, and there are certain wheat bills maturing and they will submit those for payment to an American concern. It would come out of the balance of the Bank of Norway. That is a clear-cut case where we would certainly approve it if it was submitted and where the bankers might tell them they would have to go ahead and pay this.

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- Gaston: Ronald Ransom just talked to George Harrison and George Harrison is quite opposed to our issuing a formal Executive Order. He thinks it is not necessary. He thinks that we will accomplish the results we seek in the case of Czechoslovakia and Poland without it and that the banks would do the same thing and he thinks that the banks would do just about what the Treasury requests them to do.
- I asked Ransom particularly whether he thought - whether George Harrison thought the banks would be willing to submit these transactions in advance of their being consummated, and he said he didn't know that, he hadn't asked George Harrison particularly about that, but Harrison did say as to the language of this statement that that wasn't final, that the language of that statement might be changed.
- H.M.Jr: Let me put it this way before I call up George. Supposing I call him up and say it is the unanimous opinion of Washington that we don't want to do it that way. It leaves me down to two alternatives, to stay on the basis we were as of yesterday with the understanding that they did what they did yesterday, before any transactions go through, they tell us about it.
- Cochran: Well, the Fed gave us that informally and I think you could still let these people talk with each other and even consult with the Fed. I mean, they have a committee set up there and let the Fed inform us as to what is going on, not requesting a decision from us. The minute we do that, then we are in the trouble which Ed points out, but if they request a decision from us, I see nothing except a formal Order.
- H.W.Jr: What is the sense of telling us about it if it isn't up to us to decide?
- Bernstein: That is it.
- Foley: You either have control --

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- H.M.Jr:or you don't.
- Foley:or you have nothing. It seems to me you get control by an Executive Order. The other way, you have got nothing at all.
- Gaston: The only point in their reporting to us would be this, that when they report a type of transaction we don't like, then we can decide we have got to have an Executive Order.
- H.M.Jr: Then it is too late. That is just what the President doesn't want.
- Cochran: The big amount is in the Federal Reserve Bank. I can't think they are going to take any action. We could have an agreement with them that they wouldn't.
- H.M.Jr: If he would agree to call me up and say, "Look, Mr. Secretary, this transaction is before us. Now, I want you to know about it before it is consummated."
- Bernstein: What you would do, Mr. Secretary, if you didn't like the transaction --
- H.M.Jr: If I don't like it, I say no.
- Bernstein: Then they say to you, "Will you reimburse us?"
- H.M.Jr: Then I say, "You hold it five minutes and I will release the President's Executive Order."
- Gaston: That is what it gets down to. "Now, George, I want you to play fair with me and if it is some transaction you don't like, I want you to give me time to get out an Executive Order." Then the only way to get what we want is by an Executive Order right then.
- Foley: That is all right, Mr. Secretary, but George Harrison hasn't got control of the situation. It is the Chase and the National City and all the others.
- H.M.Jr: Put it up to them. They will keep their word.

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- Foley: Then what about the other cities?
- White: Mr. Ransom, in response to a question, said they would be very glad to attempt to get cooperation of the other cities. He doesn't know how effective it would be, but he was sure they would be glad to cooperate. Whether the banks in the other areas would get the degree of cooperation among the member banks in their districts and non-member banks is a question he wouldn't be prepared to answer, but the total of deposits in the other areas are probably small, though we don't know.
- Bernstein: May I ask another question? How much time do you think you are going to gain, Mr. Secretary, by putting out your Executive Order the first time a transaction comes up that you don't like? What reason is there to believe that that won't occur right away?
- H.M.Jr: I will tell you why. Because these banks, knowing that an Executive Order is signed, they hate this worse than poison.
- Bernstein: But it isn't the banks, it is what happens from abroad. The orders come from abroad. The banks receive them. An order comes from abroad with a very fine Danish name and it comes the regular way and you just don't have any information as to what is behind that order and you can't get any information as to what is behind that order. The bank calls on its lawyer and the lawyer says it follows the attest that you have arranged with your foreign client. Now, if you don't pay and that is a valid order made by the person voluntarily, the banks are liable and they turn to you.
- Cochran: And we would have no more information than the bank had in New York.
- Foley: No, but we could freeze it.
- Gaston: They could say, "We have established a rule that we don't pay these amounts. We take 24 hours on all these Danish and Norwegian matters."

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- White: They might decide to accept the risk on a good many rather than undergo the risk of exchange control. The trouble of that is that there would be some banks who wouldn't care about an exchange control. Because the Federal Reserve Bank in New York does that doesn't mean that there may not be a lot of other banks who may. On the other hand, it may be the halfway step to have everything ready and if the President wants to do it under these conditions --
- Foley: We had a representative of the Department of Justice there, Judge Townsend, the fellow we worked with before and he cleared it this time.
- H.M.Jr: What did he clear?
- Foley: The Executive Order.
- H.M.Jr: Well, there was doubt about that.
- Cochran: Yes.
- Foley: About the reporting part, Mr. Secretary. There was no doubt in so far as the President's power to impose foreign exchange controls are concerned.
- H.M.Jr: As to the two countries?
- Foley: Well, you remember --
- H.M.Jr: He can pick the countries.
- Foley: Oh yes, he can pick the countries or all the countries. You remember last year we had an Order drafted imposing foreign exchange controls as to all foreign countries and also requiring complete reporting on the part of all financial institutions and persons in this country having to do with property in this country of foreign governments and foreign nationals and we got a clearance from the Attorney General on the Executive Order with a caveat to the President that perhaps the reporting part might be questioned but they thought they could sustain it in the courts.

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H.M.Jr: And now?

Foley: And now he is willing to pass it.

H.M.Jr: Let me talk to George Harrison.

Gaston: The combat zone proclamation is out.

White: I don't think they will get hold of many balances at once, but if we leave it on a voluntary basis it will probably begin to peter out and they will become less and less effective and it might be that they will get hold of as much as ten or twenty dollars in the course of six months, possibly.

H.M.Jr: Which way is Goldenweiser?

Foley: For the Order.

White: Strongly in favor of the Order, Executive Order.
(Telephone conversation with George Harrison follows:)

April 10, 1940
2:09 p.m.

Operator: Go ahead.

H.M.Jr: Hello.

George
Harrison: Hello, Henry.

H.M.Jr: Yes, George.

H: You're not on the loudspeaker, are you?

H.M.Jr: No.

H: Why -- you know the matter I talked to you about when you were at Sea Island over the telephone.

H.M.Jr: Oh, yes.

H: I've been awfully anxious to wait and have a chance to talk with you before I decided anything, but unfortunately, as I indicated on the telephone the other day, the time schedule didn't make that possible; so I had to let them know last week, last Friday.

H.M.Jr: Yes.

H: That I would take it.

H.M.Jr: Yes.

H: And they've had their meeting today.

H.M.Jr: I see.

H: So it'll probably come out tomorrow morning, and I didn't want you to face it in the newspaper for the first time.

H.M.Jr: Well that's very nice of you to let me know.

H: Well, I wasn't -- I'm dreadfully disappointed because I would have liked to have gotten your reactions for many reasons.

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H.M.Jr: Well.....

H: But I had it -- they gave it -- offered it to me just as I was going away on my wedding trip and therefore it stalled along quite a bit after I got back, so I just couldn't ask them to wait any longer. And that I wanted you to know.

H.M.Jr: O. K.

H: I'm not going to do it until July one.

H.M.Jr: Good.

H: And I'm going to make an announcement this afternoon just merely to the effect that I resign from my present office as of July one to become President there on that date.

H.M.Jr: All right, George.

H: And I thought this was the best chance to let you know anyway.

H.M.Jr: Thank you for calling me, very much.

H: All right. We're going to hear from you at three o'clock?

H.M.Jr: Well, I'm meeting with the boys at two thirty. I don't know what they're going to report.

H: I see.

H.M.Jr: Yeah.

H: All right.

H.M.Jr: Thank you.

H: Thank you.

April 10, 1940
3:00 p.m.

H.M.Jr: Hello.

Operator: Mr. Harrison. Go ahead.

H.M.Jr: George.....

George
Harrison: Yes, Henry.

H.M.Jr: I have my crowd here and we all feel that that suggested release that you read over the phone to me and to Foley is out.

H: Yeah.

H.M.Jr: Now, it gets down to two alternatives. One, that we stay as we were yesterday.

H: Yeah.

H.M.Jr: And the other an executive order.

H: Yeah.

H.M.Jr: Now, if we stayed as we were yesterday, how much control could I promise to the President?

H: Well, you couldn't promise any control on the basis of that statement as to payments or withdrawals.

H.M.Jr: Uh-huh.

H: That's just for exchange dealings. But I -- the only comfort that you could give to the President is that these fellows and their lawyers are going to be scared to death to make any payments or authorize any withdrawals, except those that they are perfectly certain are legal and necessary. In other words, they're more scared about this than you are.

H.M.Jr: Yes, but if they think it's -- any transaction, a withdrawal of money in an account, Danish account here before that date is legal, they're going to say go ahead and do it.

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- H: Yes, but if they got an order from abroad.....
- H.M.Jr: Yeah.
- H:for a transfer to a foreign bank, they are very likely not to honor it.
- H.M.Jr: Yeah, but how about to a grain company or to a stock exchange house?
- H: Here in this country?
- H.M.Jr: Here? Yes, let's say here.
- H: Well, I don't know how they would regard that, but probably if the order came from abroad they would dishonor it.
- H.M.Jr: Well, supposing a concern here said they had shipped a hundred thousand bushels of wheat to Denmark and they want to be paid for it?
- H: Well, if they did that under a confirmed letter of credit, then they would feel obligated to pay the American exporter the proceeds of his shipment. And I should think that is one thing we would want them to do.
- H.M.Jr: Well, supposing -- supposing you got an order from the Central Bank of Denmark to transfer some of its funds.
- H: I think he would -- I think the chances are that they would dishonor it. I know that we would unless we had a better authentication than we've got now.
- H.M.Jr: Uh-huh.
- H: But on the other hand -- you see, a great many of these contracts that they've got, for instance, they've accepted -- made acceptances, the New York banks have, for Norwegian account covering shipments of goods. Acceptances fall due, and under their contract with the Norwegian bank they are authorized to take the money out of the Norwegian bank account and reimburse themselves. Now that they would do and I think they ought to, or they would honor any

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checks or drafts that were clearly and unmistakably drawn before April 5th, which I think they should do too. Or, if they had a shipment of securities come in for payment on receipt, they would probably pay those, or they would make -- for instance, take a Danish bank might order the Chase bank to transfer two hundred thousand dollars to the -- for their own account to the City bank. Now all that does is to transfer the ownership -- I mean, the deposit account from one American bank to another American bank without changing the equitable owner abroad at all. The situation would remain unchanged.

All those things I think they feel that they should do and ought to do in fairness to Americans, but if they get an order that comes from abroad to make -- to transfer to some other foreign bank or foreign customer or foreign payee, I think they would say, "Well, we don't know about this thing. We don't know who is running this bank now." The lawyers would probably say, "You'd be a damn fool if you made the payment, or the transfer." And for our own protection they wouldn't do it. In other words, it would work out just the way it worked out in the case of Poland, and in the early days, in the case of Czechoslovakia, where I think it worked pretty well on the whole.

- H.V.Jr: Well, of course, if we have the executive order on the other hand.....
- H: Then if you do that then you'll have to, yourself, begin to make the exceptions that we've just been discussing.
- H.V.Jr: But we could still use the machinery -- your machinery down there to sift these things for us as our agents.
- H: Oh, surely.
- H.V.Jr: Then you'd continue to do that?
- H: Yeah. Oh, surely, we'd have to.
- H.V.Jr: Yeah.

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H: I hope you won't have to resort to that executive order, but that's just a personal feeling I've got.

H.W.Jr: Well now.....

H: I have one other thought that has been running in my mind if I may give it.

H.W.Jr: Please.

H: Is to have this group consider on their own, if you will, after consultation with the Treasury if you want or not, just to say that for the time being they are not going to make any payments or permit any payments or withdrawals against any Norwegian or Danish account except for the following purposes, and then list the ones that I have just been discussing, the obvious ones.

H.W.Jr: Well now let me ask you this. Supposing somebody wants to do this in Chicago or San Francisco. Where would that leave us?

H: Well, of course, we haven't any jurisdiction there. I should think that the -- the Reserve Board could get the Reserve Banks out there to do what we are trying to do here.

H.W.Jr: Yeah.

H: Of course, Henry, the statement that we drafted this morning was just an effort to try to accomplish what I thought you and the President wanted. I mean -- and the only reason they didn't go the whole way, put it to your approval, was -- the one that I discussed with you and Mr. Foley this morning about legal damages if they didn't make certain unquestioned legal payments.

H.W.Jr: Well.....

H: But they -- they want to do anything that you want to do that they can legally do.

H.W.Jr: Well, I haven't talked to the President. I'm going to try to get ahold of him now and put the case to him and see what he -- how he feels.

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- H: Yeah.
- H.M.Jr: And in the meantime, no money is changing hands, is it?
- H: Well.....
- H.M.Jr: I mean, there are no transactions going on?
- H: Well, I presume that there are certain of those legal payments of the kind that I just discussed which they will have to pay or else run the risk of damages.
- H.M.Jr: Well, do you know whether any have taken place?
- H: No, I do not know. I think there was one case yesterday where one bank made a transfer under a letter of instructions that was mailed in January.
- H.M.Jr: Yes. Well.....
- H: That's the only one that I've heard of.
- H.M.Jr: Could you have Knoke make a survey and let Cochran know as soon as possible?
- H: Well, these fellows are coming in now and I'll talk to them about it.
- H.M.Jr: Well, ask them, if they will, to hold everything until I get a chance to talk to the President.
- H: And what I did this morning when we broke up was to say that we will work under the statement of yesterday.
- H.M.Jr: Well, ask them before they do anything today -- I mean, I'd appreciate it.
- H: Yes. Well, I imagine there won't be much more done today, if any has been done.
- H.M.Jr: Well, put it to them, I'd appreciate it if they'd do nothing without giving you a chance to talk to me first. See?

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H: Yes. All right. Now.....

H.M.Jr: I mean, I -- just put it that way, that they don't do anything today without giving you a chance to talk to me first, until I can get to the President.

H: Yeah. Well, I -- I'll put it to them that way, but then again, if it's a question of a legal payment that's this afternoon, we'll say, to an American exporter of wheat by a confirmed letter of credit, they would probably feel that they would have to make the payment unless.....

H.M.Jr: Well, that still -- they are not going to go to jail if you call me up and say, "Listen....."

H: Oh, now.

H.M.Jr: ".....there's such and such a kind of a transaction in the offing."

H: Yes.

H.M.Jr: That isn't going to send anybody to jail.

H: No, that's all right, so long as you wouldn't expect them to hold it over until tomorrow unless something else is done.

H.M.Jr: All that I'm asking is that if they have anything that they are contemplating that you ask them to hold off consummating it today until you can call me up personally and tell me about it.

H: Yes.

H.M.Jr: Now, that's a perfectly reasonable request.

H: Yes, and I'll explain that I'll have to give them some sort of an answer today.

H.M.Jr: That's correct.

H: Yes, that's all I mean.

H.M.Jr: That's correct.

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H: Now, on the suggestion that I had, and I'm just trying to work out something, if they, on their own, make the announcement that they're not going to permit any withdrawals or payments except of this approved list of categories which they think are imperative.

H.M.Jr: Yes.

H: And then ask them to file with the Federal Reserve Bank, if you will, all such transactions as they do make under that list.

H.M.Jr: Yeah.

H: Then for a few days we get all the information on which you could if you want determine whether you think it's necessary to issue a proclamation.

H.M.Jr: Well, let me think it over, George, and -- I mean, when I say think it over I'm going to try to get to see the President.

H: All right.

H.M.Jr: Thank.....

H: Well now, there's no need in my keeping this crowd here.

H.M.Jr: No. No, just tell them of our conversation and where it stands.

H: Yes. All right.

H.M.Jr: And that as of today I've asked the courtesy that they tell you of any transaction and that you'll call me and that you'll have an answer yes or no before the business day is closed.

H: All right.

H.M.Jr: See?

H: Fine.

H.M.Jr: Thank you.

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Foley: On a voluntary basis.

E.M.Jr: Is this Order drawn up?

Foley: Yes, sir.

E.M.Jr: Is it ready to sign?

Bernstein: A call just came through that Townsend has just spoken to Jackson and Jackson will sign the letter saying it is legal. In addition, he is going to include a memorandum which will say what he did in connection with the other Order.

E.M.Jr: Where is the Order?

Bernstein: We have it downstairs.

Foley: He has got a copy of it over there.

E.M.Jr: (Speaking on the telephone to the President)
Hello, sir.

.... Why?

.... No, to encourage you.

.... I think it is out. What do I want?

.... Well, I am coming to papa.

.... What we want is this: We have been working today on this question of the best way of freezing these accounts in Denmark and Norway and we have had Justice and State, SEC and the Federal Reserve in here. Now, on this volunteer basis which they are operating on, the lawyers for the banks in New York say that there are certain legal transactions which have to take place and they say that they cannot be indemnified the way they are in England and Canada if they don't go through.

The alternative is an executive order which would put exchange control on these two countries and that would enforce it throughout the whole country. Most of the people, in fact, I would say 90 percent of them that met here this morning feel

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that we should have an Executive Order.

.... No, we did not.

.... Well, it is only that we have to have it here because you put the great emphasis with me that I shouldn't let any money get out. Now, if a man has had a transaction, he has sold some grain to Denmark under a letter of credit and he presents the letter of credit for payment, they say legally they have to go through with it, but if, on the other hand, they got an order, say, from the Central Bank of Denmark to transfer some of the earmarked funds, they wouldn't do it.

.... We just got word that Jackson has passed on it legally. He has had Townsend, who is the opinion man, pass on it.

.... Townsend passed on it and we just got word that Jackson has approved it.

.... Well, Berle sat in on it this morning and he is very much for this. Now, one of the reasons which Berle gives, which has nothing to do with the financial thing, he feels it is a notice to Germany that they can't walk into either Belgium or Holland and get the money and he is interested in it from a political standpoint.

.... Well, Cordell - I have talked to him on this twice. He has called me twice.

.... Well, I don't know whether he said all right to it finally. He has been tremendously insistent that no money escape. I will call Cordell and tell him what we proposed. Do you want me to bring it over or --

.... Well, I think - I would like to say hello.

.... Thank you. Goodbye.

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H.K.Jr:

(After telephone conversation) He wants to do it. He said he hadn't done it in the case of Poland, and why in this case? You heard what I said, so he said we had better do it. But he wanted to make sure about Cordell.

(Telephone conversation with Cordell Hall follows:)

April 10, 1940
3:16 p.m.

Churchill
H.M.L.

Hello, Henry.

H.V.Lyc

Hello. Cordell.....

H:

Yes, sir.

H.V.Lyc

I don't know whether Berle has had a chance to tell you what happened at the meeting at the Treasury this morning on foreign exchange.

H:

No. No, I haven't seen him.

H.V.Lyc

Well, they had this meeting and I've just talked to the President and if we're going to carry out the President's wishes and really freeze this money, the general opinion of this meeting this morning at which Berle was one of those -- greatest advocates, that we should get out an executive order invoking exchange control which gives us complete control rather than on a volunteer basis.

H:

Yeah.

H.V.Lyc

Now, the President said how did you feel about it, so I said that I didn't know whether you knew what had taken place at the meeting but that you were as insistent that he was that we don't let any money trickle through our fingers.

H:

Yes. Feis has dug up the amount of indebtedness due to our people, our citizens, largely from Denmark and -- and Norway, and it amounts to 160 million dollars.

H.V.Lyc

Yes.

H:

It has been one of the best debts we've had anywhere -- good, regular meeting of the service and considered a very high form of indebtedness so far as anything we own abroad is concerned. And I -- I agree with Feis' idea that we ought not to let this money get out of this country until those debts are met.

H.V.Lyc

Well, the only way that I can control it and guarantee.....

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H: That'll take some congressional action.

H.W.Jr: No, an executive order.

H: I doubt it.

H.W.Jr: Well now, would you do this for me?

H: Yeah.

H.W.Jr: Could you send for Berle right away?

H: Yeah.

H.W.Jr: And get him to tell you what happened here at the Treasury this morning.

H: Yes, I was bringing this other up because I think this is a big factor that I hadn't fully gone into this morning because if there are two or three hundred million dollars here in this country -- we let the Germans get away, you see, with a lot of stuff that way by not holding onto theirs.

H.W.Jr: I think they are two separate matters.

H: Yes, they are, but I was bringing this up so you would be thinking about it.

H.W.Jr: Well, the President said the order is ready. The Attorney General has approved it.

H: Yeah.

H.W.Jr: But I want to be sure, and he wanted to be sure, that you are entirely satisfied. Now, if Berle could tell you what happened.....

H: Yes.

H.W.Jr: And then if you'd call me back, I'll do nothing until I hear from you. Or if you want me to come over to see you I'll be glad to do that.

H: Yes. Well, that's all right about that. I'll get ahold of him as soon as I can.

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H.M.Jr: And you'll call me back?

H: Yeah.

H.M.Jr: Thank you so much.

H: All right.

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- H.M.Jr: You know, it is the funniest thing over at that place. I mean, he said - I didn't ask him to send Berle over here. He sent Berle over here and Peis doesn't know what Berle does and Berle doesn't know what Peis does. It is always the same.
- White: When he asked whether you needed new legislation, didn't he refer to possibly the question of balances here in payment of any defaults on their part rather than freeze balances?
- Foley: That is right, you would need Congressional authority for that, but in order to hold the funds here, Mr. Secretary, until you could take that step before Congress, you would need this Executive Order. They overlap to that extent. He was talking about the offset when he said we couldn't do it by Executive Order.
- H.M.Jr: They had nothing to do with each other.
- Foley: Except you would want to hold those funds here until then.
- H.M.Jr: But the exchange order would come to us.
- Foley: That would freeze the money and then you would go to Congress to get your offsets.
- White: The reason for your order must not be the other at all, because in the statutes that would not constitute a reason for giving your order.
- H.M.Jr: Was Berle clear on this matter?
- Foley: Yes.
- Gaston: Berle said the choice of the means, he thought, was ours, that he didn't want to express an opinion on it, although he had expressed an opinion before that in favor of the formal order, but he approved of whatever means were necessary to freeze these balances.
- White: I spoke to Berle and I just told him I wanted to make sure that he understood that I thought

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Fels had been in the past, and Hull likewise, strongly opposed to the imposition of any exchange control.

E.H.Jr:

As I have.

White:

Yes, and he said he was aware of that and he spoken to Hull that very morning and it was Hull's feeling that we ought to freeze the balances but the method ought to be left to the Treasury's decision.

E.H.Jr:

The President said to talk to Sumner Welles, but Hull is interested and there is - we will sit here and wait for him.

Easton:

After this Order is issued, somebody will have a press conference and there will be a request for an explanation of the reasons and I think somebody ought to get up a little memorandum so that we won't give the wrong reasons for this.

E.H.Jr:

Ed, do that, will you please?

Incidentally, I have asked Bell to come back and be here in the morning. There is too much of that. I can't possibly do it all.

White:

Speaking again of exchange controls, this control only applies to two countries. Hull might get the notion we are putting it on all of them.

E.H.Jr:

Why?

White:

Because he said this means the imposition of exchange control. You mentioned that over the phone.

E.H.Jr:

For the two countries.

White:

I didn't know you mentioned that.

Foley:

May I make a suggestion? I think if we talk of it more in the nature of freezing Danish and Norwegian accounts in this country and getting complete information as to what transactions there are affecting them, it gives it a little

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bit more of the proper picture than the use of the term "exchange control", which I don't think is quite applicable.

- E.M.Jr: Five of you go in there and write a statement and show it to me so possibly I can show it to the President before I give it out. Be sure and have it ready so when I say yes, it is ready, it will be ready. Don't you think it would be a good thing to send a copy over to Mr. Hull? He might have it before him.
- Foley: All right. You mean a copy of the Order?
- E.M.Jr: Yes. Couldn't you get one to Berle's hands quickly?
- Foley: I think so. I don't think it is necessary, because I think he understands it thoroughly.
- E.M.Jr: Call him up and tell Berle what has happened, that Mr. Hull is going to send for him, does he want a copy of the Order.
- Cochran: But shouldn't Mr. Hull see it before we pass on it?
- E.M.Jr: That is what I am suggesting.
- Cochran: Yes, I don't mean just let Berle tell him, let Mr. Hull see it.
- Foley: I had the Order at the meeting this morning and he didn't ask for it. I will call him and send a copy to him right away.
- E.M.Jr: Why not - do I sign something?
- Foley: No, the President signs it.
- E.M.Jr: But how about initialing it? How about getting Mr. Hull to initial it?
- Cochran: He should, because he would have to sign by the President later on this anyway.

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- White: He will get it initialed. It won't do any harm.
- Bernstein: From the point of view of committing the State Department, you are on sounder ground getting his initials than the purely formal thing of applying the seal which he has got to do as a ministerial matter when the President sends it to him.
- Foley: I will send it to Berle and tell him we may get called over to the White House and it would be nice if he could talk to Mr. Hull about it and get his approval on it and that you have already spoken to Mr. Hull.
- H.M.Jr: I will talk to him unless he is already in Hull's office.
- White: If he doesn't want to initial it, it is well to know it now.
- H.M.Jr: I think he ought to initial it.
- Cochran: He ought to see it and have time to go over it.

TREASURY DEPARTMENT

93

INTER OFFICE COMMUNICATION

DATE April 10, 1940.

TO Secretary Morgenthau
FROM Mr. Haas *HA.*

Mr. D. W. Bell requested me to give you some data regarding American tourist expenditures. Attached memorandum has been prepared accordingly.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE April 10, 1940

TO Secretary Morgenthau
 FROM Mr. Haas *HA*
 Subject: American Tourist Expenditures

The foreign travel expenditures of United States residents during the calendar years 1937, 1938, and 1939 are shown in the following table: (The 1937 and 1938 figures are from published reports of the Department of Commerce, while the 1939 figures are very preliminary estimates obtained on a confidential basis from that Department.)

Foreign country or region	1937	1938	1939
(In millions of dollars)			
Canada	273	259	256
Mexico	45	44	53
West Indies	51	54	50
Other Americas	11	12	15
European and Mediterranean	167	135	100
Asia, Africa and Oceania	<u>16</u>	<u>12</u>	<u>15</u>
Total	563	516	489

About 52 percent of the total foreign travel expenditures of United States residents during 1939 were made in Canada. While such expenditures may be somewhat reduced by Canada's status as a belligerent, such reduction may be more than offset by the diversion of tourist travel from Europe plus the encouragement offered by the discount on Canadian exchange (now about 16 percent).

Secretary Morgenthau - 2

Canada, it should be noted, has every reason to encourage American tourist travel in order to help build up the dollar exchange resources of the Empire.

About another 24 percent (\$115 millions) of United States travel expenditures in 1939 were made in American countries other than Canada. These countries probably stand to gain more than Canada by the diversion of tourist travel from Europe (they are more "exotic"), and United States travel expenditures in them are more likely to rise than to fall.

Total expenditures of United States travelers to European and Mediterranean countries amounted to only about \$100 millions in 1939. This amount will, of course, be drastically curtailed in 1940, and a portion at least of the curtailment — i. e., that neither saved nor absorbed by increased travel to other foreign countries — will be spent for goods and services at home.

TREASURY DEPARTMENT

96

INTER-OFFICE COMMUNICATION

DATE April 10, 1940.

TO Secretary Morgenthau
FROM Mr. White
Subject: What does the invasion of Norway and Denmark mean to the United States?

The German invasion of Norway and Denmark will have the following effects on the United States:

On Trade

1. The bulk of our trade with Scandinavian countries will probably be lost. Our exports, consisting chiefly of machinery, autos, petroleum, cotton, and iron and steel, have amounted to roughly \$125 millions a year; and imports consisting principally of pulp and other wood products to approximately \$75 millions.
2. Our trade with the Allies will increase. The German invasion of Scandinavia will increase the Allies' dependence on American sources of supply because:
 - a. They will have to replace imports of iron, steel, food, timber, and pulp which they have been buying from Scandinavia, although some of the trade may continue through neutral third countries. These purchases were running at the rate of roughly \$350 millions a year. The United States will not get all of the displaced trade since the United Kingdom can obtain some of the commodities from the sterling area, Canada, and countries with which she has clearing agreements. The United Kingdom may also take more energetic action to reduce domestic consumption.
 - b. The Allies will have to meet the additional military needs arising from the spread and intensification of the war. The Allied purchasing commission will probably speed up purchases of airplanes, powder, and military machinery and supplies.
3. Our exports of war materials to European neutrals will increase as the neutrals expand their military establishments with the increased dangers facing them. Furthermore, the European neutrals will tend to move into one belligerent camp or the other, involving a cessation of trade with the opposing camp. They will then be forced to shift purchases, some of which will go to the United States (if available).

4. United States exports will partly replace Scandinavian exports to third countries.

5. The net increase in United States exports, taking account of the loss of the Scandinavian market, will be at least several hundred million dollars during the balance of this calendar year.

On Shipping

The shipping situation is at the moment confused. Much depends on the number of Norwegian ships which are outside of Norwegian waters. Norway has 4 1/2 million tons of shipping, of which probably two-thirds are out of Norwegian waters at any given time. The Allies will doubtless have control over that part of the fleet which is not in Scandinavian waters. On the other hand, they will now have to import some of the bulky materials formerly imported from Scandinavia from much more distant points, which will, of course, tie up more shipping. Furthermore, Germany may be in a better position to carry out raids against British commerce and to elude the British blockade. The net result will probably be to increase Allied purchases of American ships by perhaps as much as \$50 millions within the next year, and to drive up freight rates all over the world.

On Capital and Gold Movements

1. The United States has \$40 millions of direct investments and \$170 millions of securities in Norway and Denmark. It is too early to predict the fate of these investments, but most of the current revenue from them will probably be frozen for the duration of the war.

2. The movement of capital to the United States will no doubt be increased. However, very little private capital still has freedom of movement.

Although central banks in European countries may accelerate the shift of foreign exchange and gold assets to the United States, the European neutrals may have already placed most of their reserves in the United States. Scandinavia and the remaining European neutral countries have more than \$2 billions of gold and balances here now.

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Division of Monetary
ResearchBalances and Earmarked Gold Held for Foreign Account
In the United States on March 20, 1940

(In millions)

	Gold under earmark	Official balances	Private balances	Total
Sweden	\$ -	\$112	\$ 67	\$ 179
Norway	20	25	43	88
Denmark	22	5	24	51
Belgium	171	1	176	347
Netherlands	371	14	183	568
Switzerland	156	117	307	580
Other European neutrals	<u>40</u>	<u>58</u>	<u>153</u>	<u>251</u>
Total	\$780	\$332	\$953	\$2,064

3. The flow of gold to the United States will continue at rates even higher than in the past 6 months. We purchased \$750 millions of foreign gold in the first quarter of 1940. With an increase of exports to the Allies and to European neutrals, the bulk of which will be paid for with gold, the rate of gold inflow will increase.

On the Business Situation Here

After the passing of the first shock, the effect of the German invasion of Scandinavia on domestic business should be bullish.

1. Our exports to the belligerents and to accessible neutrals will expand further. We estimate the expansion above the level which would have been reached otherwise at several hundred million dollars at least. These exports will consist primarily of war goods and of materials for the fabrication of war goods, but there will also be some additional exports of foods and other commodities.


2. The tendency which existed in some quarters to let inventories decline through fear of worsening business will be checked by expectations of (a) increased exports (b) the intensification of hostilities with greater destruction, and (c) the acceleration of our own armament program. Instead of a reduction in inventories, there may be a strengthening of prices and an expansion of inventories. This would reverse the business trend and bring about at least a moderate increase in industrial production.

3. The cessation of our imports of competitive Scandinavian pulp, wood products, and special steel products will result in accelerated expansion of domestic production and possibly an increase in productive capacity of special steels and pulp.

April 10, 1940.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston



You called me at 9:50 P.M. Tuesday, April 9, to tell me that you had just talked to the President and that he wished us to get ready orders applying to Danish exports to the United States the same rule that we applied to exports from Czechoslovakia after the German occupation. You wished to have the orders prepared in Customs so that we could put them into effect immediately. I asked whether the same thing would apply to Norway and you said that we should get ready a separate order applying the same treatment to goods from Norway. You wished to have the orders prepared during the night so that they would be available at the staff meeting at nine Wednesday morning. I said that I knew W. R. Johnson was working in the Treasury on the combat zone order and that I would call him. You suggested that I let Harris do it, but I said that I knew how to get hold of Johnson immediately and was in doubt about where to reach Harris.

I called the Treasury and found that Johnson was in Mr. Cairns' office, as I expected, and relayed your message to him, asking him to inform Mr. Harris. Johnson told me that it would be necessary to have a notice from the State Department on which to base the order and I suggested that he leave the date blank or make it effective as of midnight Wednesday so that our order would follow the State Department notice. I asked his opinion of this action and he said that he thought it was entirely right as to Denmark but that he didn't think the time had arrived for such an order as to Norway. He agreed to have the blank orders available for nine o'clock Wednesday morning.

April 10, 1940.

MEMORANDUM

TO: Secretary Hargenthan
FROM: Mr. Gaston

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General Ruling No. 1 under Executive Order No. 8389,
April 10, 1940, and Regulations issued pursuant thereto,
relating to transactions in foreign exchange, etc.

The Secretary of State has advised me as follows:

"Denmark and Iceland are two separate political entities. Acting under the authority of a provision of the Icelandic Constitution the Icelandic Parliament has within the past few days passed a resolution stating that since the King of Iceland is not now in a position to carry out his Constitutional duties with respect to Iceland, the Icelandic Government has assumed for the time being the exercise of the Royal prerogatives and the entire control of Icelandic foreign relations.

"In view of the foregoing it would not appear that Iceland falls within the definition of the term 'Denmark' in Section 11 of the above-mentioned Executive Order."

In view of the foregoing, the Treasury Department construes the term "Denmark" as used in the above-mentioned Executive Order and Regulations as not applying to Iceland.

H. MORGENTHAU, Jr.

Secretary of the Treasury

Dated April 15, 1940

April 10, 1940
9:39 a.m.

Operator: Operator.

H.M.Jr: Captain Collins, please.

O: Right.
(Pause)

O: Captain Collins.

H.M.Jr: Thank you. Harry.

Harry Collins: Yes, sir. Good morning, sir.

H.M.Jr: Good morning. Assistant Secretary Johnson is here with me.

C: Yes, sir.

H.M.Jr: And I wanted to tell him which are the manufacturers which are waiting to hear from the War Department?

C: Bell, Curtis and Lockheed.

H.M.Jr: Bell, Curtis and Lockheed.

C: Yes, sir.

H.M.Jr: They're waiting to hear from the War Department.

C: Yes, sir.

H.M.Jr: So that they can go ahead.

C: Yes, sir. Now, they've had their preliminary conversations and they've had their preliminary negotiations with the Army and they're waiting now to sit down and talk with the French and the British on prices and numbers and deliveries.

H.M.Jr: But it's Bell, Curtis and.....

C: And Lockheed.

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H.M.Jr: They're waiting to hear?

C: Yes, sir.

H.M.Jr: Those three?

C: Yes, sir.

H.M.Jr: Now just stand by.

C: Yes, sir.

(Pause)

H.M.Jr: Mr. -- Mr. Johnson said that you can tell these three manufacturers that if they'll see Colonel Burns sometime after eleven o'clock.....

C: Yes, sir.

H.M.Jr:he'll give them the green light.

C: Aye, aye, sir. Thank you very much, sir.

H.M.Jr: Now, while I have Mr. Johnson here, is there anything else that I ought to bring up with him at this time?

C: No, sir. I think that will clear the atmosphere because that will permit these people to go ahead.

H.M.Jr: Well, those are his instructions.

C: Yes, sir.

H.M.Jr: And you'll get that word to the three manufacturers.

C: I'll try to do that immediately, sir.

H.M.Jr: Thank you.

C: You're welcome, sir. Goodbye.

April 10, 1940.
10:31 a.m.

H.W.Jr: Hello.

Operator: He's coming on.

H.W.Jr: Hello. Hello.

O: He'll be right on. He's calling you through the White House.

H.W.Jr: Hello. Hello. Hello.

O: Shall I ring you back?

H.W.Jr: Hello.

Cordell

Bull:

Henry?

H.W.Jr: Yes, Cordell.

H: Our information here is that both Denmark and Norway are in indefinite military occupation by troops of the German Government.

H.W.Jr: Yes.

H: That would - that, on its face would imply that the military Government, no matter what they profess to have it therefor, that it does carry with it a sort of a super-Government.

H.W.Jr: Yes.

H: Any time and in any way the Germans may see fit to exercise direction over the civil Government.

H.W.Jr: Yes.

H: In other words, there is on its face sufficient grounds for, we think, for our eight Governmental agencies here to take any precautions at least for the present, to safeguard any of the interests of our Government or its nationals in the finances, financial resources.

H.W.Jr: Yes.

H: So our attitude would be one of favor towards that -- any such action as the Treasury might see fit to take in those circumstances, and anybody that we've got here that could be helpful in sitting in on working out a flexible arrangement that would enable the

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Treasury to avoid any tying up where they might be subjected to serious controversy by -- by the payment over there.

- H.M.Jr: Yes. Well now, let me see if I -- you're talking now, I take it, about both Danish and Norwegian balances.
- H: Yes. Both are in indefinite military occupation by German troops.
- H.M.Jr: Well, since yesterday morning we've frozen those accounts on a voluntary basis.
- H: Yes.
- H.M.Jr: And no payments will be made by any bank on any Danish or Norwegian account without first submitting it to the Treasury.
- H: Yes.
- H.M.Jr: And so far we haven't had any trouble.
- H: Yes.
- H.M.Jr: If there -- we have advised the Attorney General what we are doing to make sure that we are within the law.
- H: Yeah.
- H.M.Jr: Now, I'd be more than pleased if, when the first question of some bank asks us as to some payment and if there's any doubt, I'd be more than pleased to let anybody you designate come over and sit in when I pass on it.
- H: Yes. Well, any way you think we can be helpful we'll be glad to do so.
- H.M.Jr: Now, who would you like to sit in on that?
- H: Well, who would you prefer?
- H.M.Jr: Well, do you use Berle?
- H: Just as you say.

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H.M.Jr: Or anybody that.....

H: Well now we can -- our fellows are in and out so much here we never know, but if you'll let us know and give us your facts.....

H.M.Jr: Well, supposing when the first case comes up that there's any doubt about.....

H: Yes.

H.M.Jr:supposing I call up your office and ask you to send someone over?

H: Yes, all right.

H.M.Jr: Now, may I just - while I have you on the phone.

H: Yes.

H.M.Jr: But I mean we have advised the Attorney General to make sure that we stay within the law.

H: Exactly.

H.M.Jr: Now, as to -- you still don't want to advise me as to a defacto Government in either one of these in regard to customs?

H: No, we haven't reached that stage of information yet.

H.M.Jr: I see.

H: We just can't tell until a little later.

H.M.Jr: Oh.

H: Although of course a military government on its face is a super-government, although they profess not to be there to interfere with the political independence in any way, with the -- of the government in existence.

H.M.Jr: Well, we'll sit tight on that until we hear from you.

H: Yes. All right then, Henry.

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H.M.Jr: And what I've said about the finances is all right with you?

H: About the finances?

H.M.Jr: I mean, that we've tied everything up.

H: Yes. Yes, anything there until you can see what our rights are and safeguard them.

H.M.Jr: I understand.

H: Yes.

H.M.Jr: Thank you.

April 10, 1940

10:15 am

(This part dictated with Captain Collins and Mrs. Klots present before the Allied Purchasing Mission came in.)

Mr. Johnson was here from 9:30 on and this looks in with the memorandum I dictated last night.

Johnson told me that my talking with the President yesterday at noon and telling the President that things had not been settled, plus the advice I gave him to talk to the President last night, has finally straightened the thing out after three weeks. Johnson said it never would have been straightened out if it had not been for me.

He said at the meeting this morning, with the authority which the President gave him, he is ready to clear up this whole mess.

What I am going to do is let them tell me their story here and I will read what Johnson has told me they can have. He told me Brett is an excellent officer if he sticks to the manufacturing. He should not be doing negotiating.

Johnson said three times to me, "Will you be my friend? I need you," and I said, "Louie, I am here only for the President." And I said, "The way to be my friend is to serve the President." He said, "I can be very appreciative," and I said, "Well, nobody can do anything for me. The only way to be my friend is do what the President said." Three times he asked me.

* * * *

Present:

Mr. Purvis
Mr. Fleven
Sir Henry Self
Capt. Collins
Mrs. Klots

Mr. Purvis: You are looking rested.

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HM, Jr: Well, I lost whatever I gained.

Mr. Purvis: You still give the physical appearance, at least, of having had a rest.

HM, Jr: Well, gentlemen, got everything you want?

Mr. Purvis: Except Norway. Is the news on the whole good, this morning, or bad? You can't tell?

HM, Jr: I don't know. All I know is that yesterday morning I froze every account belonging to any Dane or Norwegian in this country. They can't get a sou unless I personally give it to them. They say I have not the legal right, but I still have done it.

Mr. Purvis: That is some of the spirit we were talking about a few minutes ago in the other room.

HM, Jr: I have done it and now they are going to try to get the Attorney General to uphold me.

Mr. Purvis: Yes. That's the next move.

May I just give the picture in a broad way?

HM, Jr: I want to know where you gentlemen are at, just the way I talked yesterday.

Mr. Purvis: We, as you know, were in position to move on April 1st. We have since been awaiting the release situation. We have asked Captain Collins to confirm whether our understanding of the letter of April 2nd is correct, i. e., the releases are through, and that we can accept that as the situation. We have not yet got a reply from you on that, Captain Collins.

HM, Jr: Let's put the horse and the cart in a different relationship. What I would like you to tell me today is, "Mr. Morgenthau, this is what we are

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ready to buy. We want to buy so and so today, or we have bought.

Mr. Purvis: (handing the Secretary the attached memorandum.) The engine thing occupies the first three pages and there is the program of the Allied plane requirements by planes.

HM, Jr: Tentatively you want 480 Curtiss P-40s. Is that right?

Mr. Purvis: That's correct.

HM, Jr: Is the improved Curtiss, is that known as the Curtiss P-46?

Captain Collins: Yes, P-46.

HM, Jr: Which, they tell me, from now on is to be called 40-D, for accounting purposes.

Captain Collins: Army designation.

HM, Jr: They don't want it known as P-46. They want it known as 40-D.

And you want the Bell P-39? That's not on my list.

Mr. Fleven: That is what you call the Airacuda.

Captain Collins: Airacobra.

HM, Jr: Hasn't that been released. That's one of the three I spoke to you about this morning on the phone. That's been released, has it?

Captain Collins: For negotiation. That's in the same category as the P-38, which is the Lockheed.

HM, Jr: I haven't got Bell on my list, but that's been released?

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Captain Collins: They have all been released for negotiations.

Mr. Purvis: We are in the position that we cannot really, Mr. Secretary, have negotiations with any of these manufacturers until they have cleared with the Department in regard to the Department's regulations. We don't know what those regulations are, ourselves.

Mr. Flaven: The situation is a little worse than that, Mr. Secretary. We saw Mr. Bell, who was very anxious that we take his planes and we think very highly of his planes, and this was about ten days ago, and then, since he has been in Washington, he has telegraphed us two or three times and said he is still unable to continue the discussions.

EM, Jr.: Let's come to that in a second.

The Lockheed Interceptor. That is the P-38?

Mr. Flaven: Yes, that's right.

EM, Jr.: You don't say here whether you want the supercharger with it or not.

Mr. Purvis: We have, in our letter, asked for supercharger on all those.

EM, Jr.: On bombers. Glenn Martin 37. Let's let the bombers go.

This is the situation. I was able -- Mr. Louis Johnson was here at 9:30 this morning and after two talks yesterday he had a meeting at 8 o'clock this morning. I was able to call up Mr. Collins and told him to inform Curtiss, Bell and Lockheed at 11 o'clock this morning to see Colonel Burns at the War Department and they will be instructed to go ahead and negotiate with you. That's Curtiss, Bell and Lockheed. Now, this is what has been clear. You can have all the Curtiss P-40s that you want.

Mr. Purvis: Yes.

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HM, Jr: Sometime today -- oh, yes, you can also have the Curtiss P-40-D. That has been cleared. That was cleared at 8 o'clock this morning. Also the P-39, Bell.

Mr. Purvis: Good!

HM, Jr: That's cleared. And the Lockheed P-38 with the supercharger.

Mr. Purvis: That's right.

Captain Collins: That's type B, Sir.

HM, Jr: Will be cleared sometime today. It has not been, but sometime today, -- the Lockheed P-38 with the supercharger. The type B -- they are clearing the supercharger type B for installation on the Allison engine 1710 for the P-38 plane. In other words, when you get the P-38 plane you will get engine 1710 with Type B supercharger.

Mr. Purvis: I see.

Captain Collins: Super-generator.

HM, Jr: I am quoting him. That will only go with that plane and with that engine. The reason is they can then say, if Mexico wants one, no. Incidentally, this Lockheed P-38 with the supercharger of course is good for 424 miles an hour.

Mr. Purvis: Yes.

HM, Jr: 420 without the supercharger. And is this right? They tell me that the best the Germans have is the Messerschmitt 110?

Sir Henry Self: I understand the best twin engine they have got is the 110. That's correct.

HM, Jr: And that is supposed to do 389?

Sir Henry Self: I did not think it was as high as that. I thought it was 370.

(At this point, HM, Jr spoke to Secretary Hall on the phone and all the gentlemen left the room.)

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RM, Jr.: I am sorry.

Mr. Purvis: Quite all right, sir.

RM, Jr.: But these are not -- normally, I don't, but when Mr. Hall wants to talk to me, I want to talk to him.

Well, now, we go back to where we were.

He said the Lockheed P-38 with the supercharger sometime today.....

Mr. Purvis: Yes.

RM, Jr.: will be available. And they want to put it this way: that Type B supercharger for the Allison engine 1710 will be available on this Lockheed P-38. Does that make sense?

Mr. Flaven: Yes, sir.

RM, Jr.: And up to now you have not been able to get that?

Mr. Flaven: We have not.

RM, Jr.: I will just give you what he gave me and I don't know whether you want it -- Consolidated. It isn't on your list.

Mr. Flaven: Four engine bomber.

RM, Jr.: You can get Consolidated. This is being negotiated with the manufacturer. You can get Consolidated B-34 and the Boeing B-17. Those two are available.

Now, the only other thing. Mr. Johnson said this: that it would be very agreeable to him if -- and it isn't on this list -- if you would take a look at the Walte. He says the Walte without the supercharger is good for 410 to 420.

Mr. Flaven: Mr. Secretary, we have been looking very carefully at the Walte. Again the trouble is

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that Vultee takes the Pratt-Whitney engine. There were no Pratt-Whitney engines available because those we shall get from them ultimately have to be earmarked for bombers, so we would have to put Allison engines on those Vultees. It would be not desirable and they are not designed for Allison and have not made any United States Army tests.

HM, Jr: He said Sweden just bought them.

Mr. Fleven: Sweden might have, but we are operating on the policy not to buy planes that have not passed the Army tests. But Vultee will get quite a large share of our business.

Sir Henry Self: We looked at the Vultee several times, when we made previous purchases and looked at it again, and our judgment is, apart from the engine, we would prefer other types we have in mind which also has the advantage of taking the Allison engine, but the suggestion was on 800 Lockheed P-38s, 200 or 300 should be placed as a direct order with Vultee who would get their information from Lockheed.

HM, Jr: You are going to ask Lockheed to give Vultee some of those? Mr. Johnson's interest was simply to build up Vultee as another plant.

Sir Henry Self: We will give them an order which will utilize their maximum capacity.

Captain Collins: Will they be licensed to build a Lockheed plane?

Sir Henry Self: They will take a license from Lockheed for the limited purposes of this order.

HM, Jr: Mr. Johnson told me -- I don't know whether this checks with you -- up to this morning and up to what I did yesterday, that for three weeks he had been stalled and it had only been cleared today.

Mr. Purvis: It also checks with the fact we have been stalled.

HM, Jr: The only other thing, he said when

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you sign a contract -- and I told Collins to tell these three manufacturers to see Colonel Burns this morning and he would be told what I am telling you now, at 11 o'clock this morning. Now I have tried to tell you people to go ahead with your contracts with these people. By the time you get out of the office, if everything clicks, they will have been told by the War Department they have a clearance. If they don't, you let me know after lunch.

Mr. Purvis: Quite!

HM, Jr.: All the War Department is going to ask for is that when a contract is signed that they have a chance to see it and Johnson has given me his word he will not take more than 24 hours to give it his approval. He will not hold it up more than 24 hours in the War Department. And that five-page memorandum has been torn up.

Captain Collins: Should not have been written.

HM, Jr.: But he said once you people sign up with Curtiss, Bell or Lockheed, the manufacturer should submit the contract to the War Department. Do we do it through you, Collins? Maybe you can work that out, and they will not hold it more than 24 hours.

Mr. Purvis: Are any conditions going to be made by the Army to those companies in their negotiation with us in regard to expansion, because the financial question seems to have entered into the picture that we did not know about.

HM, Jr.: Mr. Purvis, the best way to answer, after I leave the manufacturers -- if I may suggest -- I would send for the Curtiss people, Bell and Lockheed. Who are in town?

Captain Collins: Curtiss isn't.

HM, Jr.: Who is here?

Captain Collins: The Vice President of Bell is in town. Curtiss is in New York waiting to get the

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"go ahead" from the War Department.

HM, Jr: Who is here? You say the Lockheed Vice President?

Captain Collins: No. He's West, but of Lockheed is in Washington.

HM, Jr: Well, you can send for the manufacturers. We want to talk to you about so many Curtiss. We understand that you have been authorized to talk to us and we want to talk. What are the conditions? We want so many planes. Are you ready to sell them to us -- and if there are some conditions you don't think reasonable, come back and tell me.

Mr. Purvis: All right.

Captain Collins: Two of the people who will negotiate are in New York.

Mr. Purvis: But this is the procedure you would like us to follow and if we find what we think is a snag, we come back.

HM, Jr: And the President and I want this thing cleaned up now.

Mr. Plevin: You see, Mr. Secretary, we have been told by at least two officers of certain conditions which, if maintained, will make negotiation very difficult.

HM, Jr: Don't let's cross any bridges until we come to them.

Mr. Purvis: You think the situation may have changed from what it was a few days ago.

HM, Jr: I don't know. I see stuff in the paper all the time, but the way to find out is these manufacturers were told to come over to the War Department today. They will be told to go ahead. Now, whatever the conditions are, they will be told and I would rather have you get it direct from the manu-

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facturers. Find out what they are. If you don't think they are fair, come back and see us again. There may be something to worry about and maybe there isn't.

Mr. Purvis: Yes. The first thing is you want us to find out if there is anything.

HM, Jr: Yes. Let's find out.

Mr. Purvis: All right. I will let you know very promptly.

HM, Jr: Can I read this from the beginning?

Mr. Purvis: Yes, please do.

HM, Jr: (reading) "An order has been placed in the hands of Wright Aeronautical Corporation under which the two Allied Governments have agreed to defray the cost of increasing productive capacity by an additional 280 engines per month. The amount of capital expenditure is estimated at \$2,550,000, and to this will be added the cost of training the necessary personnel (5000 workers at cost of \$300 each, requiring \$1,500,000 plus extraordinary overtime: \$300,000.

"The first payment of \$2,000,000 has been made today."

This is not dated.

Mr. Purvis: It is today. It was seven days after signing. April 1943.

HM, Jr: (resumed reading) "A final contract is to be drafted within 30 days when the question of income tax at 18% on all capital expenditures will have to be settled, we hope, with the help of the U. S. Treasury."

Mr. Purvis: We would like, up to a certain point, having the manufacturers in with us on that.

HM, Jr: I understand two of the manufacturers are in with Sullivan today.

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That does not say 260 engines per month.

Mr. Fleven: We did not give you a figure now, because it would not be a correct figure. It depends upon the planes we buy and we think later we shall know.

Mr. Purvis: Aim was to get quick action wherever there was a plant.

HM, Jr: Harry, make a note. I want to know -- I am carrying these figures of 2900 engines. With this, by adding capacity of 260 engines here per month, what's the base? How many do they produce now per month?

Sir Henry Self: The orders we have in mind, just for rough purposes, 2000 under your options and another 2000 for this column of orders and that will be 4000 between now and September 1941.

Mr. Purvis: You mean what proportion of increase arises from this 260.

HM, Jr: How many thousand horsepower are they making a month now.

Sir Henry Self: Firms have been very discreet in not disclosing to us their base per month.

Mr. Purvis: We could hardly expect to get it.

HM, Jr: What you have in mind is placing an order of 4000 engines from Wright?

Mr. Fleven: On this broad expansion, 2000. On the first expansion we began in November, those are 2000, so we have placed an order of 4000.

Mr. Purvis: Part of which is exercise of option.

HM, Jr: What you are thinking of placing with the Wright is giving them an order for 4000 more engines?

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Mr. Fleven: Yes, all together.

Mr. Purvis: And we have given them a commitment which enables them to go ahead with their plant expansion. We have exercised the option and then there is another option, but the important thing is it increases the output by 260, which will enable us to take care of option requirements and later requirements.

HM, Jr: As of today on, are you thinking of ordering 2000 or 4000 more engines?

Mr. Fleven: We are, on the basis of expansion indicated here, ordering 2000. On the basis of the expansion we financed last year we have, to April 9th, told them we are willing to take another 2000 engines on which we had an option.

HM, Jr: But on their books they will have orders, new, April first, of virtually 4000 new.

Mr. Purvis: That's correct.

Mr. Fleven: That's right.

HM, Jr: So I can put on the bottom here, "April 1st, proposed orders will be for 4000 engines."

Mr. Fleven: Yes.

Mr. Purvis: Orders executed since the program came through. Since I phoned you on April first.

HM, Jr: I put down here, "April 1st, proposed order 4000 engines."

Sir Henry Self: Formal order has not gone out yet.

HM, Jr: "Proposed order from April 1st on, 4000."

Mr. Fleven: In two batches.

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Mr. Purvis: In two batches.

HM, Jr: (Resumed reading.) "General Motors. Allison Engines. An order has been placed in the hands of the General Motors under which the two Allied Governments have agreed to provide funds necessary to increase the productive capacity of Allison Engines to 500 per month, of which 300 will be on option to the Allies. The capital cost of the additional facilities is estimated to be \$5,548,000 to which will have to be added the cost of training new labour, which is estimated to be around \$600,000."

Does that mean increase "by" or increase "to"?

Mr. Plevin: To. We believe they were able to make

Mr. Purvis: Increase of 300 per month, we think.

HM, Jr: In this case, from April 1st, how many engines are you going to buy from Allison?

Mr. Plevin: 3500.

HM, Jr: 3500 engines? That will be everything?

Mr. Plevin: Everything up to September 1941.

HM, Jr: This is April 1 to September 1941?

Mr. Plevin: First applies to October.

HM, Jr: Delivery from October 1, 1940?

Sir Henry Self: I suggest, if you could, make it a bit earlier because if there are any releases of the P-40 we should get a corresponding release on engines. We may get them some months earlier on your release of engines.

Captain Collins: There is one complication

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on that point. Any engines that have been bought and paid for by the Navy or Army for any P-40s are not available. There is no way in the world we can get them back to you.

HM, Jr: You are getting too complicated. Your delivery is, irrespective of engines which would accompany this, would be October 1.

Mr. Plevin: Yes. We start October 1.

HM, Jr: October 1

Mr. Plevin: ... to September 1941.

HM, Jr: Is that the same on Wright?

Mr. Plevin: From Wright we practically don't get any engines in 1940.

HM, Jr: When do deliveries start?

Mr. Plevin: January 1941.

Mr. Purvis: Up to September 1941.

HM, Jr: September 1941.

Mr. Plevin: In fact, we have to go to October. The last engines we can get only in October.

HM, Jr: I said September. Should it be October?

Mr. Plevin: For Wrights. October.

HM, Jr: Now we have this thing here. I understand now.

(Resumed reading) "Pratt & Whitney. Active negotiations are now going on with Pratt & Whitney, to put in their hands an order for the expansion of their plant capacity on a line similar to those followed in the case of Wright and General Motors."

But you did give them an order on April 1st.

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Mr. Purvis: We have not actually formalized the order.

Mr. Plevin: All that is complicated by your yes or no.

HM, Jr.: Let's make it a little simple for me. This is all proposed. How much are you thinking of giving Pratt Whitney?

Sir Henry Self: Roughly, 2000, under the same options you had with Wright and another 2000 on top, so about 4000.

Mr. Plevin: If you think in terms of 1000 units. We actually work into 1200. Actual number of engines of 1200 units of engines would be about 4000 engines. 4,000 is about as near right.

HM, Jr.: When would delivery start on that?

Mr. Plevin: The same. January 1, 1941 to October 1.

HM, Jr.: Deliveries start January 1, 1941?

Mr. Plevin: Yes. For reasons that we are switching a certain number of engines.

Mr. Purvis: There is no hold up in the negotiations.

HM, Jr.: (Resumed reading) "Curtiss Wright Steel Blade Propellers. A very substantial expansion of the Pittsburgh plant of Curtiss Wright for the manufacture of Steel Blade Propellers will have to be paid for by the Allied Governments in connection with their engine programmes. The Present estimate of the capital expenditure required amounts to roughly between \$5,000,000 and \$6,900,000."

Well, the terms "steel blade propellers"

Sir Henry Self: That's just over 3,000 steel bladed propellers.

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Mr. Plevin: Terribly expensive.

HM, Jr: 3,000? You are talking of a propeller having three blades or four?

Sir Henry Self: Three. This is only for that.

Mr. Plevin: 9000 planes.

Sir Henry Self: But that's only for steel bladed propellers. There will be large purchase from Hamilton and also from Curtiss, but the steel blades, which is a speciality in America, the capacity is very limited and has to be increased. This is slightly misleading to talk only about 3000 in view of full requirements.

HM, Jr: (Resumed reading.) *Programme as tentatively Established.

Fighters	Curtiss P. 40	480	
	Improved Curtiss	960	
	Bell P. 39	200	
	Lockheed Interceptor	800	2440
Bombers	Glenn Martin 187	750	
	Douglas Attack Bomber	550	
	Douglas A. 20	200	
	Lockheed 37	400	
	Four-engined bomber	60	
	Dive-bomber	200	2160

The above programme specifies the types which appear to be the most desirable from the Allied point of view, but the quantities mentioned will not be necessarily manufactured by the original designers of those types. For instance, part of the Curtiss will be manufactured under a licence by North American. Lockheed Interceptor will be partly manufactured under a licence by Vultee. The Douglas Bomber will be manufactured partly by either Boeing or Consolidated. The firms from which would be requested the four-engine bomber or the dive-bomber will only be determined when

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"We shall have had a chance to see the new types about which information is to be released by the services."

(Concluded reading.)

Glenn Martin 167. Isn't that the one you are getting now?

Mr. Plevin: No, Mr. Secretary. Glenn Martin 167 is the ship which is designed on our own requirements, but it is a diversion of the ship called 167 which has been released originally to us.

Sir Henry Self: We propose to follow the firm's naming, 167-F-4. They have already got to F-3 on the 167 type and if we call it 167-F-4 it shows a slight modification of the 167-F-3 to meet particular requirements of the Allied Governments.

HM, Jr: Now, have you got a release on that?

Mr. Plevin: Well, you see

HM, Jr: Has the War Department told you?

Mr. Plevin: Glenn Martin are unable to discuss it on account of the hold up.

HM, Jr: I think I ought to mention it to Mr. Johnson. We will come back to that in a minute.

Douglas attack bomber.

Mr. Plevin: That is a particular case where we are upset. These two class bombers, is merely a ship which has been changed and we are compelled to say that Mr. Douglas feels very strongly about it and he said if he could not agree with Dayton he would come to see you.

HM, Jr: What is the technical number of Douglas?

Sir Henry Self: DB-7-B.

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Captain Collins: The DB-7, that's what they have been buying.

Mr. Plevan: This is the original bomber which has been improved according to our suggestions.

HM, Jr: The Douglas A-20 is a four-engine?

Sir Henry Self: No, that is on order at the moment for the British Government and to avoid any complications we simply propose to exercise existing option which we have under existing contracts with the Douglas Company and limit the order to the option.

HM, Jr: So there will be no question of release on that?

Sir Henry Self: No question on that.

HM, Jr: The Lockheed 37.

Sir Henry Self: That is a new type and we have had no relations with Lockheed, who at first adopted the Hudson, which was the British Hudson and has now been converted to a new type at our suggestion simply embodying our idea. It is called the Lockheed 3210 in production and we have asked them to modify that still further to be known as the Lockheed P-37. So in practice it may develop into a new type.

HM, Jr: Do you need any release on that?

Sir Henry Self: That's what I was giving you.

HM, Jr: Does 37 identify it?

Sir Henry Self: Yes.

Mr. Purvis: We don't otherwise quite know with that we need a release, but we assume it does not need a release.

HM, Jr: Well, we will ask.

Mr. Purvis: We may be wrong in our assumption.

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HM, Jr: On the four engine bomber. I told you about that. What about the dive bomber?

Mr. Plevin: We would like to make our decision after we have been in consultation with the Army and Navy.

HM, Jr: You don't know what you want?

Mr. Plevin: We have some ideas, of Curtiss or Boeing perhaps.

HM, Jr: You don't know.

Captain Collins: You do have information on the Navy bomber.

Mr. Plevin: Yes, but we want to make a choice between what is existing.

HM, Jr: What other ones would you want to know about?

Mr. Plevin: There are two Curtisses. We would like to choose the best ones.

Captain Collins: Which are the other two?

Mr. Plevin: Curtiss is one of them.

Mr. Purvis: We could get that information very quickly.

Mr. Plevin: We don't know exactly. Perhaps Grauman.

Mr. Purvis: You really don't know what your choices are.

HM, Jr: Supposing I say this to you, to Mr. Johnson, that you gentlemen are here; that on the fighters, from what he told me today, everything is all right provided he has told the manufacturers. That's all in the clear.

Mr. Purvis: Including the Lockheed Interceptor?

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HM, Jr: Yes. You are interested in the Glenn Martin 167-F-4.

Sir Henry Self: Which has been largely developed at French instigation.

Mr. Plevin: What surprised us was that the question of release should have been raised at all on the Glenn Martin.

HM, Jr: Let me tell him what you want. The Douglas attack bomber, DB-7-B. I will tell him the Douglas A-20, which you are now buying.

Sir Henry Self: Simply exercising an extorter option.

HM, Jr: And the Lockheed 37.

Sir Henry Self: I think the Lockheed 37 should be mentioned because we don't want any hold up in the negotiation.

(At this point, HM, Jr placed a call for Mr. Johnson.)

HM, Jr: What I want to do is call up Louis Johnson and say, "Now, look, Louie, I told you I would let you know what they want. This is what they want, which I think is all cleared. If it isn't I want to know."

After all, he told me to let him know and we want to do business today and we have to go on the assumption that he's going to cooperate. If he doesn't, we will have to go see papa!

Mr. Purvis: I shall also be leaving here an aluminum memorandum which you asked for, which Sir Henry has gone over. I think it will be worth perusal.

HM, Jr: Thank you. I will read it.

Four engine bomber is what, Collins? The Boeing and Consolidated?

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Captain Collins: That's right, The Boeing and Consolidated.

HM, Jr: But that's all been cleared? They can have the B-17 Boeing and B-24 Consolidated. That's cleared.

Captain Collins: He said that this morning.

HM, Jr: You got that?

Sir Henry Self: Yes, I got that down. Already been released.

Mr. Purvis: There is a point here in the letter to Captain Collins of April 5.

"As explained in our memorandum of the 14th of March, the information necessary to enable our Board to reach decisions must cover the results of the engine's manufacturers' tests on engines and also the results of service and manufacturers' trials of airplanes, with details of performance and handling qualities. We understand that we are now in a position to request this information both from the services and from the manufacturers."

We have asked for confirmation of that. Can we know that?

Captain Collins: I think so in connection with the whole question of release, which has been cleared up now.

Mr. Purvis: If it could be mentioned to Johnson

HM, Jr: I don't think so.

Captain Collins: Don't mention it, because I am handling that.

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HM, Jr: Are you people satisfied that Allison can make good?

Mr. Purvis: I think so.

Mr. Plevin: We realize it is a big risk, but we believe too that they understand it and that all cooperation will be behind it.

HM, Jr: I am going out in ten days.

Mr. Plevin: We mentioned this particularly to Mr. Sloan and I believe that from top to end they all realize we are taking a very big risk and that they want to make it good.

Mr. Purvis: I think they are out to demonstrate what can be done. Sloan has been very helpful. He has come into it himself. I have seen him several times. The other night he came up to dinner.

(At this point, HM, Jr spoke to Louis Johnson and a record of their conversation follows this page.

April 10, 1940.
11:20 a.m.

H.M.Jr: Hello.

Operator: Mr. Johnson.

H.M.Jr: Hello.

Louis
Johnson: Hello Mr. Secretary.

H.M.Jr: Louis, I have here in the office now, the gentlemen,
English and French purchasing mission. Hello.

J: Yes.

H.M.Jr: And this is their needs as to their fighters. Hello?

J: Yes.

H.M.Jr: Have you got a pencil?

J: Yes.

H.M.Jr: They want to buy the Curtis P-40, and the so-called
improved Curtis which you called

J: 40-D.

H.M.Jr: Right. And the Bell P-39.

J: O.K.

H.M.Jr: And the Lockheed interceptor. That's the Lockheed

J: P-38.

H.M.Jr: 38. Now from our conversation this morning, those are
all in the clear, as I understand, I think you said
that the Lockheed interceptor, was that the one you
were going to clear today, I think.

J: Yes, it's practically clear now, so they can go ahead,
and the manufacturers are in here now talking to
Burns, so they'll get it all clear in the next few
minutes.

H.M.Jr: Now, you think they'll clear that in a few minutes.

J: Yes.

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H.M.Jr: Now, as to the bombers, this is what they'd like to get in the bombers. On the Glen Martin, they use a number, 167-F-4, which is an improved bomber over what they're getting now.

J: F-4

H.M.Jr: Yes.

J: That's.....

H.M.Jr: Hello.

J: I didn't get that number.

H.M.Jr: F-4. F-o-u-r.

J: Oh, yes.

H.M.Jr: 167-F-4.

J: Yes.

H.M.Jr: That's on the Glen Martin. In the Douglas attack bomber, No. 7-B.

J: Yes.

H.M.Jr: And they're also interested in a Douglas A-20, which is, I understand, they're now getting, that would be the question of exercising the options on it.

J: Well, we cleared that Douglas A-20 for them some time ago.

H.M.Jr: Well, I'm giving you the whole story, as I said I would, and so if there's any question you can.....

J: How many do they want of each?

H.M.Jr: On the Glen Martin?

J: No, each one of them.

H.M.Jr: You -- well, I'll give you the figures.

J: All right.

H.M.Jr: Glen Martin.

J: Yes.

H.W.Jr: 750.

J: All right.

H.W.Jr: Douglas attack bomber 7-B, 550.

J: Right.

H.W.Jr: Douglas A-20, 200.

J: Right.

H.W.Jr: Lockheed 37.

J: No, 38.

H.W.Jr: They said, no this is the 37, what they called the improved Hudson.

J: All right.

H.W.Jr: 400. Hello.

J: All right. Go ahead.

H.W.Jr: Well on the four engine bombers, they want the ones that you said they could have, the Boeing and the Consolidated. ✓

J: Yes.

H.W.Jr: Together 60, I don't know how they divide it, but 60 between those two.

J: Yes.

H.W.Jr: And then they're in the market for 200 dive bombers and they want the best, and they'd like to be advised what the Army thinks is the best, they don't know.

J: Well -

H.W.Jr: They'd like the advise of the Army on that.

J: Yes, I think they're going to have to do a little talking about that with us down here, because what

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constitutes a dive bomber is a very uncertain equation, and if they tell us what they want, the characteristics they want, we'll be glad to tell them what is the best we've got.

- H.V.Jr: Well, I'll tell them to talk with this coordinating committee, and advise whoever, just let that go through that way then.
- J: All right. How many Curtis P-40's do they want?
- H.V.Jr: 450.
- J: And the Bell P-39?
- H.V.Jr: 200.
- J: The Lockheed?
- H.V.Jr: 500 and the approved Curtis 960.
- J: That's quite an order.
- H.V.Jr: Needless to say it's all secret.
- J: Oh yes, we'll so treat it. All right, we'll get the ways greased here, we'll keep them going.
- H.V.Jr: Now what, can I hear from you again on these bombers?
- J: On the dive bombers?
- H.V.Jr: No, these Glen - no -
- J: On the 6⁴ engines.
- H.V.Jr: Well on the Glenmartins, yes, yes on the Martin bombers, Douglas bombers - what I've listed under bombers, you see?
- J: All right. Well now, I'm going to get busy on that. I imagine you'll hear from us in the early afternoon.
- H.V.Jr: In the early afternoon.
- J: Yes.
- H.V.Jr: That would be wonderful.

J: All right.

H.M.Jr: And on the dive bomber, -

J: You know the different people use dive bomber is - they don't know what they're talking about.

H.M.Jr: Well, should they talk to General Arnold?

J: Yes, they ought to talk to General Arnold about that, I think, that's the best place, he's here.

H.M.Jr: Well, will he be available?

J: Yes, we'll make him available any time they're ready.

H.M.Jr: Could you just hold the wire a minute?

J: Right.

H.M.Jr: Could he be at Captain Collins' office say at noon?

J: Well -

H.M.Jr: Or would you rather have him after noon. Do you need him?

J: Why don't they come down here so as not to hold Arnold - I'm clearing this other stuff up - to Arnold's office, and I'll have Burns sit in there with him, on the dive bomber. So that Burns brings a practical application. I'd send them over to Collins' office but I want to hold both of them here to clear these bombers you want.

H.M.Jr: Well why not let the dive bomber wait until we get a clearance on the other.

J: O.K. then that's better. Then we'll send them wherever you want.

H.M.Jr: If you need Arnold and Burns let's do nothing on the 200 until we -

J: Until we clear the others, and then they'll meet at wherever they want to meet.

H.M.Jr: How's that?

J: That's fine.

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H.M.Jr: And then you'll call me.

J: I will. Goodbye.

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Mr. J.: They suggested you come over to see General Arnold at his office because they said they needed him on this. I said no, let the 100 bombers wait and if you can get a clearance on all the others ...

Mr. Flavin: Of course it would be better to have Colonel Jacquin here.

Mr. J.: You people have not gone over to the War Department yet.

Mr. Purvis: We have only met them in Captain Collins' office.

Mr. J.: But he said sometime this afternoon.

Mr. Purvis: There is one point I would like to mention, that we are receiving communications through the manufacturers that experience as to the combat conditions under which these planes would be used would be desired. We feel rather definitely that as between Governments we can of course give information, but to give information on such things to manufacturers would be quite wrong in principle.

Mr. J.: I was surprised when I saw that thing worked that way. It seems to me the thing to do -- I agree with you entirely, our Attaches, Army and Navy, that they should see these planes under battle conditions and it seems to me the way the thing should be done.

Mr. Flavin: In fact, it is the only way it can be, the only way you can get the information you want.

Mr. J.: They explained to me the only information they got was through the representative of the Curtiss Company who was over there and they were not satisfied with that, but if our Air Attaches can go to the front, and they should be permitted to go to the front and see these planes under fighting conditions

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Mr. Purvis: No manufacturer would have available to him the kind of information a Government should want.

Mr. Plevin: In fact, we have extended an invitation to a United States representative to visit the front.

HM, Jr: Yes. I asked that that be routed through the State Department. After I read all that Mr. Bullitt was supposed to have said to the Polish Ambassador, it gave me the shivers. It wouldn't make very good reading what takes place in this office here between us gentlemen!

Mr. Purvis: No, that's right!

HM, Jr: No. I think that sort of thing can be straightened out very easily. I have not talked to anybody about this, but I have this suggestion and I have not checked it with anybody else, but it occurred to me, for instance, that as a sort of reward -- supposing either the French or English have a particularly successful flight, that the Flight Commander, as part of his reward, be given a trip to the United States to stay here a week. It's good for his morale and he comes over for a week and he can see the lights at night and would give us a chance, and I think it makes both the Army and Navy very happy if a Flight Commander of some successful flight came over and had a chance to answer questions. I think it would be good for both countries. I would find it most interesting. As I say, this Flight Commander who made the flight against Sylt, I see they made him an Air Marshal.

Sir Henry Self: I don't think the man actually in command.

Mr. Purvis: I saw it in the papers.

HM, Jr: Supposing a gentleman like that -- "In addition to that, we are going to put you on a steamer and you go over to the United States for a week or ten days; rebuild your nerves; go down to Washington and

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see the authorities," -- I think it would be very useful all around.

Sir Henry Self: A man who is the Air Marshal is the air officer in command at headquarters.

HM, Jr: I mean squadron leader. That's what I mean. That's what I had in mind. If an officer came here for a week, it would be good for him and good for us. The Army and Navy would like it.

Mr. Plevin: I agree.

Mr. Purvis: Whether we have enough flight pilots under present circumstances to leave while the Germans still have to be dealt with

HM, Jr: Well, it's useful to keep us posted.

Mr. Plevin: We could have one come on the pretext of inspecting planes.

HM, Jr: Yes, if he only stayed here a week. A man who has been on duty there continuously for three or four months, certainly it would be good for his nerves to get away for a few weeks.

Mr. Purvis: Let us see what we can do.

There is the aluminum memorandum.

HM, Jr: Doesn't that cover us pretty well as of today?

Mr. Purvis: One little thing in another field.

HM, Jr: And as soon as I hear from Mr. Johnson I will communicate with you, but you people will have work to do here, because you have a clearance now on all of your types and on those 80 Bushers.

Mr. Purvis: Are these people here or in New York?

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Captain Collins: In New York.

Mr. Purvis: We would like Captain Collins to come up sometime to New York, either this week or next.

Captain Collins: I did not suggest this.

HM, Jr.: He does not need any reward at this time.

But you will be available for us this afternoon? I will leave it to you how you can get in touch with Collins. But if you have to sit around and wait this afternoon, maybe you would want them to come down. I really think that it would be distinctly worthwhile to stay around a day or two until we get this cleared up, because I want to get it cleared up and I would like to have you gentlemen available.

Mr. Purvis: Quite! All right.

Here is a peculiar situation which one can see perfectly well why we are blocked, yet it seems a pity when both sides want to do the same thing. The bottleneck in increasing explosive production in this country is ammonia oxidation units for making nitric acid. One exists in the Army, Flushing Arsenal, which they would be very happy and willing to see re-erected at our expense in the Atlas plant.

It would satisfy them and would satisfy us and would mean improved delivery on T.A.T. which would be very important. The difficulty is legally they cannot find any way to sell it to us. I wondered if they could sell it to one Government Department, Procurement. Both parties seem willing to have this done.

HM, Jr.: I am tired. Let us concentrate on this plane business, will you?

Mr. Purvis: I will.

HM, Jr.: I don't want to get my mind on this.

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Mr. Purvis: In that case, may I later, when we get through with this, raise a couple of more things?

HM, Jr: Yes. I think it is much better to let me concentrate on this.

Mr. Purvis: So glad you are back!

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ANGLO-FRENCH PURCHASING BOARD

142

New York:
15 Broad Street

Washington:
725 - 15th St., N.W.,

This letter from New York

April 5, 1940.

Dear Captain Collins:

I have pleasure in acknowledging your letter of April 2 by which you advise me that the War Department has no objection to our Board initiating conversations immediately with the manufacturers of a number of types of airplanes, for the purpose of obtaining enough information to enable the Board to reach decisions as to the suitability of these planes for the proposed Allied purposes.

In order to avoid any misunderstanding I would like to set out our interpretation of your letter.

(1) We understand that the types of planes referred to in the second paragraph of your letter are released with the new engines or with the engines and mechanical superchargers mentioned in our memorandum of the 14th of March, the only exception being the one specifically mentioned in your letter, i.e. the turbo superchargers.

(2) As explained in our memorandum of the 14th of March, the information necessary to enable our Board to reach decisions must cover the results of the engine's manufacturers' tests on engines and also the results of service and manufacturers' trials of airplanes, with details of performance and handling qualities. We understand that we are now in a position to request this information both from the services and from the manufacturers.

(3) We note that a decision as to the release of the Boeing B.17 and Consolidated B.24 will be communicated to us later. From the general public information which we have, we can already say that we are not interested in the Boeing B.17, but would very much like to be authorized to study Consolidated B.24. The time factor is particularly important in this case, as we shall certainly have to discuss with the manufacturers a number of changes in design necessary to meet our conditions in Europe and we will be very grateful to you for any action you might take to hasten a decision.

We note that the general conditions governing conversations between our Board and the manufacturers have been communicated to the manufacturers by the War Department. In order that there may be no danger of misunderstanding as to the nature of these general conditions, signs of the possibility of which have cropped up in our talks with

manufacturers, can these conditions be made known to us direct? We feel this step would help in avoiding delays in negotiations with manufacturers.

Yours sincerely,

/s/

Arthur B. Purvis.

Captain E. E. Collins,
Chairman, Liaison Committee,
Procurement Division,
Treasury Department,
Washington, D. C.

ANGLO-FRENCH PURCHASING BOARD

NEW YORK:
15 BROAD STREET

WASHINGTON:
725 15th ST., N. W.

This letter from New York

April 9, 1940

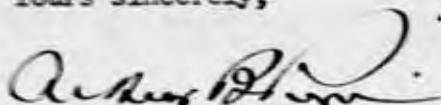
Dear Mr. Secretary:

Steel

Since writing you yesterday we have received a correction in the figure for Scrap orders and deliveries. A revised statement, dated April 10th, is therefore attached.

We have again cabled for the figures for French orders and deliveries.

Yours sincerely,



The Secretary of the Treasury
Washington, D. C.

ALLIED IRON & STEEL PURCHASES IN THE UNITED STATES

	Sept. 1, 1939 to Feb. 28, 1940	March 1940	Total Sept. 1, 1939 to March 31, 1940
<u>UNITED KINGDOM</u>	<u>TONS</u>	<u>TONS</u>	<u>TONS</u>
<u>Pig Iron</u>			
Orders	165,500	-0-	165,500
Deliveries	72,788	N.A.	N.A.
<u>Cast Iron</u>			
Orders	650,784	-0-	* 650,784
Deliveries	241,888	N.A.	N.A.
<u>Half-Finished Steel</u>			
Orders	566,506	-0-	566,506
Deliveries	76,243	N.A.	N.A.
<u>Finished Steel</u>			
Orders	60,000	-0-	60,000
Deliveries	-0-	N.A.	N.A.
<u>Total- All Iron & Steel</u>			
Orders	1,442,790	-0-	1,442,790
Deliveries	390,819	N.A.	N.A.
<u>Canada</u>			
<u>Deliveries are for actual arrivals in U.K. N.A.- Not Yet Available</u>			
<u>WADA</u>			
<u>Steel Plate</u>			
Orders	30,780	-0-	30,780
Deliveries	-0-	-0-	-0-
<u>Other Steel</u>			
Orders	3,420	-0-	3,420
Deliveries	-0-	-0-	-0-
<u>Total- All Iron & Steel</u>			
Orders	34,200	-0-	34,200
Deliveries	-0-	-0-	-0-
-A.D. 10, 1940			

ANGLO-FRENCH PURCHASING BOARD

NEW YORK:
15 BROAD STREET

WASHINGTON:
725 15th ST., N. W.

The letter from Washington, D.C.

April 10, 1940.

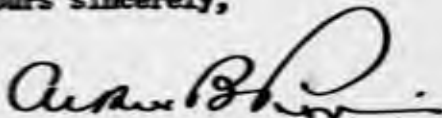
Hon. Henry Morgenthau
Secretary to the Treasury
Washington, D.C.

Dear Mr. Morgenthau,

When I talked with you just before you went on holidays, certain particulars were given verbally in regard to the aluminium situation regarding which you asked for a memorandum. This is now enclosed and attempts to give on very broad lines a picture of the aluminium situation with special reference to the availability in the United States of light alloys for aeroplane production.

I hope you will find this is what you want.

Yours sincerely,



ALUMINIUM AND LIGHT ALLOY

Bauxite, the ore of aluminium, is found in many parts of the world. The most economically worked deposit is in British Guiana. The North American demand is in the main satisfied from this source.

Bauxite is shipped north, and on arrival is treated first chemically, the pure metal being subsequently isolated by electrolysis. For every ton of aluminium $3 \frac{1}{2}$ tons of bauxite are required, and a considerable quantity of cryolite, and above all, a great deal of cheap electrical power. It is for this reason that the majority of aluminium-producing units are situated near hydro-electric plants.

The world production of aluminium is estimated to have exceeded 600,000 tons last year, half of which was produced in Europe, no less than 180,000 tons in Germany alone. Of the remaining half, North America produced over 200,000 tons, small quantities being produced by Japan and the U.S.S.R.

Bauxite ore for European production is found in the Balkans and in Norway. There are also deposits in France and Germany.

Aluminium as a crude metal is used for many domestic purposes where a metal which is light, of moderate price, and easily worked is required. In its pure state, however, it has no great strength. When used, therefore, for construction purposes, where it has to be stressed, it is necessary to alloy it with copper and magnesium and to subject it to certain processes. The product of these processes is known as "light alloy", and has for its weight, when used in small sections, as much strength as steel, or

more. Light alloy is used for the manufacture of light railway trains and road vehicles to a small extent, but in recent years the demand for it in aeroplane construction has increased with the introduction of the skin stressed aeroplane, until in most countries the majority of light alloy is used for this purpose.

In order to convert aluminium into light alloy and into the shapes in which it is used in construction, the aluminium ingot has first to be alloyed in a melting process. It is then cast in billets, which in their turn are subjected to casting, forging, and rolling, the plants for which are similar to those used in the case of steel. The relative heat treatments are, however, at a different temperature. There is another process which is largely used in shaping aluminium - the process of extrusion, which is well known in the brass and lead industry, but which presents rather greater difficulties when applied to light alloy.

For aeroplane construction, therefore, there are available light alloy forgings, castings, extrusions, and the product of the rolling mills, which can be bars, rods, simple sectional shapes, and sheet. The more complicated sectional shapes, such as tube and intricate sections, must be extruded.

The production of light alloy in the United States in 1938 was in the region of 10,000 tons. It is probably twice that today, and when the expansions now in hand are completed this output may again be doubled, but this prospective increase to a total capacity of say 40,000 tons per annum includes production of rolled bar to a total equal to roughly one third of the full total.

It is believed that rolled bar is used to a greater extent for aircraft production in the United States

in substitution for extruded bar which is used in Europe; but even so, it seems improbable that more than one third of the rolled bar capacity available in the U.S.A. can be utilised for balanced aircraft production. This is illustrated by the following percentages of requirements estimated for a standard U.S.A. design in current production, viz.:

- (a) Light Alloy Sheets 64%
- (b) Extrusions 25%
- (c) Castings 6%
- (d) Forgings 5%

It was stated in this case that every effort is made to curtail the demand for extrusions by use of bent-up sheets.

This allocation of requirements between the several classes is roughly supported by European practice. It follows that the high percentage requirements of sheets and extrusions precludes full utilization of the capacity available for bars and rods if a balanced output is to be maintained. This consideration suggests that the effective total capacity of light alloys in the U.S.A. for a balanced aircraft production will be of the order of 30,000 tons per annum when the expansions now in hand are completed.

To compare the relative effort involved in a British aircraft programme of construction and the same thing in America, it is necessary to realise that aeroplanes are not of the same size. In this respect, for instance, 1,000 aircraft of current types (excluding engines) in Great Britain today would require 3,500 tons of light alloy in the proportions mentioned in the previous paragraph, whereas a similar number of aircraft of the types constructed in America in 1939 would only have taken 1,500 tons. This disparity is due to the fact that 500 of the American

aeroplanes were of a very small type, suited only to private owners in peacetime. These small machines take no light alloy at all.

There was a very large numerical increase in the number of aeroplanes produced in 1939 in America over those produced in 1938. It is worthy of note, however, that whereas the small types more than doubled, the larger increased by less than half. It will be seen from the above that the expansion in actual aircraft numbers is no guide to the effort which would have to be made to increase American production to a size comparative to that existing in Great Britain.

So far as expansion in the light alloy industry is concerned, certain serious difficulties present themselves, First and foremost among them is the size and complexity of the plant necessary. More particularly is this so with regard to aircraft construction which relies even in America to a very great extent upon extruded sections. In the case of the aircraft design mentioned above, 25% of the total light alloy is in the form of extrusions. An extrusion press takes upwards of nine to twelve months to build, and a quotation received the other day for a comparatively small one was for the sum of \$250,000, - which gives a further indication of the magnitude of this problem. Enquiry suggests that it is in this respect that the major difficulty of expansion will occur.

Finally, it must be borne in mind that even if an output as small as 1,000 military aircraft per month is envisaged, they are likely (allowing for the light alloys needed for the corresponding engines) to require 60,000 tons of light alloy, which it is estimated is double the balanced and effective light alloy production of America in prospect today.

ANGLO-FRENCH PURCHASING BOARD

NEW YORK:
25 BROAD STREETWASHINGTON:
725 15th ST., N. W.

This letter from New York

April 8, 1940

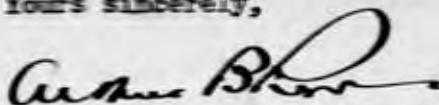
Dear Mr. Secretary:

Steel

I inclose a statement covering the United Kingdom and Canadian orders and deliveries of steel from the United States during the six months ending February 28, 1940, and during March 1940.

The French figures are not yet to hand but I will send them on immediately they arrive.

Yours sincerely,

The Secretary of the Treasury
Washington, D. C.

ALLIED IRON & STEEL PURCHASES IN THE UNITED STATES

	Sept. 1, 1939 to Feb. 28, 1940	March 1940	Total Sept. 1, 1939 to Mar. 31, 1940
<u>UNITED KINGDOM</u>			
<u>Pig Iron</u>			
Orders	165,500	-0-	165,500
Deliveries	72,708	N.A.	N.A.
<u>Scrap</u>			
Orders	480,448	-0-	480,448
Deliveries	70,752	N.A.	N.A.
<u>Semi-Finished Steel</u>			
Orders	566,506	-0-	566,506
Deliveries	76,243	N.A.	N.A.
<u>Finished Steel</u>			
Orders	60,000	-0-	60,000
Deliveries	-0-	N.A.	N.A.
<u>Total - All Iron & Steel</u>			
Orders	1,272,454	-0-	1,272,454
Deliveries	219,703	N.A.	N.A.
(N.A. not yet available.) Deliveries are for actual arrivals in U. K.			
<u>CANADA</u>			
<u>Steel Plate</u>			
Orders	30,780	-0-	30,780
Deliveries	-0-	-0-	-0-
<u>Other Steel</u>			
Orders	3,420	-0-	3,420
Deliveries	-0-	-0-	-0-
<u>Total - All Iron & Steel</u>			
Orders	34,200	-0-	34,200
Deliveries	-0-	-0-	-0-

E.P.C.-I.D.
April 5, 1940

Midnight:

153

This is an attachment
to the meeting
between Purvis &
Horn on April 10, 1940

Republic ?

154

Sept 15th - 4.50 P.M.

Martin

\$850.0000

Louis Johnson

155

cleared

P. 40 - curtis

156

~~P. 40 -~~

P. 40-D (P. 46) curtis

P. 39 - Bell

with supercharger 420 -
Lockheed P. 39 - sometimes today
unfavorable opinion Monmouth 110 = 389

Arnold agrees to supercharger
Type B - for installation
in 1710 Allison engine
for P. 38 Plane
382 - to 424 miles

~~also release have~~

yet to be negotiated
with Manf.

157

Consolidate B-24
(Kangin tanker) 301 miles

Boeing B-17 311 miles

Nutter 410-420
available Johnson
would like to see them
be bought.

1st Sable Island
○ Oct 11 to Nov 10th

158

2nd March 15th into
Cecho 18th

WRIGHT AERONAUTICAL CORPORATION

An order has been placed in the hands of Wright Aeronautical Corporation under which the two Allied Governments have agreed to defray the cost of increasing productive capacity by an additional 260 engines per month. The amount of capital expenditure is estimated at \$6,558,000, and to this will be added the cost of training the necessary personnel (5200 workers at cost of \$300 each, requiring \$1,560,000 plus extraordinary overtime: \$830,000.

The first payment of \$2,000,000 has been made today. A final contract is to be drafted within 30 days when the question of income tax at 18% on all capital expenditure will have to be settled, we hope, with the help of the U.S. Treasury.

April 10, 1940

interorder 4000 signed.
Library start Jan 1, 1941 to ^{Oct.} ~~1941~~ 1941

GENERAL MOTORS.ALLISON ENGINES.

An order has been placed in the hands of the General Motors under which the two Allied Governments have agreed to provide funds necessary to increase the productive capacity of Allison Engines to 500 per month, of which 300 will be on option to the Allies. The capital cost of the additional facilities is estimated to be \$5,548,000 to which will have to be added the cost of training new labour, which is estimated to be around \$600,000.

~~24/1/41~~
April 1st - 3,500 engines

Delivery from ^{Oct 1} ~~Sept 7, 1940~~ to Sept. 1941

PRATT & WHITNEY.

Active negotiations are now going on with Pratt & Whitney, to put in their hands an order for the expansion of their plant capacity on a line similar to those followed in the case of Wright and General Motors.

April 1st proposed 4,000.

Delivery start Jan 1, 1941 to Oct. 1941

CURTISS WRIGHT STEEL BLADE PROPELLERS.

A very substantial expansion of the Pittsburgh plant of Curtiss Wright for the manufacture of Steel Blade Propellers will have to be paid for by the Allied Governments in connection with their engines programmes. The present estimate of the capital expenditure required amounts to roughly between \$5,000,000 and \$6,900,000.

PROGRAMME AS TENTATIVELY ESTABLISHED.FIGHERS

Curtiss P. 40	480
Improved Curtiss	960
Bell P. 39	200
Lockheed Interceptor	800
Total	2,440

BOMBERS

Glenn Martin 187 (167-7-4)	750
Douglas Attack Bomber (16, 8, 7-5)	550
Douglas A.20	200
Lockheed 37	400
Four-engined Bomber	60
Dive-bomber	200
Total	2,160

The above programme specifies the types which appear to be the most desirable from the Allied point of view, but the quantities mentioned will not be necessarily manufactured by the original designers of those types. For instance, part of the Curtiss will be manufactured under a licence by North America, Lockheed Interceptor will be partly manufactured under a licence by Vultee. The Douglas Bomber will be manufactured partly by either Boeing or Consolidated. The firms from which would be requested the four-engine bomber or the dive-bomber will only be determined when we shall have had a chance to see the new types about which information is to be released by the services.

RE DANISH AND NORWEGIAN BALANCES
(In Mr. Gaston's Office)

April 10, 1940.
12:00 Noon

Present: Mr. Ransom
Mr. Goldenweiser
Mr. Moss
Mr. White
Mr. Foley
Mr. Cochran
Mr. Bernstein
Mr. Gaston
Mr. Purcell
Mr. Goldsmith
Mr. Townsend
Mr. Berle

Gaston: I think probably all of you have some idea of the subject that we have up here. It is this matter of the Danish and Norwegian accounts and balances in this country. Questions are quite certain to arise as to the ownership and the authority to transfer those funds, in view of the German occupation of Denmark and of Norway and Secretary Morgenthau considered the situation yesterday morning. As a temporary device he talked to George Harrison in New York and George Harrison talked to Mr. Loree and they agreed on the 24-hour basis for 24 hours, at least, to hold up all transfers of funds, both in the official Government accounts and in private accounts there in New York. They have been asked to continue that procedure for the time being, but several questions arise. One is that we have been dealing so far solely with the New York district. It doesn't cover all transactions. We have been dealing solely on a voluntary basis.

They communicated to us today, that is, Mr. Harrison did, a proposed announcement which states that at the request of the Treasury Department - do you have that there?

Foley: Yes.

"At the request of the Treasury Department, the Foreign Exchange Committee --" This is an informal committee composed of foreign exchange representatives from the large banks in New York -- "has agreed to ask all banks, bankers and stock-broker houses for the time being and until

further notice to withhold all payments or withdrawals from Danish and Norwegian accounts pending reference of each transaction to the Treasury Department. It is therefore suggested that any contemplated transaction be submitted to the Federal Reserve Bank of New York for transmission to the Treasury Department."

We have told Governor Harrison that we would call him back at 3:00 o'clock when we have this committee together. It was necessary to discuss this with other departments and agencies of the Government. It seems to me when they ask us to approve a statement to the effect that it is being made at the request of the Treasury Department, that the Treasury Department is assuming legal responsibility in connection with these transactions that are being suspended, which means that we have to have some authority for it in the absence of an Executive Order, which would take the form of an amendment to the Foreign Exchange Order of the President's in 1934. I doubt very much whether the Treasury could go along with such a statement as presently constituted.

Easton: We have the clear authority to - that is, the President has the clear authority, apparently, under the statute, in Mr. Foley's opinion, to issue an Executive Order which would block transfers without approval.

Foley: That is true. Last June - last April, we had up this same question, except it dealt with all foreign countries. It didn't deal with any specific countries.

Berle: Specifically, I think you were considering the Czechoslovakian situation in drafting --

Foley: That is right, but we were envisaging the entire situation and at that time we prepared an amendment to the existing Foreign Exchange Executive Order which put all transactions in foreign accounts in this country on a license basis and also required all financial agencies and persons in this country having to do with such accounts to make complete reports to the Treasury

- 3 -

Department. We took the matter up with the Department of Justice and the Department of Justice at that time advised the President, although the Order has never been signed and never been used, and we have the letter and the proposed Order in our safe. They advised the President at that time that the Order amends Executive Order No. 8560 of January 15, 1934, and places further restrictions upon further transactions in foreign exchange, transfers of present payments and extra large withdrawal of coin and bullion. This phase of the order follows substantially the expressed language of the statute and is wholly free from doubt.

I think that Judge Townsend worked on it at the time and his people over there, and Judge Townsend, I believe, had some question about another phase of the order in regard to the reporting provision and I think they said legal doubt exists only with respect to that provision which requires detailed reporting of foreign-owned assets in the United States.

It is believed, however, that the order would be upheld even in that respect if issued under conditions of a national emergency, the existence of which the President should determine.

Gaston: I think we have these two main questions to deal with here and the first is the question of whether it is desirable, whether we all agree that it is desirable to exercise control and supervision over the transfers of those funds, the Danish and Norwegian accounts. Are we all agreed as to that? Does anybody have any contrary view on that point?

Furcell: I have no contrary view, but of course you must appreciate that I couldn't speak affirmatively for the Commission without referring it to the Commission if you wanted their opinion on the policy.

Gaston: But you are personally inclined to agree with the idea that we ought to exercise control

- 4 -

over those Danish and Norwegian funds?

- White: Which doesn't necessarily mean, Herbert, stopping it, but that might come up for further consideration, but at least control would take the form of knowing what it is and being confronted with the necessity of making a decision whether to permit it or not.
- Gaston: Assuring ourselves that the transfers are genuine and that the transfers are from the legal owners for a legitimate purpose to someone else.
- Golden'r: In other words, the Germans commandeering accounts.
- Gaston: Frankly stated, that is what it amounts to.
- Berle: I should like to say that we have some preliminary information not yet fully confirmed, indicating that the banks and fiscal offices, and so forth, of the Danish Government are already occupied and under pretty close control. That is not fully confirmed.
- Golden'r: But it stands to reason that that would immediately happen.
- White: Between those two countries, there are sums which are substantial, both from the view of the former - of the Danish and Norwegian Governments, substantial from the point of view of the invading Governments, and not very small even from our own point of view if there were going to be any sudden withdrawal, though one of the difficulties with which we are confronted is that we don't know whether the figures we have are the total. We know they are at least that, but owing to the numerous channels of evasion, coupled with a large residual item which we cannot account for, which we discussed at that time, it is possible that the amounts here may be substantially larger than these, particularly since either of these two countries may have been employed

- 5 -

as an agency through which to transfer funds in the name of others so we are in substantial measure operating in the dark until we are able to acquire more information.

Golden'r:

Mr. Gaston, if we put it on the ground that you want to make sure that they are legitimate transfers by the owners, I suppose there would be no question of this being a definite un-neutral act. That would be the one question that would come up, whether by doing that - we want to be definite and take sides. Without taking any view myself as to whether we should or should not, I just think that is one of the things we ought to be sure of, whether or not it is.

Now, Berle knows more about that than anybody else.

Parcell:

That would also be the question I would have.

White:

Is that the basis upon which the issue is being raised? I take it that our particular concern, certainly our legal concern, would not be what or who receives these funds. The issue that is being directly related to the Act is one which affects our question of exchanges and outflows of funds and transfers of funds, independent of the other. The other may well be a - give rise to difficulties in forms, and so forth, but even with that true, I am wondering whether that would fit under particular powers which we are talking about. What we are concerned with is, there may be as much as a quarter or half a billion dollars worth of funds. Supposing they were transferred right out.

Berle:

Mr. Chairman, we of the Department do not consider that there was any question of neutrality raised. We consider that an action of this kind, so far as our Department is concerned, would presumably be predicated on three considerations. First, the protection of American interests in the nature of exchange and our

financial stability, and so forth. Second, and really a sub-heading under that, the assuring to our people that the persons exercising disposition of the funds were legitimately in a position to do so, not to determine the precise point or degree of duress, but to protect our own Banks, Treasury, Federal Reserves, from subsequent claims. And third, a possible point which we were still examining, the possibility that under the loan contracts which we have with the Danish Government securing outstanding Danish dollar bonds, there may be clauses pledging that part of the balances which belong to the Government as additional security for those bonds and that by consequence some of the security of the Danish dollar bonds outstanding in this country might be pledged also to the pledged foreign nation, which raises no point of neutrality.

Wilder: I just wanted that clarified, that is all.

Wester: Yes.

Wells: That probably would have a somewhat wider application, because the whole question would come up, which American funds might now be tied up and not at the disposition of the owners and to what extent those figures are due - to protect those and also the direct investments of Americans in such countries.

Wite: There is a different question of exchange stability, recognizing at once that even if there were instability in those two exchanges, it wouldn't be a matter of vital importance to our national existence. Nonetheless, they are two exchanges.

Now, supposing that these dollar balances are thrown on the market in great eagerness to get them out in those particular countries, and that raises the question as to whether they can or cannot. There could be substantial fluctuations in the exchange market on those two items that might be better avoided during the interim transmission period until we see where we are.

- 7 -

Again, I say it is not vital, but it is a consideration and it is a factor I think that would place the issue squarely under the Act in which you may wish to act if you find such action desirable.

Easton: Well now, the problem that we are facing is that assuming that we wish to continue to do this, whether we ought to proceed on an informal basis as we have for the last 24 hours, or should we exercise the legal authority and ask the President to issue an Executive Order which would place these funds under direct control.

Ransom: May I ask this question? Under your present plan, it is on a purely voluntary basis. Aren't these banks themselves concerned as to the questions which Mr. Berle has raised, namely, who has the right to withdraw these funds, who are the owners, and isn't it reasonable to assume that they would exercise considerable discretion on their own initiative for a while at any rate.

Easton: Yes, they are concerned about protecting themselves in two directions, that is, making transfers that may turn out later not to be authorized and a second quite vital question is refusing to make transfers that they may not be able to - where they may not be able to defend the refusal.

White: Mr. Ransom, our legal staff raised this point. They seemed to feel that many of the bankers would much prefer to have the kind of protection that an order of this kind would give them, because it would relieve them at once of any legal responsibility that might result from an unwise judgment, though I think we quite agree with you that they will doubtless exercise their judgment, but in this way they can say - well, obviously --

Ransom: I think it is obvious they would have a feeling of reassurance under such an order that they would lack without it. The question I was

- 8 -

exploring is whether or not you can't feel they are going to exercise the same hesitation with or without it. That doesn't involve the merits any.

- Berle: May I say on that that we have been applied to in a number of similar cases, the Czech case, for the advice of our Department in the hope of getting precisely that protection. I therefore get the distinct sense that the banks that have been in contact with us in similar subjects have looked for an expression of view which they could use as a protection and in most cases desired it.
- Gaston: There is very good evidence of that in the form of that statement that they proposed to make. They are putting the onus there directly on the Treasury Department. They are doing this at the request of the Treasury Department. They realize they have got a thorny path.
- Foley: They realize we also have complete power if we want to exercise it, but they would rather do it along the lines they suggest in this release than by having us issue an amendment to the Foreign Exchange Executive Order.
- Gaston: You think they would?
- Foley: They want us to have the responsibility without having any of the inconveniences that the order would impose upon them.
- White: There is one further difficulty I think we have to throw into the pot in our evaluation of the subsequent procedure. Voluntary arrangements we have been able to arrange very easily with the New York Bank by virtue of the close historical ties that have been in the working out of these things, but more because of the Czechoslovakian situation in which this whole thing was thrashed out and in which they set up a foreign exchange committee so that the machinery is all there. You can be sure of a very high degree of effectiveness in that area as that is controlled.

- 9 -

Now, however, owing to two reasons, I should say, one, to the fact that the knowledge that there was a greater control in New York may have led foreigners to operate possibly in other areas, in the Philadelphia area and in the Boston and San Francisco areas. Secondly, the President's interest in this of seeing that the thing is adequately taken care of raises the problem of how can we get the same degree of assurance in the other twelve regions where certainly in nine of them there has been none of the preliminary ground work which is necessary and since what we are dealing with is not with the banks alone - I don't - with the Federal Reserve banks, it would be a very simple matter to give their cooperation in a few hours, but those banks have to deal with member banks and other banks in their areas. You know what that involves over the whole country and if we don't have the whole country, what assurance do we have that we are taking care of enough of the transactions so that we can satisfy the requirements of the administration that are asked of us? That is one of the problems.

Gaston: Do you want to say something on that, Mr. Goldenweiser?

Golden'r: It just went through my head. It is perfectly clear, as far as I can see, that you have got the choice of either doing nothing and letting the banks take care of themselves or having the Government take formal nation-wide action. It seems to me nothing --

Gaston: You wouldn't think we would have any middle ground?

Golden'r: I think not. It seems to me that is not the thing to do. My only personal opinion at this time is that the Government should take formal action.

White: What is your thought, Mr. Ransom, with respect to the possibility that you could obtain the necessary degree of both understanding of the problem and cooperation on a purely voluntary

basis throughout the whole country without in any way committing the Treasury to any liability such as is implied in a statement of this kind or anything related to it?

Ansont:

That is a very difficult question to answer. First, because the subject is entirely new to me. Only about ten minutes of 12:00 did I know of this meeting and only since I have been in the meeting has the full subject been developed.

I would say that it would be possible to get information out through the Federal Reserve Banks as to the action which they would assume for the sake of discussion might be taken by this voluntary group in New York. I think through the medium of the other eleven Federal Reserve Banks we could say to the bankers in those districts, "This is what is being done in New York." That at least would put all the banks on notice that they had better be careful and watch their step before they responded. That would not produce necessarily any complete uniformity of action, because in the first place you couldn't be sure that all the banks would take notice of it or that each of them would construe it in exactly the same way, whereas such an order as I understand is being contemplated would be an official action and that again would come to their notice more effectively, I think, than any other procedure you could adopt. What would be the long-range implications in that?

Mr. Foley suggests that these bankers would prefer the voluntary action to the suggested order. I don't know.

Foley:

I merely wanted to have represented here clearly the position, as I understand it, of Governor Harrison and his committee. I explained to him and he understands fully that we have complete authority to deal with the situation if we want to assume it. He did point out that even though that would give immunity in so far as legal liability is concerned to some of these transactions that banks' lawyers may say they have to go through with, irrespective of whether or

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not they have to report them, they would prefer, I gathered, quite strongly from what he said, not to have the inconvenience of the appliance of an official order, but that is perfectly natural.

- White: I think it is fair to say they would naturally be inclined to avoid any actions which would in any way - shall we say restrict the activities of the banking community. Is there any reason why, Ed, let's say the - an order were issued. Is there any reason why, after a week or two after the necessary investigations were made to determine the locations, why the order couldn't be modified so that it could - the status could be resumed as of prior to the order so that it may last only a week or two or three during the interim period during which you might possibly substitute this sort of thing for a voluntary control and avoid any of the routine, red tape that may be necessary after.
- Foley: I think undoubtedly this could be taken as an emergency measure merely to find out what was here and the extent of the transactions and the character of the transactions.
- Gaston: You weren't thinking, Ed, of including a report of balances?
- Foley: I should think that the order itself would not be of great value unless it included a census or reporting provision.
- Gaston: You mean as to balances held?
- Foley: Yes, sir.
- White: That would be very valuable.
- Gaston: Have we any idea as to what Justice at this stage of the matter would think of an order which includes a requirement to report?
- Downsard: I think we could pass it.

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Gaston: Now, there is the question of the disadvantages as well as the advantages.

Townsend: We would have to define the existence of an emergency.

Cochran: That was my point.

Gaston: That was your point, the disadvantages, and you might state them merely as you see them, the disadvantages of a formal order.

Cochran: It puts us on exchange control certainly in respect to the currencies of these two countries. My point is that we should reserve exchange control for protecting the dollar, no matter how sympathetic we may be with these two countries whose assets may be endangered here now. I should prefer to see us go along the informal way, passing the word through the member banks, through your twelve banks, on to their banks which do the business, and so on, and I think they will find, as we do in New York, that the balances of these two countries are pretty much centralized in a few banks. I am sure in New York that is just a few, the National City and two or three others that have the bulk, and that we go ahead and watch this a while, rather than take the step now of putting on exchange control, which is not an emergency.

Gaston: What do you think about how the public generally, as distinguished from monetary experts, with regard to distinction between - on the one hand, a formal order which establishes exchange control as to two particular countries which are admittedly in an anomalous situation at the present time and on the other hand, an exercise of the authority of the United States which is patent and open, which everybody knows about, to accomplish the same end. Will the public make any distinction between those two things and is there really any valid basis for distinguishing them? We are doing the same thing in both instances. We get the blame for it.

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- Cochran: I don't believe we ought to go as far as the Secretary suggested. He suggested we might consider this morning of having transactions passed down here informally. I think there is a responsibility on the Bank which they ought to carry out. If we are not satisfied with the way they carry it out, then we have the alternative of going the whole way and getting out the order. When we do that, we establish exchange control, which we shouldn't do except in case of an emergency of our own.
- White: The use of the term "exchange control" is a little bit misleading. In so far as the term means there is control which may be exercised in the form of major or minor restrictions, I think that is in existence now, that we have that power, that merely by the use of an Executive Order you impose certain restrictions. We have already some restrictions in existence, so that though I would quite agree with you, Merle, that in the attempt to introduce major restrictions or significant restrictions or restrictions which would affect a large part of commercial transactions should be undertaken only when there is a very great deal - when there is no doubt as to the need and when our economy is possibly seriously threatened by some major monetary move, that what this will bring about is the introduction of a very narrow range of restrictions in which you are going to ask that the balances of these two countries alone be subjected to a measure of control which may emerge into no restriction at all. We may find ourselves passing on 90 or 95 percent.
- Cochran: Yes, but it may turn out the other way. It may be that Germany will stay in there and we hold these up indefinitely and then we will have a real problem.
- White: What I am getting at is that I think one weights the case unduly when one says that what we are confronted with now is the decision to impose exchange control or not impose it.

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- Eastman:** The more important aspect, it doesn't seem to me this is exchange control at all. Exchange control may have some minor bearing on it, but what actually we are dealing with is domestic interchanges of funds and we are dealing with the question of protecting the interests of our nationals and our Government in transfers in which they might in the future be held liable for mistakes and errors.
- Whiter:** That I don't take it is the major part of the incident that we are concerned with. It is a question of imposing certain restrictions which involve restrictions on exchange, but my point is that they are restrictions which apply to so narrow a range of our total transactions that we would be doing the subject an injustice were we to regard it in the same light as we regard exchange controls, such as were imposed by France and England, et cetera, at the outbreak of the war, because that is exchange control with all it implies.
- Now, to bring the implication of an over-all widespread exchange control to this merely by the use of the term "exchange control", I think would make it a little difficult for us to evaluate it properly.
- Cochran:** But say Germany goes on and takes some more countries.
- Whiter:** Then I think we ought to extend the area --
- Cochran:** We would be holding the balances to see whether we would give them to Germany if she returns her sovereignty or not.
- Whiter:** I think this problem becomes more acute if and as Germany takes more countries for the very same reasons that you want to impose a certain amount of restrictions on those countries. And for that reason, the same reason would hold true with respect to other countries, but that still would leave the bulk, not only the bulk, it would still leave probably - my guess would be 98 percent of your transactions --

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Foley: It seems to me that this order doesn't do any more than you have already done informally.

Gaston: That is exactly the point I make.

Foley: The President has asked that these transactions be suspended and informally the Foreign Exchange Committee of the New York Bank has provided for that, but that is only temporary and now when they want to make it a little more permanent and they say until further notice, they are asking us to assume legal responsibility for the actions that they will be taking. Now, I don't think we are imposing any greater foreign exchange control through the issuance of this proposed Executive Order than we have already imposed in New York or the banks have imposed voluntarily upon themselves. It seems to me we are giving only effect and immunity to voluntary action that has already been assumed up there.

Garrison: I am quite sympathetic with the point of view you express as to the Treasury's position, that these gentlemen have proposed to write this voluntary agreement. You assume complete responsibility and you do not have, as I see it, any legal authority, so I can understand fully why you face a dilemma there.

On the other hand, Mr. Cochran impresses me with this idea, that you would be declaring a state of emergency. Haven't you got to declare a state of emergency?

Foley: No, I don't think we have to do that, Governor. The statute says during time of war or during any other period of national emergency declared by the President, the President may, through any agency that he may designate or authorize, investigate, regulate or prohibit under such rules and regulations as he may prescribe by means of licenses or otherwise any transactions in foreign exchange. What we are doing is amending the existing Foreign Exchange Control Order.

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- White: That emergency has already been declared as having existed for months. It was declared in 1933.
- Bernstein: We are existing under an emergency right now within the terms of that statute.
- White: We would just modify the order. It is a long emergency.
- Gaston: Well, it is quite clear, as Mr. Cochran points out, that there is some difference and, as a matter of record, there is some difference between putting an order on the books which has the effect of law and entering it as a part of our monetary history. I don't know how to evaluate it, but as far as practical differences are concerned, what we are proposing to do is, we are suggesting that we may do this under an Executive Order, is exactly what we are doing on a temporary basis right now.
- Cochran: Just one point there was whether or not they submit the propositions to us. I mean, the Secretary wanted to do that informally. I don't think we should do that informally. If it is informal, just pass along to the banks our interest in seeing them watch out for things and then leave it, not have them submitting to us the individual cases.
- Foley: Then you would do nothing, Merle?
- Cochran: Nothing officially.
- Gaston: In other words --
- Foley: We have been asked to do something.
- Cochran: We have been asked, but we have some explanation to make to the President of how we are in the situation. If we want to just take that as a mandate to go ahead, go on with your order.
- White: I think Merle is right, that we have the responsibility if it is an unwise act to come back to the President with the explanation, but I think

it is also fair to state that there will be several members - branches of the Government or members of the branches, as well as bankers, who would feel very keenly about any definite act which would have the apparent implications of this act. It would appear as though it is a step. It would be called exchange control, even though, as I wished to maintain before, I think we have found that it would be over such a narrow field that it wouldn't be very important, but I think that has to be thrown into the case, that it would be a step of that kind.

I myself feel that if that is so, I can't quite see what the objection is to it, but there are others who do feel it to be very objectionable.

Woss: What practical difference, may I ask, would there be between the payments that would be made by the banks acting on their own responsibility and payments that would be made by the banks acting on the Treasury's responsibility under such an order? That is, would not the test in each case be the legitimacy of the order?

Weystein: There would be no such limitation on the Treasury Department.

Woss: No, but what I am getting at is would the Treasury go beyond that test of the legitimacy of the transaction or would it not?

Foley: That would be passed upon in connection with the individual transactions.

Woss: Yes, but it seems to me that makes a difference as to whether - if it was the object under the order to only do what the banks themselves would do, then there is more question whether the order is necessary and desirable than there is if it is the intention to do certain things under the order which the banks would not themselves do.

White: I think you are overlooking this one kind of

transaction which this would take care of. There is a check that is due. Their payments are due. Under the circumstances, the bank either makes the payment or becomes liable for a delay in the payment when due. I take it if the Government were to issue an order, the bank's liability for not meeting the payment at that date end at a later date ceases. There still is the other liability that if they make a payment to a person who is not the legal owner, that I don't think is taken care of here, but this merely makes it possible for banks to delay payment legally.

Now, the very incident has come up --

Koss: Make an investigation, is that what you meant?

White: No, more than that. The question arose this morning, did it not, that several of the banks said that in response to their perfectly willingness to cooperate with us. They said, however, there are some payments which their lawyers tell them they must make or be liable. Now, in the absence of any Governmental authority, you see, they would be liable were they to postpone it on the voluntary basis. I don't know what the liability would involve.

Koss: What is the nature of those payments? Are they payments - is there any indication that they are payments which the Treasury would want to hold up indefinitely?

Poley: They might very well be and this would give you control, whereas without it you have no control at all.

Koss: But that is the case, if there are things you want to accomplish beyond which you could reasonably expect the banks to do, you can't expect the banks to do it on an informal basis. The other alternative is to issue an order.

Cochran: But these payments here which the banks have rendered now, as I understand it, are mostly local payments. Those are not the things,

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as I understand, which we would be interested in blocking. There would be some payments to the benefit of Germany. They might be made by a local bank, but I think any one of those banks would go into it very carefully just as they did in Poland. We got in touch with the Fed and they got in touch with the other banks and they held things up even longer than we anticipated.

Ransom: I was going to ask you what your prior experiences were which are essentially different from the one you are dealing with now.

Cochran: There is a little similarity in that the Bank of Poland moved to France and continued to function from there, so we had to get signatures from the people who took over there and preserve their rights here.

Berle: May I say that it seems to me there is a slight misapprehension as to the type of payments which will actually be made. These won't be transfers to Germany. You won't even see that. The funds would actually be used presumably to pay German expenses for war supplies or agencies or what-not here or elsewhere, and those payments are as likely to be made under the name of a private Danish depositor or in the name of a Danish Government as not. They will be in theory payments for American goods, American services and for American accounts.

Moss: It seems to me that under an Executive Order it might be that the Treasury would be able to block payments on which it has what it considers to be sufficient evidence that the payments are for German account, although the bank might not consider that it had sufficient legal evidence.

Gastoni: Yes.

Berle: There are other considerations that enter into that, of which that is certainly one.

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Golden'r: It is a very simple situation to me, because this is not a country that acts informally on anything. It is not a country in which we have a discipline - restricted market. We have got a lot of cities, lots of banks, a lot of banks of all degrees of shadiness and it is quite impossible to handle this situation informally without having later a whole lot of trouble and it seems to me that prompt and immediate action on a formal basis is the only way that this Government can enter into it at all. If they don't, then they have got to leave it to itself. I am not going to say any more, but I feel very strongly and very clearly it is the only thing to do and if you don't you are going to be awfully sorry.

Hanson: I am just going to raise one question for consideration. I am wondering if there won't be this interpretation of it, that the authority of the bank emergency thing was extended to create exchange control for other un-neutral reasons. Now, I am taking the worst possible view, what might be a public reaction to what I understand is being proposed. Now, certainly you would want to avoid all three of those implications. If it is possible to accomplish your same objective, in spite of what Dr. Goldenweiser says, by the banks realizing that they are acting somewhat at their peril, I would think you would like to avoid any one of those three implications being brought into the existing situation. If you can't, if it is necessary to protect the public interests for reasons which would be known to you, or necessary to protect the position of our own nationals who would become involved in this by something like an Executive Order, then that makes out a somewhat different case, but I can't say that I have been wholly persuaded that these banks can be put on an informal notice as I think you have already put them. They are merely trying to pass it back to the Treasury and stand behind the Treasury, which again, I understand in your reason for not wanting to do it, I understand why they would like to do it.

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As between acting on their own accord, voluntarily, and acting under such an order as would have to be issued, I can see readily why their first reaction would be that they would rather take it voluntarily than take it under the Order.

Polley: Well, my answer to that is that that may be entirely true for the New York area but how about Boston and Philadelphia and San Francisco and the other parts of the country where you may have balances and you may have these deposits?

Ransom: I am not going to attempt to pass on the very broad aspects involved which are the problems of the Treasury and the Department of Justice and Department of State and I can't in any way express a view for the Board, as you gentlemen well know, but for the sake of developing that discussion and being able to take back to my associates something tangible that they can dig into, I have that feeling that if this was done those three things would be charged sooner or later: One, that you are using the emergency of the banking authority and have decreed exchange control for un-neutral reasons. Perhaps you can defend all three of them.

Golden's: I would like to have you enumerate the three, but I would also like to ask you whether those propoganda allegations aren't going to be made anyway.

Ransom: Quite possibly. I say I am not attempting to pass on which decision these agencies of Government may want to make, but I would like to bring those three things up for consideration before they make any decision.

Berie: Which are the three, Ronald?

Ransom: Three, that you would be charged with using the old emergency of the banking holiday to establish exchange controls for un-neutral reasons.

Barton: That is really all one.

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Ransom: It goes as a group. That is the whole thing.

Golden'r: That sentence comprises all three?

Ransom: Yes.

Gaston: All right, how about the charges we are doing that same thing if we do it informally without any authority of law at all?

Foley: I agree with you, Herbert. I think if you put out this release either in the form that the New York Bank has asked to approve it or by modifying it and taking out at the request of the Treasury, it seems to me that you are subjecting yourself to the same criticisms as may be forthcoming in any event.

Gaston: I am a little concerned about this question that Merle --

Foley: You could take that out and get them to agree to it.

Cochran: I don't agree with that last one.

Gaston: I am a little concerned about Merle Cochran's point of view. We have certain things which I think we want to accomplish here and whether the limits of our persuasive power for voluntary action, whether they are going to accomplish those things. Do you think we should make a suggestion to the banks that they should be very cautious about making transfers?

Cochran: It worked in the case of Czechoslovakia.

Gaston: And we don't get any reports, don't pass on any transactions, don't ask them to submit any transactions to us.

Berle: Mr. Secretary, may I say that in the case of Czechoslovakia we had likewise the question of who was really in control. We had likewise the question of protection of American interests and we had likewise the question of protection of the American dollar bonds. So far as I am

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aware, no one of those three questions was ever solved to the satisfaction of American nationals. I suppose that any action affecting any foreign situation can be attacked as being un-neutral in that it bears on one side or the other. I think we have come to the point of view that we must consider the American interests, letting the chips fall where they may. My own Department wouldn't presume to advise as between the methods here, which is obviously a question for you gentlemen, but I think we would feel that if the real issue is whether you take some effective action or no effective action, we will prefer that the action be taken most.

Then there is the further question as to if an order is issued, then the question seems to me to arise as to what criteria ought to be used, officially, in determining whether the thing is to be paid or not, since it is possible that the payments may be based on other considerations than these, which might involve the question of lack of neutrality. Aside from the administrative feature, it seems to me if it is a question of accomplishing these objects or not, the question of neutrality certainly doesn't arise. The question of neutrality arises only in the administration of an order.

There have come to be a good many subsidiary questions which my own Department has not yet thoroughly explored. One of them, for instance, is whether it might not be an incentive to military occupations if the direct result is to inherit huge windfalls of American exchange. We will note that one point. It is a question, therefore, of whether when you begin to talk about neutrality you may not feel more unneutral in not taking the action than in taking it. That is to take one possible point.

Caston:

On that neutrality question, you have that not only in the matter of making the decision to establish a legal control, but you have it also in the character of the decisions made. Of course, the advantage of a voluntary method is that you don't take quite so much responsibility for the particular decisions made as you do under the formal method of procedure. Certainly

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you have complete responsibility for the final decisions made and the final washing up of the thing, whatever the result.

- Foley: Well, on the basis that has been proposed by the Fed, Herbert, I don't think there is any difference in so far as that goes between what our responsibilities there would be ultimately in so far as each individual transaction is concerned and what would be the case if we reported under an Executive Order.
- Manson: That is not the Federal Reserve Board, if you don't mind.
- Foley: Excuse me.
- Boston: They are hanging two things on the Treasury, responsibility for the supervision of these accounts in the first place, and then also the responsibility for the immediate decisions made as to particular cases, because they say there it will be referred to the Treasury.
- Golden'r: Toward the end of it, it says every transaction will be submitted to the committee.
- Gaston: On the basis of that, of course we were thinking of possibly some alternative form of wording there.
- White: What about the --
- Foley: And nothing will be done until --
- White: Is there anything that relates to transactions on the exchanges that would raise any special problems that would require --
- Purcell: I can't see that this question really affects the considerations which the Securities and Exchange Commission apply under their statutory authority powers and duties nearly so much as it does the other branches of the Government. In so far as it affects the procedures themselves, we have no direct control over how they can handle credit balances as between customers,

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whether they be black, white, French or German.

As to whether it would affect stock transactions on the market, I should think it would probably be rather indirect. It would depend upon the extent to which either balances were carried in the form of securities which might be sold on the market or balances carried in the form of currency might be used for some strange reason to buy securities.

- White: It is likely to be the other way, I mean if there is any attempt to withdraw the balances and assets it is more likely to be in the form of liquidation of securities. Therefore, if there is any interest in that direction, whatever order it is, a minor order is more apt to be in the direction of --
- Purcell: I think so; liquidation would probably accent the problem we have had for months.
- Gaston: You are not much concerned with the balances treated as banking balances?
- Purcell: Not in the sense as to their ownership or the control of the country from which they emanate or any of these considerations which Mr. Berle and some of the others have raised.
- Gaston: You are not interested in the stock market phase?
- Purcell: Or the way in which credit balances are handled in the financial position of a broker regardless of whom they may belong to.
- Gaston: Bernie --
- Purcell: You understand, of course, as I pointed out at the outset, I am speaking personally only and I am in even more of a position requiring my reporting back in order to obtain any opinion than Governor Ransom is, for instance, he being a member of the Board itself. I shall do that and if there is any view which the Commission wants to express, I am sure they will communicate it to you.

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- Foley: Could you let us know by 2:30?
- Purcell: Yes, sure.
- Gastgn: Bernie, haven't you something to offer on this for the record?
- Bernstein: I have got the documents. Well, one point that I was discussing just for a moment with Merle is this, that I think we are in agreement on, Merle's suggestion is that we do nothing. Now, he is not suggesting that if something has to be done in the nature of restricting the use of accounts, that the method of the Executive Order is less desirable than the method of the so-called informal --
- Cochran: It is more efficient.
- Bernstein: He says if you are going to block, that is the way to block.
- Gaston: That is just the impression I got, was the reason I was asking about it. It seemed to me that Merle's suggestion for informal action was very little, that is, it didn't meet the requirements.
- Cochran: We haven't any evidence yet that it wouldn't. The banks certainly took every precaution yesterday. They are willing to go ahead today, as I understood, until we asked them to submit even these questions on which they were sure from a legal standpoint they had to go ahead. Now, when we ask that those be submitted here, then we assume control of the operations.
- Gaston: You wouldn't have them submit those questions?
- Cochran: No, sir, I would not.
- Bernstein: That is where I suggested earlier that perhaps the question is, what is the assignment, that is, if the President is saying that these accounts should be restricted, then it seems to me Merle's point is overruled and the only question that arises is one of legality and

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efficiency, and on that point I take it Merle is not at all in disagreement. As a matter of fact, he is in agreement.

- Cochran: If you have a mandate to block the balances, get out the order to do it. If we are discussing the merits of it, I think we have gone as far as we can.
- White: I think Merle's position is well taken in that he is not taking for granted that we are excluded from discussing the merits of effective action. I think our responsibility is, if we feel that way, to report back that we think the President's request - if it is the President's request - is unwise in the light of the total situation, so that I think that Merle's position is perfectly sound when he takes the position that is all right to do something if you can do it voluntarily, because you probably will succeed in blocking the bulk - or taking care of the bulk of the transactions, but if you want to do anything beyond that, then you have got to go the full way and going the full way, he would feel is less desirable than not doing anything.
- Easton: Just what --
- Bernstein: I agree with that.
- Easton: What would we succeed in doing by your method, Merle?
- Cochran: Well, they stopped everything yesterday except one payment which they had instructions to make nine days ago.
- Easton: That is just on a temporary basis.
- Cochran: And they strung their 24 hours out longer in the case of Czechoslovakia. I wasn't here and I can't give you the details of that, but I understand they kept it up several days.
- Merle: Where does it wind up?

Rockwell: It winds up rather dangerous in my mind, Mr. Berle. If we find out we have to make a decision as to what we are going to do with these balances --

Widsmith: But the most harmless way certainly from the public point of view would be to say we don't know who is who and what is what, so let's just freeze a status quo and not make any transactions one way or the other until we have first enough on what has happened, who is the Government and where it is and then we can make up our mind. But I think the argument now should be that we are just freezing it dead until at least we can see what the situation is. Then in a week or two weeks, or it may take longer, after we have considered all the aspects of the situation and all the agencies have had a chance and the President has had a chance to get first hand reports and we can make up our minds about policy, then we can make a decision.

I feel that it will be difficult to hold the banks to this informal thing more than another 24 hours and the thing wouldn't be clear by that time. I can't see even by putting myself in the most extreme other position how anything could be said that it is un-neutral or exchange control or what-not if we just freeze it and say it can't be moved.

Easton: By a formal order.

Boley: Yes, that is the only way you can do it.

Berle: May I state the position as to one point which does interest us? Those are the balances of the Danish Government here. We shall presently be asked, possibly, to consider whether a signature which comes over and purports to be the signature of the Danish Government is the signature of the Danish Government. We have thus far taken the view that Denmark and part of Norway is under military occupation. The Government

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of a military occupation transcends any government there is there and by consequence unless something appears to the contrary, one is obliged to assume that the act is the act of the military government rather than of the civil or recognized government of Denmark until the contrary is shown. The acts of a military government have validity within the country but would not necessarily have to be recognized outside the country and it may very well be a dangerous thing to recognize them outside the country unless you are required to do so. There you have precisely the kind of question that arises from one angle.

Gaston: We may get a little later a repudiation of the authority of the Legation here and the Consulates to act and to draw upon funds.

White: I would like to explore just in one further question --

Merle: It looks like a valid signature except that probably the Gestapo were sitting alongside.

White: Supposing a formal order went out. Just what is the effect that presumably is deleterious? What does it interfere with? Would it interfere with trade, banking operations, with the attitude toward business? I can't quite put my finger on the adverse effects other than the general reasonable position that we oughtn't to take any step unless there is good reason for it. Merle, what is there that particularly concerns you about the consequences of this step? I mean, what is it specifically that you feel we should wish to avoid.

Cochran: You mean on exchange control --

White: Well, call it any name.

Cochran: I don't see that you are going to hurt any interests through doing it, but I don't feel that we are called upon to take such a step.

White: So I understand that your objection lies on the ground that you feel that the - an act which

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may be called and so interpreted throughout the world as imposing exchange control with its psychological consequences is undesirable?

- Cochran: Just now we won't run any money out of the country, probably, through putting our own exchange control in, but if conditions were different, we would undoubtedly - my guess is that we would have quite a withdrawal of other foreign funds. Maybe that would be desirable, I wouldn't say.
- Bernstein: I believe to the contrary. The greatest protection a European has in a weaker country is just this action. Did you see the interesting item in one of the columns the other night of the new form of arrangement between the Dutch and the New York banks? The New York Times announced in that issue an invasion. They don't pay out if God himself asks for it.
- Goldsmith: You would affect lots more foreign money, probably. That might be undesirable if they knew it is frozen the moment something happens to their original government, or it might be desirable.
- Cochran: If the French before the war knew that their balances were going to be frozen, they wouldn't have left them there.
- Goldsmith: First, I don't think that individual balances should be disclosed, and then only to the United States Government but not to the French Government.
- White: In the event that France --
- Garton: I don't myself exactly attach as much importance to that objection as to the fact that we are facing responsibility for decisions to what money shall be paid out and what shall not be paid out. Under a formal order we are certainly clearly accepting that responsibility until that order is rescinded and that seems to be a far more serious matter than this question of whether you may or may not call this exchange control.

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- Foley: But Herbert, you would have to assume responsibility if you followed the procedure that the Federal Reserve Bank and the informal committee up there - so there is no difference.
- Gaston: That is right.
- Purcell: The only choice between doing nothing and doing something --
- Foley: That is right.
- Gaston: Except that Merle has suggested a totally different matter. He wouldn't have the specific transactions referred here for decision at all. He would just say to the bankers, "Watch your step."
- Purcell: Nothing in print.
- Cochran: Yes.
- Ransom: Suppose this voluntary committee - I don't know what its name would be - but let's assume that that voluntary committee would choose to take the responsibility of signing something which they are proposing to take now in terms that the Treasury obviously doesn't like. Suppose they would say to the other bankers in the country, "Here is a situation where you pay these funds at your peril. It is wise to defer any decision and take the chance of a possible lawsuit, yes, but to defer it until there is a clearance." If I understand Mr. Cochran, he thinks that will produce almost the result that the order will produce without putting on the Treasury responsibility for making these decisions. It is the making of those decisions which will be the operation of an exchange control. It isn't the name, but the fact that coming right back to you will be the decision on all of these items as to whether or not they shall be paid out.
- Cochran: That is right.
- Ransom: If it is in - if the State Department and the

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Treasury and Justice think this is the way to accomplish a needed result, that this is positive action and it will do it, so far as the Federal Reserve is concerned, I can only say that to the best of their ability they will cooperate to help you carry it out. What the point of view is on the part of this group in New York with which you gentlemen have been conferring, I don't know, because we have had no contact with them, as you know.

Now, if you would like us to, I can communicate with them. I don't know how much of this you have said to Mr. Harrison. I can try to ascertain whether there is any point that they are making which at the present time isn't before you for consideration, because I take it all, in effect, you want the Federal Reserve System as such to do is to try to carry out whatever decision you gentlemen may reach and if you reach the decision to do it by voluntary action, if we can be of any assistance we will. If you decide to issue the Executive Order, then I take it there is a part the System would play in helping you with that.

Purcell: It seems to me there is only one other question and I am certainly not qualified to pass on it.

Ransom: We did mention it earlier, I think, and that is the possibility of public construction of this move as an un-neutral act, regardless of what its true basis is. When I say public construction, I merely mean press construction. I will leave that to more experienced hands.

Ransom: I understand from Mr. Berle that if it is involved they would think it might be more un-neutral not to do it than to do it.

Berle: It is a question of policy and I would like to point out that you are quite right in saying that in an action of this kind there are two sides. You must recognize that in these transfers, you are certainly going to have one section saying you have been un-neutral and have favored the German side. I would say the State Department is a little calloused.

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- Carson: Would there be any - are we any more likely to be charged to be un-neutral if we take the action than if we don't?
- Worrell: I don't think there is any difference at all.
- Witter: I take it the banks wanted to issue - the Bank in New York and the other bank wanted to issue a statement of this kind only because by request with respect to blocking certain transactions which they felt they should pay out and they would be liable otherwise, so that I think that Harle's point is well taken, that we might continue voluntarily to operate without any statement providing they were free of that legal liability which attaches itself to withholding balances that their lawyers tell them should be paid out and might be possible through the Federal Reserve Board connection to get some measure of control, as you suggested, and cooperation in other areas, so I think we have to set that on the other side as against asking the President to impose the order. I think myself that that is the way it should be presented to the President if the decision is going to be made by him as the alternatives that you are going to get some blocking through voluntary action without any responsibility on the part of the Government. Whether there will be a press responsibility attached to it, whether it will be known that the Government has asked and what the effects of that will be, is a different matter. I suspect they couldn't continue to do this more than another 24 or 48 hours without it being known that they had been requested to do so by the Government and why should the Government request matters of that type illegally, it seems to me, makes much more of an un-neutral act or a surreptitious act and might bring with it implications that the President is doing the very thing that his critics are charging him with, of using his offices for - to further ends which he is not willing to face the public and Congress with.
- Carson: That statement they made yesterday, this exchange committee, they took the responsibility themselves,

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didn't they, Harry? Was the Treasury mentioned in that statement yesterday?

Cochran: Yes. They said after consultation with the Treasury Department and the Federal Reserve Bank of New York, the foreign exchange committee announced the suspension of exchange trading in Danish and Norwegian balances except for the ascertained legitimate needs of customers.

Boston: This by request of the Treasury comes in when we asked them to refer the transactions here.

Soldsmith: I think, like Dr. White said, that we are just dodging the issue if we think that by continued informal action we can do it, because after all we know that the Germans are not as inefficient as that, as to just let the thing slide, et cetera. They are going to work as fast and as well as they can under the existing restrictions and I think it would be very difficult to the banks just to refuse to transfer funds. It is a heavily burdened legal liability. I am not a lawyer, but I can see that. I think it is just dodging the issue and putting an undue strain on them, or from the beginning insuring that what we do is ineffective. I would feel that certainly prudence would dictate that where you don't know what the situation exactly is, be sure that the status quo cannot be changed. Anything else is just - I think you expose yourself to the danger that you are going to have a sudden withdrawal of funds which you may want to use and may need for what we believe legitimate American interests and why should we run the chance that the banks through fear or through lack of knowledge will hand over a certain number of million dollars which we could keep control over if we froze it and consider the thing after the President has had enough time to make up his mind. I don't see how freezing possessions is definitely non-interference or can in any way be regarded as un-neutral and interpreted as anything except whatever prudent business would do in a similar situation.

Gaston: Judge Townsend, have you an opinion on the policy involved here, as to whether we should do this in a voluntary way or by formal order?

Townsend: If there is a reasonable probability some action is going to have to be taken in connection with this, the time to take it is right now.

White: Judge Townsend, are you at all concerned over the fact that what is happening is now with respect to control over new areas - and this is the first time action of this kind is being taken? Would that need to receive some weight?

Foley: This is the first time the war has existed in Europe and additional territory.

Townsend: I am not able to answer that, because I don't know what success informal measures have given when carried out in other cases.

Bernstein: In the Polish case, there was a Government that continued to exist and the Central Bank of Poland continued to draw on its funds. The Germans haven't taken over any portion of that. Whether or not they have taken over any of the funds that belonged to Poles who remained in Poland --

Townsend: Personally, I don't see any objection to the suggestion that it be frozen until developments can be made and find out just what we have got to meet. If the situation develops whether we should - would necessarily have to take action later, you would be in a much better position if you take it now than you will to take it later. That is a question of - a State Department question.

Gaston: Are we in general agreement, first, that some action ought to be taken, that the weight of opinion here is that the action to take is a formal action?

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- Townsend: I think unquestionably that is the proper action. With the other, you are exactly in the same position so far as public opinion and consequences are concerned by taking informal action and having the banks to act upon your request. We haven't the legal status.
- Easton: Are we all in agreement that all the other agencies here concerned, so far as they know the attitude of their Boards, are willing to go along on either action, either the voluntary or the formal?
- Purcell: Speaking for myself, since I don't know the attitude of my Commission and since I think that they have very little concern with it, I would rather not express any opinion, but as I said, issue a report back.
- Ransom: Mr. Secretary, of course you know why I can't say what would be the effect of a Board discussion of the matter, although I can say that, as you know, we always try to do the best we can to cooperate no matter where we are asked to do so. The views I have expressed have been in large part to try to develop the line of thought that has existed around this table, coming into it as cold as I did, and I wanted to find out exactly what all of you thought.
- Easton: I am inclined to think that the final decision here will have to be the President's and that is the reason I stated it in that way, and might we go on this basis, that we will present the issue to the Secretary and tell him that the weight of opinion here is for the formal action, and without further meeting on it?
- White: I was wondering, Mr. Ransom, whether you feel that you would like to indicate any objections that you feel may be raised against it that should be mentioned. Is there anything you feel the Board would oppose this action for that you would like to indicate?

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Belmont: I don't know of anything other than what I have said, and I express the view that perhaps this action may be construed to indicate things that are not intended by it at all and the indication there is may be more important in the long run than the action itself.

If it is the view of the Treasury, cooperating with the State Department, that it is necessary to do something and do it now, I should think the Treasury would much prefer to do it by authority rather than by the informal way that has been submitted to you. The other charge, as I see it, that to trust to the voluntary action of these institutions involved, merely trying to keep in touch with them and keep them informed --

White: But you don't have any view as to whether you feel action is or is not necessary?

Belmont: Based on what I have heard here this morning, it seems that action is desirable.

Belmont: They have already - in their announcement yesterday.

Berle: I should like to have the Department recorded as concurring in the action without attempting to advise as to method. I don't think Secretary Hull feels that he ought to - could or at least would express an opinion on a matter which is in your judgment.

Belmont: You concur that action is necessary to take some step to freeze these accounts?

Berle: Exactly, but we don't undertake to pass as between my views I might express as between the formal and informal action, which would be purely personal.

Belmont: Might I ask, Mr. Berle, if the Department would have any objection if we thought it better to meet this situation - we proposed the Executive Order?

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- Barlet: I have no reason to believe they would have any objection.
- Gaston: We here in the Treasury have to make a report on what conclusions we have come to by 2:30 this afternoon. If any of you gentlemen get any new ideas on this subject before that time, we would be glad to have them and if you get them after that time, we would be glad to have them, too.
- White: Mr. Gaston, I am wondering whether it might not be desirable, since the Secretary indicated to me he would like to see us at 2:30 and since Mr. Harrison is waiting, since they have been in on this and would have some very definite views, whether it might not be desirable to indicate to them what our line of thinking is and give them an opportunity to present any counter objections that they might have. They might think of something we may not have thought of.
- Ransom: I would like very much to do that.
- Roberts: Don't you think, since the Secretary talked directly, it might be well that he would be the one to talk to him?
- Ransom: May I ask you men if you see any objection to my discussing it with Mr. Harrison after this conference?
- White: I should think any discussion would be desirable.
- Gaston: Not at all.
- Ransom: May I ask one other question? What would be the language of your proclamation, on what do you predicate it, what is your preamble?
- Polley: Nothing startling in it at all. It just says, "By virtue of the authority vested in me by Section 5(b) of the Act of October 6, 1927, as amended by Section 2 of the Act of March 9, 1933 and by virtue of all other authority

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vested in me, I, Franklin D. Roosevelt, President of the United States, do hereby amend Executive Order 6560, indicated January 16, 1934, regulating transactions in foreign exchange, transfers of credit and the export of coin and currency by adding the following sections after Section 8 thereof." And then we go on.

Gaston: Why not go on then?

White: This statute, I understand, mentions the specific two countries so that the whole Order will be seen as to relating to specific - it would be a case of broad control and then subsequent provision providing for the two countries, so that there will be that less danger of looking like any kind of an over-all system.

Ransom: I would suggest that if Mr. Harrison hasn't had an opportunity to express his views to the Secretary that he seems to have expressed to someone else, that he be given that opportunity, too, because those views may carry some weight beyond anything that has been said here, because, quite frankly, I don't know why they should be particularly concerned.

White: I certainly think they should be given an opportunity.

Foley: The way it has been left, Governor Ransom, is this: We have an understanding with Governor Harrison that we will call him at 3:00 o'clock and he has gotten his committee together in the Board room up there and they are going to be present when we call at 3:00 o'clock. Couldn't we just say for the Secretary that we have refrained ourselves from calling Harrison, but we suggest that the Secretary may wish to call him before making a final decision?

White: In fact, I think there may be some merit in having him notified so that he won't get this thing cold over the phone.

Ransom: I will do that, I will talk to him.



COMMISSIONER OF
ACCOUNTS AND DEPOSITS

TREASURY DEPARTMENT
WASHINGTON

203

April 10, 1920.

TO THE SECRETARY:

At 3:55 P.M. today the following information
was received from the Federal Reserve Bank of New York:

"Market today was rather quiet. Some
selling and early trading. The
market steadily improved during the
rest of the day and turned quite
strong after 3 P.M. Prices at
present time are as much as 12 or
13/32nds above last night's close.
Turnover in the market was very
light."

E. F. P. [Signature]

RE DANISH AND NORWEGIAN BALANCES

April 10, 1940.
4:45 p.m.

Present: Mr. Foley
Mr. Gaston
Mr. Schwarz
Mr. Cochran
Mr. White
Mr. Berle
Mr. Bernstein
Mrs Elotz

H.H.Jr: Now, what is the publicity?

"The President today issued an Executive Order establishing control over the Norwegian and Danish balances and other assets in the United States. The purpose of the Order is to prevent exchange in settlement."

(Mr. Berle and Mr. Bernstein enter the conference)

Berle: There will soon be raised a question which comes down to whether the Federal Reserve Bank is a banking institution.

Gaston: It is comprehensive enough. All we said was in the United States.

H.H.Jr: Now, where is the President's copy?

Foley: Right here.

H.H.Jr: And what will he ask?

Foley: Well, here is the Attorney General's approval. Then they have attached a little memorandum that they have approved it as to formal legality. It merely preserves the situation which held before. They have approved this.

H.H.Jr: All right.

Foley: This is the Executive Order and that is where he signs.

H.H.Jr: Will he want me to initial that, do you think, is that customary?

Foley: No.

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H.M.Jr: I have done nothing.

Foley: Well, you have got this to sign, if you think we will have it.

H.M.Jr: I will read it out loud. I am just doing my homework now.

"Memorandum to the President:

"Pursuant to your request, I am prepared to submit herewith an Executive Order which, in effect, amends the outstanding Executive Order relating to foreign exchange control. The effect of the proposed Executive Order would be to freeze all balances, exchange transactions, et cetera, in which the Norwegian or Danish Government or nationals thereof have any interest. The Order also would enable the Secretary of the Treasury by license to permit any such foreign exchange transaction or withdrawal. The proposed Executive Order also authorizes the Secretary of the Treasury to require reports with respect to all Norwegian and Danish property located in this country."

That takes care of this thing Mr. Hull is worrying about.

Beale: I think his point is that merely some of the bond indentures are pledged to the service - or this obligation - might be as those are examined that some of the Danish bonds outstanding in the hands of American citizens - it might be that some of the funds of the Government of Denmark might become applicable under that pledge to the service of those bonds. This freezing, of course, holds it in suspense until that can be determined.

H.M.Jr: "It is believed that such reports are necessary if this Government is to consider adequately what action should be taken hereafter with respect to such property."

I hate to say this. It is terrible to take a thing like that to the President.

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"As you know, your foreign exchange Executive Order of January 15, 1934 declared the existence of a 'period of national emergency' which has not been terminated. Accordingly, it has not been necessary in the proposed Order expressly to cite the existence of any new emergency to justify the issuance of such Order.

"We have discussed the proposed Order with the interested Departments and Agencies. The Department of Justice has advised us that the Order is legal. The Attorney General's letter of approval is attached. Secretary Hull has indicated his approval by initialing a copy of the Order.

"I have also attached herewith Regulations which I have signed and which call for your approval. Such Regulations would carry out the proposed Executive Order by setting up a system for the receipt of applications for licenses, the passing on such applications, and the issuance of licenses; and also by requiring reports to be filed with respect to all Norwegian or Danish owned property located in this country.

"There is also attached a suggested statement which you might want to have before you in case you receive inquiries from the press in respect to the Order."

I think I would leave that off, because he might want to use this. Whoever did this, ask them to leave a copy of it.

Foley: You want to leave the last paragraph off?

H.M.Jr: Leave the last paragraph off. I am going to ask Mr. Berle and you to go with me.

(Unrecorded telephone conversation with Pa^r Watson)

5:15; is it all in order?

Foley: We are getting this typed up.

H.M.Jr: I don't think that this - personally, I don't think that this is very good.

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"The President today issued an Executive Order establishing control over the Norwegian and Danish balances and other assets in the United States. The purpose of the Order is to prevent exchange in settlement."

Personally, I think that statement to the President is better than this.

- Wheeler: So do I. I think it might be better to do it and say nothing and if you want to feed out some background to Steve Early or whoever it is over there, in the event he makes a statement --
- W.H.Jr: I think so. I had better put Steve on notice that I am coming over.
- Wheeler: Won't you think so?
- W.H.Jr: I think so. I think Steve had better do that. Have you got the people on notice of the machinery?
- Wheeler: Yes. Thompson is having an operator stay so as to notify the Federal Reserve Banks and he is calling the Federal Register to see whether we can get it printed in tomorrow's Register. I believe it has to be printed in the Federal Register to be effective and I think the effective date on this is according to the Federal Register.
- W.H.Jr: Can't it be effective at midnight?
- Wheeler: I don't think so. The lawyers can tell you. The publication of the Federal Register will be tomorrow morning. I don't know whether we can get it in tomorrow morning's Register or not. That is what he is finding out.
- W.H.Jr: Who?
- Wheeler: Norman Thompson.
- W.H.Jr: While I am waiting, George Harrison tried to tell me about some financial transactions and I told him to tell you.
- Wheeler: I have them all here and I have gone over them with Bernstein.

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- H.M.Jr: While we are waiting, may I have them?
- Cochran: The first one is the payment of \$900,000 to the Guaranty Trust. This is the Federal Reserve Bank. On cable instructions dated April 8 from Denmark's National Bank. The payment would be for the account of Denmark's National Bank with the Guaranty. That would be just the transfer of funds from the Federal Reserve Bank to the Guaranty Trust. This would take care of coupons that mature April 15 on a $4\frac{1}{2}\%$ Kingdom of Denmark External Gold Bond No. 1952. This issue was floated in the United States. Under the contract, the Guaranty as paying agent must be provided with the funds by Denmark five days prior to the coupon date, so the payment would have to go across today and I think it is a perfectly legitimate transfer.
- H.M.Jr: That is the kind of thing Mr. Hull wants to see.
- Berle: That is a good --
- H.M.Jr: It is a good point to tell him. I am glad to have you hear these first ones. Go ahead, that is O. K.
- Cochran: Then there are three payments under instructions dated March 15, March 29 and April 2, respectively, all issued to the Brown Bros. Harriman Company. These are payments which would be made against delivery of the Norwegian Government bonds to the Federal Reserve of New York. For some time the Norwegian Government has been supporting its own Government bond market here and these banks have brought up bonds and turned them over to the Fed. The Fed charges the dollar account of the Norges Bank with the corresponding amount and holds these bonds in the security account of the Norwegian Central Bank, so it just means that the Norwegian Central Bank would have its own bonds instead of dollars in this account.
- Berle: That is all right.
- H.M.Jr: That settles those. They are just buying their own bonds. O. K.

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- Cochran: Then there are some other payments totaling \$871,000. The Norwegian Central Bank gave a telegraphic instruction of April 8 on all these. These are for seven payments to be made to New York banks for the credit of certain private Norwegian banks, that is, banks other than the Norwegian Central Bank and the amount would be debited to the account of the Norwegian Central Bank.
- H.M.Jr: But the money is staying here?
- Cochran: The money is staying in this country with private banks to the account of Norwegian private banks.
- H.M.Jr: That sounds all right.
- Berle: It will be frozen anyway.
- H.M.Jr: All of these will be frozen.
- Cochran: There is one payment Enoke and I both questioned. This is another one under the same authorization, but it is for payment of \$100,000 from the Federal Reserve Bank, debiting the account of the Norwegian Central Bank, payable to the Bankers Trust in New York for the account of the Copenhagen Handelsbank. That is a payment into another country.
- H.M.Jr: That I would hold.
- White: We all agreed on that.
- H.M.Jr: Well, hold that.
- Cochran: And then the last one, Harriman Brown Bros. have been presented with a draft on themselves for \$10,000 by a Canadian bank. Now, there has been a letter of credit established with Brown Bros. covering grain shipments which go out from Montreal, I think, from a Canadian port, and as the grain is loaded, they can draw on this and get their funds, so now they have presented this draft for \$10,000.
- White: Who gets the grain?

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Cochran: The grain is on the ship and I can't think that Canada would let the grain go out to Germany. I don't know what the destination will be now.

Bernstein: Who gets the money, the Canadian concern?

Cochran: Yes, the Canadian bank has presented it --

Berle: Denmark has bought Canadian grain.

White: They will hold both the wheat and the money.

Cochran: The money is not getting away anyway, that is a certainty. Neither is the wheat.

H.H.Jr: Is the boat loaded?

Cochran: In Canada with wheat for Norway.

Berle: Is it American wheat?

Cochran: I am afraid not.

Berle: I don't suppose so, so that we are merely now finishing up by paying in Canadian bills to the Norwegian Government. I see no objection to it, Mr. Secretary, unless you want --

H.H.Jr: If it was a million dollars - I don't think it is enough to make an issue out of.

Berle: Yes, it is stated here that the Canadians will wind up with both the wheat and the money and there is no objection on our part.

H.H.Jr: I don't think it is worth - do you?

Cochran: I think we can let it go.

White: They have asked it because they are afraid they won't get it, but I don't see why we should worry if they do get it.

H.H.Jr: Who gets it?

White: Some Canadian bank.

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H.M.Jr: You mean Canada is worried about it?

White: I suppose so.

H.M.Jr: Do you want to raise any objections?

White: I think we ought to let as many go as we can, particularly when they involve mushroom transactions and when we are sure they won't get where you don't want them to go.

Berle: That grain is either going to stay in Canada or go somewhere else now.

H.M.Jr: As long as none of this gets into the diplomatic files so that it will be published six months hence by the Germans, it is all right - a la Mr. Bullitt.

White: Even if it does, this is a payment for Canadian grain to be shipped to Norway.

Cochran: It is rather an old credit.

H.M.Jr: O. K., is that all?

Cochran: That is all.

H.M.Jr: That is very interesting, isn't it?

Berle: Very.

Cochran: It gives you a very good cross section.

White: There is only one point to be raised and that is it might be possible if a decision can't be made for this to continue another day or two and you could oppose this a day or two later if you wish, and there probably wouldn't be any loss.

H.M.Jr: I want to do this tonight. I think it should be done tonight. I told the President I am coming and I want to go over there now and get it finished, and have you got everything?

Foley: I have everything except the memorandum. You will have to sign these Regulations.

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- H.M.Jr: You (Berle) will go with me, won't you, please?
- Berle: It will be a pleasure. I didn't mean to thrust myself into this.
- H.M.Jr: No, I am simply delighted. The President might want to ask some questions. I don't date this, do I?
- Foley: No, when we get it approved we will date it over there.
- White: That is today's date.
- H.M.Jr: I am not worrying about the machinery and the telegrams and all that.

C
O
P
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April 10, 1940

MEMORANDUM FOR THE PRESIDENT

Pursuant to your request, I have prepared and submit herewith an Executive Order which in effect amends the outstanding Executive Order relating to foreign exchange control. The effect of the proposed Executive Order would be to freeze all balances, exchange transactions, etc. in which the Norwegian or Danish Government or nationals thereof have any interest. The Order would also enable the Secretary of the Treasury by license to permit any such foreign exchange transaction or withdrawal. The proposed Executive Order also authorizes the Secretary of the Treasury to require reports with respect to all Norwegian and Danish property located in this country. It is believed that such reports are necessary if this Government is to consider adequately what action should be taken hereafter with respect to such property.

As you know, your foreign exchange Executive Order of January 15, 1934 declared the existence of a "period of national emergency" which has not been terminated. Accordingly, it has not been necessary in the proposed Order expressly to cite the existence of any new emergency to justify the issuance of such Order.

We have discussed the proposed Order with the interested Departments and Agencies. The Department of Justice has advised us that the Order is legal. The Attorney General's letter of approval is attached. Secretary Hull has indicated his approval by initialing a copy of the Order.

I have also attached herewith Regulations which I have signed and which call for your approval. Such Regulations would carry out the proposed Executive Order by setting up a system for the receipt of applications for licenses, the passing on such applications, and the issuance of licenses; and also by requiring reports to be filed with respect to all Norwegian or Danish owned property located in this country.

Attachments

BB:s 4/10/40

C
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April 10, 1948.

The President,

The White House.

My dear Mr. President:

I am herewith transmitting a proposed Executive order, prepared in the Treasury Department and informally submitted for my consideration, amending Executive Order No. 6560 of January 15, 1934, regulating transactions in foreign exchange, transfers of credit, and the export of coin and currency.

The proposed order has my approval as to form and legality. Attention is invited to the enclosed memorandum which deals with the legal questions involved.

Respectfully,

151 Francis Biddle

Acting Attorney General.

Enc.

April 10, 1943

MEMORANDUM

Re: Proposed Executive order entitled "Amendment of Executive Order No. 6560 dated January 15, 1934, regulating transactions in foreign exchange, transfers of credit, and the export of coin and currency."

Legal doubt exists only with respect to that provision of the proposed order which requires detailed reporting of foreign-owned assets in the United States. It is believed, however, that the order would be upheld even in that respect if issued under conditions of national emergency, the existence of which is for the President's determination.

The proposed order cites as authority section 5(b) of the act of October 6, 1917, 40 Stat. 411, as amended by section 2 of the act of March 9, 1933, 48 Stat. 1. It amends Executive Order No. 6560 of January 15, 1934, and places further restrictions upon transactions in foreign exchange, transfers of credit, payments, and the export or withdrawal of coin, bullion or currency, involving property of Norway and Denmark or their nationals. This phase of the order follows substantially the express language of the statute and is wholly free from doubt.

The order also provides for the filing of detailed reports concerning such foreign-owned assets in the United States. The statute does not, in express terms, provide for the filing of such reports, but it is believed that such requirement, made during a period of war or national emergency, is sustainable and would be upheld.

The statute relied upon for authority reads as follows:

"(b) During time of war or during any other period of national emergency declared by the President, the President may, through any agency that he

may designate, or otherwise, investigate, regulate, or prohibit, under such rules and regulations as he may prescribe, by means of licenses or otherwise, any transactions in foreign exchange, transfers of credit between or payments by banking institutes as defined by the President, and export, hoarding, melting, or re-marking of gold or silver coin or bullion or currency, by any person within the United States or any place subject to the jurisdiction thereof; and the President may require any person engaged in any transaction referred to in this subdivision to furnish under oath, complete information relative thereto, including the production of any books or account, contracts, letters or other papers, in connection therewith in the custody or control of such person, either before or after such transaction is completed. Whoever willfully violates any of the provisions of this subdivision or of any license, order, rule or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both. As used in this subdivision the term 'person' means an individual, partnership, association, or corporation." (Underlining supplied.)

It is believed that the words "investigate, regulate, or prohibit" in the statute could be relied upon as implying authority to require the reports if the order were issued during a period of war or other national emergency, upon the theory that knowledge of the nature, location, and ownership of the foreign-owned property involved would be necessary for the proper and efficient administration of foreign exchange control.

It must be observed, however, that violations of the statute and orders or regulations issued thereunder are punishable, upon conviction, by fine and imprisonment. Thus, in the final analysis any implication in the statute is to be resolved by the courts. Whether the courts would sustain the implied authority, it is believed, would depend upon the nature of the emergency existing. The extent to which public opinion approved the exercise of the power would unquestionably have a bearing upon the successful administration of the order.

EXECUTIVE ORDER

AMENDMENT OF EXECUTIVE ORDER NO.
6560, DATED JANUARY 15, 1934,
REGULATING TRANSACTIONS IN FOREIGN
EXCHANGE, TRANSFERS OF CREDIT, AND
THE EXPORT OF COIN AND CURRENCY.

By virtue of the authority vested in me by section 5(b) of the Act of October 6, 1917 (40 Stat. 411), as amended by section 2 of the Act of March 9, 1933 (48 Stat. 1), and by virtue of all other authority vested in me, I, FRANKLIN D. ROOSEVELT, PRESIDENT of the UNITED STATES OF AMERICA, do hereby amend Executive Order No. 6560, dated January 15, 1934, regulating transactions in foreign exchange, transfers of credit, and the export of coin and currency by adding the following sections after section 8 thereof:

"Section 9. Notwithstanding any of the provisions of sections 1 to 8, inclusive, of this Order, all of the following are prohibited, except as specifically authorized in regulations or licenses issued by the Secretary of the Treasury pursuant to this Order, if involving property in which Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect:

"A. All transfers of credit between any banking institutions within the United States;

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and all transfers of credit between any banking institution within the United States and any banking institution outside the United States (including any principal, agent, lease office, branch, or correspondent outside of the United States, of a banking institution within the United States);

"D. All payments by any banking institution within the United States;

"E. All transactions in foreign exchange by any person within the United States;

"F. The export or withdrawal from the United States, or the counting of gold or silver coin or bullion or currency by any person within the United States; and

"G. Any transaction for the purpose or which has the effect of evading or avoiding the foregoing prohibitions.

"Section 12. Additional Reports.

"A. Reports under oath shall be filed, on such forms, at such times or times and from time to time, and by such persons, as provided in regulations prescribed by the Secretary of the Treasury, with respect to all property of any nature whatsoever of which Hervey or Dumont or any national thereof is or was the owner, or in which Hervey or Dumont or any national thereof has or had an interest of any nature whatsoever, direct or indirect, and with respect to any acquisition, transfer, disposition, or any other dealing in such property.

"B. The Secretary of the Treasury may require the furnishing under oath of additional and supplemental information, including the production of any books of account, contracts, letters or other papers with respect to the matters concerning which reports are required to be filed under this Section.

"Section 11. Additional Definitions. In addition to the definitions contained in Section 7, the following definitions are prescribed:

"A. The terms 'Norway' and 'Denmark', respectively, mean the State and the Government of Norway and Denmark on April 8, 1940, and any political subdivisions, agencies and instrumentalities thereof, including territories, dependencies and possessions, and all persons acting or purporting to act directly or indirectly for the benefit or on behalf of the foregoing. The terms 'Norway' and 'Denmark', respectively, shall also include any and all other governments (including political subdivisions, agencies, and instrumentalities thereof and persons acting or purporting to act directly or indirectly for the benefit or on behalf thereof) to the extent and only to the extent that such governments exercise or claim to exercise de jure or de facto sovereignty over the area which, on April 8, 1940, constituted Norway or Denmark.

"B. The term 'national' of Norway or Denmark shall include any person who has been or whom there

is reasonable cause to believe has been domiciled in, or a subject, citizen or resident of Norway or Denmark at any time since April 8, 1940, but shall not include any individual domiciled and residing in the United States on April 8, 1940, and shall also include any partnership, association, or other organization, including any corporation organized under the laws of, or which on April 8, 1940, had its principal place of business in Norway or Denmark or which on or after such date has been controlled by, or a substantial part of the stock, shares, bonds, debentures, or other securities of which has been owned or controlled by, directly or indirectly, one or more persons, who have been, or whom there is reasonable cause to believe have been, domiciled in, or the subjects, citizens or residents of Norway or Denmark at any time on or since April 8, 1940, and all persons acting or purporting to act directly or indirectly for the benefit or on behalf of the foregoing.

"C. The term 'banking institution' as used in section 9 includes any person engaged primarily or incidentally in the business of banking, of granting or transferring credits, or of purchasing or selling foreign exchange or procuring purchasers and sellers thereof, as principal or agent, or any person holding credits for others as a direct or incidental part of his business, or brokers; and, each principal, agent,

home office, branch or correspondent of any person so engaged shall be regarded as a separate 'banking institution'.

"Section 12. Additional Regulations. The Regulations of November 12, 1934, are hereby modified insofar as they are inconsistent with the provisions of sections 9 to 11, inclusive, of this Order, and except as so modified are hereby continued in full force and effect. The Secretary of the Treasury is authorized and empowered to prescribe from time to time regulations to carry out the purposes of sections 9 to 11, inclusive, of this Order as amended, and to provide in such regulations or by rulings made pursuant thereto, the conditions under which licenses may be granted by such agencies as the Secretary of the Treasury may designate."

(signed) Franklin D. Roosevelt

THE WHITE HOUSE,

April 10, 1940, 6 p.m. E.S.T.

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TREASURY DEPARTMENT,
Office of the Secretary,
1940.

REGULATIONS

Relating to Transactions in Foreign Exchange,
Transfers of Credit, Payments, and the Export or
Withdrawal of Gold, Bullion and Currency; and to
Reports of Foreign Property Interests in the United
States. (a)

Section 130.1. Authority for regulations. These regulations
are prescribed and issued under authority of Section 5(b) of the Act
of October 6, 1917 (40 Stat. 411) as amended by Section 2 of the Act
of March 9, 1933 (48 Stat. 1), and Executive Order No. 6560, dated
January 15, 1934, as amended. (a)

Section 130.2. Definitions.

(a) The term "Order" shall refer to Executive Order No. 6560,
of January 15, 1934, as amended.

(b) The term "regulations" shall refer to these regulations.

(c) The terms "property" and "property interest" or "property
interests" shall include, but not by way of limitation, money, checks,
drafts, bullion, bank deposits, savings accounts, any debts, indebted-
ness or obligations, financial securities commonly dealt in by bankers,
brokers, and investment houses, notes, debentures, stocks, bonds,

(*) Sections 130.1 to 130.4a - Sec. 5(b), 40 Stat. 415 and 966; sec. 2,
48 Stat. 1; 12 U.S.C. 95a; Ex. Order 6560, Jan. 15, 1934; Ex. Order
1940.

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coupons, bankers' acceptances, mortgages, pledges, liens or other right in the nature of security, warehouse receipts, bills of lading, trust receipts, bills of sale, other evidences of title or ownership, goods, wares, merchandise, chattels, stocks on hand, ships, goods on ships, real estate mortgages, vendors' sales agreements, land contracts, real estate and any interest therein, leaseholds, ground rents, options, negotiable instruments, trade acceptances, repurchase, bank accounts, accounts payable, judgments, patents, trademarks, copyrights, insurance policies, safe deposit boxes and their contents, annuities, etc.

(4) Safe deposit boxes shall be deemed to be in the "custody" not only of all persons having access thereto but also of the lessors of such boxes whether or not such lessors have access to such boxes. The foregoing shall not in any way be regarded as a limitation upon the meaning of the term "custody".

(c) For the meaning of other terms reference should be made to the definitions contained in the Order. (v)

Section 135-3. Licenses to engage in foreign exchange transactions.
135-3. Applications for licenses to engage in foreign exchange transactions, transfers of credit, payments, or the export or withdrawal from the United States or the counting of gold or silver coins or bullion or currency, involving property in which Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect, shall be filed in duplicate with the Federal Reserve bank of the district in which the applicant resides or has his principal place of business or principal office or agency, or with the Federal Reserve Bank of New York if the applicant has no legal residence or principal place of business or principal office or agency in a Federal Reserve district. Application forms may be obtained from any

Federal Reserve bank, mint or assay office, or the Secretary of the Treasury, Washington, D. C. Applications shall be executed under oath before an officer authorized to administer oaths, or if executed outside of the United States, before a diplomatic or consular officer of the United States. The applicant shall furnish such further information as shall be requested of him by the Secretary of the Treasury or the Federal Reserve bank at which the application is filed. Licenses will be issued by the Secretary of the Treasury, acting directly or through any agencies that he may designate, and by the Federal Reserve banks acting in accordance with such rules, regulations, and instructions as the Secretary of the Treasury may from time to time prescribe, in such cases or classes of cases as the Secretary of the Treasury may determine in rules, regulations, and instructions prescribed by him. The Federal Reserve bank at which an application is filed will advise the applicant of the granting or denial of the license. When the transaction authorized by the license has been completed the license should be returned by the licensee to the Federal Reserve bank at which the application was filed, except in the case of licenses for the export or withdrawal of currency or gold or silver coin or bullion, in which case the license, after having been cancelled by the collector of customs or the postmaster through whom the exportation or withdrawal was made, shall be sent by such collector of customs or postmaster to the Federal Reserve bank at which the application was filed. Appropriate forms for applications and licenses will be prescribed by the Secretary of the Treasury. Licenses may be required to file reports upon the consummation of the transactions. The decision of the Secretary of the Treasury with respect to the approval or disapproval of an application shall be final. (c)

and Nationals thereof.

(a) Within 10 days from the publication of these regulations in the Federal Register, reports shall be filed on Form TFB-100, duly executed under oath, containing the information called for in such Form, with respect to all property situated in the United States on the date as of which the report is made in which Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect. Such reports shall be filed by:

(1) Every person in the United States directly or indirectly holding, or having title to, or custody, control, or possession of such property including, without any limitation whatsoever of the foregoing, every partnership, association, or corporation organized under the laws of the United States or any state or territory of the United States, or having its principal place of business in the United States, in the shares of whose stock or in whose debentures, notes, bonds, coupons, or other obligations or securities Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect; and

(2) Every agent or representative in the United States for Norway or Denmark or any national thereof having any information with respect to any such property.

Provided, That no report on Form TFB-100 need be filed where the total value of all property interests to be reported is less than \$250.

(b) The date as of which all reports on Form TFB-100 are required to be made is _____, 1940.

(c) At the close of every business day in which there shall occur

any acquisition, transfer, disposition, or any other dealing in any of the property interests designated in paragraph (a) above, a report, or reports, on Form TFB-300, duly executed under oath, containing the information called for in such Form shall be filed by every person, agent, etc., referred to in paragraph (a) above, provided, however, that such reports for the ten day period from the date of publication of these regulations in the Federal Register, may be filed at any time within such ten day period.

(d) Neither filing nor the failure to file a report or reports required to be filed on Form TFB-300, nor the absence of a duty to file such report or reports shall in any way affect the duty to file a report or reports on Form TFB-300, and vice versa.

(e) Reports shall be executed and filed in triplicate with the Federal Reserve bank of the district in which the party filing the report resides or has his principal place of business or principal office or agency, or if such party has no legal residence or principal place of business or principal office or agency in a Federal Reserve district, then with the Federal Reserve Bank of New York. A report shall be deemed to have been filed when it is received by the proper Federal Reserve bank or when it is properly addressed and mailed and bears a postmark dated prior to midnight of the date upon which the report is due. At the close of each business day the Federal Reserve bank shall forward two executed copies of every report filed on that day to the Secretary of the Treasury.

(f)(1) All spaces in the report must be properly filled in. Reports found not to be in proper form, or lacking in essential details, shall not be deemed to have been filed in compliance with the Order.

(2) Where space in the report form does not permit full answers to questions, the information required may be set forth in supplementary

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papers incorporated by reference in the report and submitted therewith. Supplementary documents and papers must be referred to in the principal statement in chronological or other appropriate order and be described in such manner that they can be identified.

(c) A separate report under oath must be filed by each person required to file a report except that persons holding property jointly may file a joint report.

(d) Upon a written request made to the Secretary of the Treasury by a party required to file a report, setting forth reasons why the report cannot be filed on or before the date such report is due, the Secretary of the Treasury, in his discretion, may grant such an extension of time for making the report as under the circumstances shall appear to be required.

(i) Report Forms TFR-100 and TFR-200 may be obtained from any Federal Reserve bank, mint or assay office and the Secretary of the Treasury, Washington, D. C. (v)

Section 130.5. Penalties. Section 5(b) of the Act of October 6, 1917, as amended by Section 2 of the Act of March 9, 1933, provides in parts

"Whoever willfully violates any of the provisions of this subdivision or of any license, order, rule or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both. As used in this subdivision the term 'person' means an individual, partnership, association, or corporation." (v)

Section 124. ~~Classification of Information~~. These regulations and any forms or instructions issued hereunder may be modified or amended at any time.

(signed) *W. B. ...*
Secretary of the Treasury

APR 10 1942

(signed) *Franklin D. Roosevelt*

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TREASURY DEPARTMENT,
Office of the Secretary,
April 11, 1943.

REGULATIONS

Relating to Transactions in Foreign Exchange,
Transfers of Credit, Payments, and the Export or
Withdrawal of Gold, Bullion and Currency; and to
Reports of Foreign Property Interests in the United
States. (a)

Section 130.1. Authority for regulations. These regulations
are promulgated and issued under authority of Section 5(b) of the Act
of October 6, 1917 (40 Stat. 411) as amended by Section 2 of the Act
of March 9, 1933 (48 Stat. 1), and Executive Order No. 6550, dated
January 15, 1934, as amended. (a)

Section 130.2. Definitions.

(a) The term "Order" shall refer to Executive Order No. 6550,
of January 15, 1934, as amended.

(b) The term "regulations" shall refer to these regulations.

(c) The terms "property" and "property interest" or "property
interests" shall include, but not by way of limitation, money, checks,
drafts, bullion, bank deposits, savings accounts, any debts, indebted-
ness or obligations, financial securities commonly dealt in by bankers,
insurance, and investment houses, notes, debentures, stocks, bonds,

^a Sections 130.1 to 130.6c - Sec. 5(b), 40 Stat. 415 and 966; sec. 2,
48 Stat. 1; 12 U.S.C. 95a; Ex. Order 6550, Jan. 15, 1934; Ex. Order
, 1943.

coupons, bankers' acceptances, mortgages, pledges, liens or other right in the nature of security, warehouse receipts, bills of lading, trust receipts, bills of sale, other evidences of title or ownership, goods, wares, merchandise, chattels, stocks on hand, ships, goods on ships, real estate mortgages, vendors' sales agreements, lease contracts, real estate and any interest therein, leaseholds, ground rents, options, negotiable instruments, trade acceptances, royalties, book accounts, accounts payable, judgments, patents, trademarks, copyrights, insurance policies, safe deposit boxes and their contents, annuities, etc.

(d) Safe deposit boxes shall be deemed to be in the "custody" not only of all persons having access thereto but also of the lessors of such boxes whether or not such lessors have access to such boxes. The foregoing shall not in any way be regarded as a limitation upon the meaning of the term "custody".

(e) For the meaning of other terms reference should be made to the definitions contained in the Order. (*)

Section 130.3. Licenses to engage in foreign exchange transactions, etc. Applications for licenses to engage in foreign exchange transactions, transfers of credit, payments, or the export or withdrawal from the United States or the earmarking of gold or silver coin or bullion or currency, involving property in which Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect, shall be filed in duplicate with the Federal Reserve bank of the district in which the applicant resides or has his principal place of business or principal office or agency, or with the Federal Reserve Bank of New York if the applicant has no legal residence or principal place of business or principal office or agency in a Federal Reserve district. Application forms may be obtained from any

Federal Reserve bank, mint or assay office, or the Secretary of the Treasury, Washington, D. C. Applications shall be executed under oath before an officer authorized to administer oaths, or if executed outside of the United States, before a diplomatic or consular officer of the United States. The applicant shall furnish such further information as shall be requested of him by the Secretary of the Treasury or the Federal Reserve bank at which the application is filed. Licenses will be issued by the Secretary of the Treasury, acting directly or through any agencies that he may designate, and by the Federal Reserve banks acting in accordance with such rules, regulations, and instructions as the Secretary of the Treasury may from time to time prescribe, in such cases or classes of cases as the Secretary of the Treasury may determine in rules, regulations, and instructions prescribed by him. The Federal Reserve bank at which an application is filed will advise the applicant of the granting or denial of the license. When the transaction authorized by the license has been completed the license should be returned by the licensee to the Federal Reserve bank at which the application was filed, except in the case of licenses for the export or withdrawal of currency or gold or silver coin or bullion, in which case the license, after having been cancelled by the collector of customs or the postmaster through whom the exportation or withdrawal was made, shall be sent by such collector of customs or postmaster to the Federal Reserve bank at which the application was filed. Appropriate forms for applications and licenses will be prescribed by the Secretary of the Treasury. Licenses may be required to file reports upon the consummation of the transactions. The decision of the Secretary of the Treasury with respect to the approval or disapproval of an application shall be final. (*)

Section 130.4. Reports of Property Interests of Norway and Denmark

and Nationals Thereof.

(a) Within 10 days from the publication of these regulations in the Federal Register, reports shall be filed on Form TFS-100, duly executed under oath, containing the information called for in such Form, with respect to all property situated in the United States on the date as of which the report is made in which Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect. Such reports shall be filed by:

(1) Every person in the United States directly or indirectly holding, or having title to, or custody, control, or possession of such property including, without any limitation whatsoever of the foregoing, every partnership, association, or corporation organized under the laws of the United States or any state or territory of the United States, or having its principal place of business in the United States, in the shares of whose stock or in whose debentures, notes, bonds, coupons, or other obligations or securities Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect; and

(2) Every agent or representative in the United States for Norway or Denmark or any national thereof having any information with respect to any such property.

Provided, That no report on Form TFS-100 need be filed where the total value of all property interests to be reported is less than \$250.

(b) The date as of which all reports on Form TFS-100 are required to be made is April 8, 1940.

(c) At the close of every business day in which there shall occur

any acquisition, transfer, disposition, or any other dealing in any of the property interests designated in paragraph (b) above, a report, or reports, on Form FD-350, this essential matter will, containing the information called for in such form shall be filed by every person, agent, etc., referred to in paragraph (b) above, and, however, that such reports for the ten day period from the date of publication of these regulations in the Federal Register, shall be filed at any time within such ten day period.

(d) Section 1113(a) and the failure to file a report or reports required to be filed on Form FD-350, or the absence of a copy of the such report or reports shall in any way affect the duty to file a report or reports on Form FD-350, and vice versa.

(e) Reports shall be essential and filed in accordance with the Federal Reserve Bank of the district in which the party filing the report resides or has his principal place of business or principal office or agency, or if such party has no legal residence or principal place of business or principal office or agency in a Federal Reserve district, then with the Federal Reserve Bank of New York. A report shall be deemed to have been filed when it is received by the proper Federal Reserve bank or when it is properly addressed and mailed with a postmark dated prior to midnight on the date upon which the report is due. At the time of such mailing by the Federal Reserve Bank shall forward two essential copies of every report filed on that day to the Secretary of the Treasury.

(f)(1) All reports in the report, and in property filed in Reports found not to be in proper form, or lacking in essential details, shall not be deemed to have been filed in compliance with the Act.

(2) Where copies of the report are not filed and where such copies to questions, the information required by the Act shall be supplementary

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papers incorporated by reference in the report and submitted therewith. Supplementary documents and papers must be referred to in the principal statement in chronological or other appropriate order and be described in such manner that they can be identified.

(g) A separate report under oath must be filed by each person required to file a report except that persons holding property jointly may file a joint report.

(h) Upon a written request made to the Secretary of the Treasury by a party required to file a report, setting forth reasons why the report cannot be filed on or before the date such report is due, the Secretary of the Treasury, in his discretion, may grant such an extension of time for making the report as under the circumstances shall appear to be required.

(i) Report Forms TFB-100 and TFB-200 may be obtained from any Federal Reserve bank, mint or assay office and the Secretary of the Treasury, Washington, D. C. (*)

Section 130.5. Penalties. Section 5(b) of the Act of October 6, 1917, as amended by Section 2 of the Act of March 9, 1933, provides in part:

"* * * Whoever willfully violates any of the provisions of this subdivision or of any license, order, rule or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participated in such violation may be punished by a like fine, imprisonment, or both. As used in this subdivision the term 'person' means an individual, partnership, association, or corporation." (*)

Section 130.6. Modification or Revocation. These regulations and any forms or instructions issued hereunder may be modified or revoked at any time. (*)

H. M. Pritchard
Secretary of the Treasury

APPROVED: *April 10th*, 1940.

Franklin D. Roosevelt

TREASURY DEPARTMENT,
 Office of the Secretary,
 April 10, 1940.

REGULATIONS

Relating to Transactions in Foreign Exchange,
 Transfers of Credit, Payments, and the Export or
 Withdrawal of Coins, Bullion and Currency; and to
 Reports of Foreign Property Interests in the United
 States. (*)

Section 130.1. Authority for regulations. These regulations are prescribed and issued under authority of Section 5(b) of the Act of October 6, 1917 (40 Stat. 411) as amended by Section 2 of the Act of March 9, 1933 (48 Stat. 1), and Executive Order No. 6550, dated January 15, 1934, as amended. (*)

Section 130.2. Definitions.

(a) The term "Order" shall refer to Executive Order No. 6550, of January 15, 1934, as amended.

(b) The term "regulations" shall refer to these regulations.

(c) The terms "property" and "property interest" or "property interests" shall include, but not by way of limitation, money, checks, drafts, bullion, bank deposits, savings accounts, any debts, indebtedness or obligations, financial securities commonly dealt in by bankers, brokers, and investment houses, notes, debentures, stocks, bonds,

(*) Sections 130.1 to 130.6: - Sec. 5(b), 40 Stat. 415 and 966; sec. 2, 48 Stat. 1; 12 U.S.C. 95a; Ex. Order 6550, Jan. 15, 1934; Ex. Order , 1940.

coupons, bankers' acceptances, mortgages, pledges, liens or other right in the nature of security, warehouse receipts, bills of lading, trust receipts, bills of sale, other evidences of title or ownership, goods, wares, merchandise, chattels, stocks on land, ships, goods on ships, real estate mortgages, vendors' sales agreements, land contracts, real estate and any interest therein, leaseholds, ground rents, options, negotiable instruments, trade acceptances, royalties, book accounts, accounts payable, judgments, patents, trademarks, copyrights, insurance policies, safe deposit boxes and their contents, securities, etc.

(d) Safe deposit boxes shall be deemed to be in the "custody" not only of all persons having access thereto but also of the lessors of such boxes whether or not such lessors have access to such boxes. The foregoing shall not in any way be regarded as a limitation upon the meaning of the term "custody".

(e) For the meaning of other terms reference should be made to the definitions contained in the Order. (e)

Section 130.3. Licenses to engage in foreign exchange transactions, etc. Applications for licenses to engage in foreign exchange transactions, transfers of credit, payments, or the export or withdrawal from the United States or the earmarking of gold or silver coin or bullion or currency, involving property in which Norway or Denmark or any national thereof has at any time on or since April 3, 1940, had any interest of any nature whatsoever, direct or indirect, shall be filed in duplicate with the Federal Reserve bank of the district in which the applicant resides or has his principal place of business or principal office or agency, or with the Federal Reserve Bank of New York if the applicant has no legal residence or principal place of business or principal office or agency in a Federal Reserve district. Application forms may be obtained from any

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Federal Reserve bank, mint or assay office, or the Secretary of the Treasury, Washington, D. C. Applications shall be executed under oath before an officer authorized to administer oaths, or if executed outside of the United States, before a diplomatic or consular officer of the United States. The applicant shall furnish such further information as shall be requested of him by the Secretary of the Treasury or the Federal Reserve bank at which the application is filed. Licenses will be issued by the Secretary of the Treasury, acting directly or through any agencies that he may designate, and by the Federal Reserve banks acting in accordance with such rules, regulations, and instructions as the Secretary of the Treasury may from time to time prescribe, in such cases or classes of cases as the Secretary of the Treasury may determine in rules, regulations, and instructions prescribed by him. The Federal Reserve bank at which an application is filed will advise the applicant of the granting or denial of the license. When the transaction authorized by the license has been completed the license should be returned by the licensee to the Federal Reserve bank at which the application was filed, except in the case of licenses for the export or withdrawal of currency or gold or silver coin or bullion, in which case the license, after having been cancelled by the collector of customs or the postmaster through whom the exportation or withdrawal was made, shall be sent by such collector of customs or postmaster to the Federal Reserve bank at which the application was filed. Appropriate forms for applications and licenses will be prescribed by the Secretary of the Treasury. Licensees may be required to file reports upon the consummation of the transactions. The decision of the Secretary of the Treasury with respect to the approval or disapproval of an application shall be final. (*)

Section 130.4. Reports of Property Interests of Norway and Denmark

and Nationals Thereof.

(a) Within 10 days from the publication of these regulations in the Federal Register, reports shall be filed on Form TFR-100, duly executed under oath, containing the information called for in such Form, with respect to all property situated in the United States on the date as of which the report is made in which Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect. Such reports shall be filed by:

(1) Every person in the United States directly or indirectly holding, or having title to, or custody, control, or possession of such property including, without any limitation whatsoever of the foregoing, every partnership, association, or corporation organized under the laws of the United States or any state or territory of the United States, or having its principal place of business in the United States, in the shares of whose stock or in whose debentures, notes, bonds, coupons, or other obligations or securities Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect; and

(2) Every agent or representative in the United States for Norway or Denmark or any national thereof having any information with respect to any such property.

Provided, That no report on Form TFR-100 need be filed where the total value of all property interests to be reported is less than \$250.

(b) The date as of which all reports on Form TFR-100 are required to be made is April 8, 1940.

(c) At the close of every business day in which there shall occur

any acquisition, transfer, disposition, or any other dealing in any of the property interests designated in paragraph (a) above, a report, or reports, on Form TFR-300, duly executed under oath, containing the information called for in such Form shall be filed by every person, agent, etc., referred to in paragraph (a) above, provided, however, that such reports for the ten day period from the date of publication of these regulations in the Federal Register, may be filed at any time within such ten day period.

(d) Neither filing nor the failure to file a report or reports required to be filed on Form TFR-100, nor the absence of a duty to file such report or reports shall in any way affect the duty to file a report or reports on Form TFR-300, and vice versa.

(e) Reports shall be executed and filed in triplicate with the Federal Reserve bank of the district in which the party filing the report resides or has his principal place of business or principal office or agency, or if such party has no legal residence or principal place of business or principal office or agency in a Federal Reserve district, then with the Federal Reserve Bank of New York. A report shall be deemed to have been filed when it is received by the proper Federal Reserve bank or when it is properly addressed and mailed and bears a postmark dated prior to midnight of the date upon which the report is due. At the close of each business day the Federal Reserve bank shall forward two executed copies of every report filed on that day to the Secretary of the Treasury.

(f)(1) All spaces in the report must be properly filled in. Reports found not to be in proper form, or lacking in essential details, shall not be deemed to have been filed in compliance with the Order.

(2) Where space in the report form does not permit full answers to questions, the information required may be set forth in supplementary

papers incorporated by reference in the report and submitted therewith. Supplementary documents and papers must be referred to in the principal statement in chronological or other appropriate order and be described in such manner that they can be identified.

(g) A separate report under oath must be filed by each person required to file a report except that persons holding property jointly may file a joint report.

(h) Upon a written request made to the Secretary of the Treasury by a party required to file a report, setting forth reasons why the report cannot be filed on or before the date such report is due, the Secretary of the Treasury, in his discretion, may grant such an extension of time for making the report as under the circumstances shall appear to be required.

(i) Report Form TFR-100 and TFR-200 may be obtained from any Federal Reserve bank, mint or assay office and the Secretary of the Treasury, Washington, D. C. (*)

Section 130.5. Penalties. Section 5(b) of the Act of October 6, 1917, as amended by Section 2 of the Act of March 9, 1933, provides in part:

"* * *Whoever willfully violates any of the provisions of this subdivision or of any license, order, rule or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both. As used in this subdivision the term 'person' means an individual, partnership, association, or corporation." (*)

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Section 130.6. Modification or Revocation. These regulations and any forms or instructions issued hereunder may be modified or revoked at any time. (e)


Secretary of the Treasury

APPROVED:

April 10th, 1942.





TREASURY DEPARTMENT
WASHINGTON

April 10, 1940.

MEMORANDUM FOR THE SECRETARY:

The S.S. HEGEM sailed from Copenhagen for New York March 30th. The S. S. MATILDA THORSEN sailed from Copenhagen for New York April 4th. The East Asiatic Company's S. S. AMERICA was scheduled to sail from Copenhagen April 5th to London and New York. There is no confirmation of this sailing.

These are the only ships that we have been able to check, but we do know that there are other ships presently in Copenhagen, or may have just sailed. I expect further information later.

FURTHER INFORMATION:

The S/S PETER MANSK (Danish flag) was taken into Hongkong today by the British.

The S/S ANNA MANSK (Danish flag) which was a day out of the Panama Canal, has put back to the Canal.

A Danish ship in some Canadian port (name unknown) is understood to have been taken over by the British.

David Harris



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

April 10, 1940

OFFICE OF THE DIRECTOR

MEMORANDUM FOR THE SECRETARY

Meeting was held this afternoon at which were present Mr. Purvis, Sir Henry Self, M. Flevan, General Brett, Captain Evans, Mr. Wright and Mr. Goulding of Curtiss Airplane Company, Mr. Bones and myself.

Sir Henry referred to prior meetings that he had had with Mr. Wright and asked if Mr. Wright was prepared to discuss prices and the elements of which such prices were composed. Mr. Wright stated that he was. Sir Henry asked if there was included in the price at which he had arrived any amount covering development expense, and Mr. Wright informed him that the prices did include \$739,000 of development expenses which the Army authorities informed him would have to be amortized over the British-French contract. Sir Henry at once asked General Brett if he would give him a breakdown on a percentage basis of the elements totalling \$739,000. General Brett informed him that he was not in a position to furnish such information; that it was confidential and that the figure of \$739,000 was what the Army estimated was a fair proportion of development expenditures that should be charged to the pending contract with the Wright Airplane Company. Both Sir Henry and M. Flevan argued that they did not feel that such charges should be made to the Wright contract. They were informed by General Brett that this was a matter that he was not in a position to discuss inasmuch as it was included in a policy that had been approved and under which releases of restricted types had been offered to the Allies.

Mr. Wright further spoke of an item of approximately \$420,000 included in his estimate which represented wastage on work in process incident to a switchover of approximately 204 P-40s from the Army contract to the Allies. The French and British representatives insisted that they be given a breakdown of the \$739,000, and this discussion was still being continued when the meeting was adjourned.

It appears from the tenor of the Allies' discussion today that they desire to have considered as an offset to development expense the sums of money which have been expended by them in capital investments in aviation plants in this country. This point may be brought out into the open at the meeting of the Bell Aircraft people tomorrow.

H. G. ...

April 10, 1940
4:29 p.m.

H.M.Jr: Hello.

Operator: Mr. Johnson. Go ahead.

H.M.Jr: Hello.

Louis
JOHNSON: Mr. Secretary?

H.M.Jr: Yes.

J: The manufacturers were all in on the Curtis P-40, the Bell P-39, the Lockheed P-38, and our War Department agreements are all signed and everything is moving O.K.

H.M.Jr: Wonderful!

J: On the four new ones you gave me that I promised to let you know about today.

H.M.Jr: Right.

J: The Lockheed Hudson, that's now in the clear with us.

H.M.Jr: Lockheed -- I'm making notes. Lockheed Hudson.....

J: That was the fourth one you read. That's in the clear with us.

H.M.Jr: O. K.

J: Now, GlennMartin and Douglas have both taken the position -- the War Department didn't have anything to do with this.

H.M.Jr: Yes.

J: They have now reversed themselves. They will be at Wright field in the morning so that only a day or two days before that's cleared.

H.M.Jr: Just a moment. GlennMartin.....

J: GlennMartin and Douglas were bucking.

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H.W.Jr: Were bucking?

J: Yes, they took the position that the War Department didn't have a thing to do with this.

H.W.Jr: Yes.

J: And they could do -- the War Department and the National Council of America as they please, but they both backed down in the last hour or two; changed their mind; will be at Wright field tomorrow morning and we ought to have this in a day or two.

H.W.Jr: What does that mean, to Wright field? Why do they go to Wright field?

J: Oh, that's where the changes that go into that A-20 of ours and so forth, are sent to be worked out.

H.W.Jr: I see.

J: That's our material division.

H.W.Jr: You mean, and they -- they look them over there?

J: No, the engineering staff is there.

H.W.Jr: Oh, and they have to submit the plans. Is that it?

J: That's right. And so that we understand each other and there will be no confusion later. But they aren't bucking any more. Martin, he'd like to buck anyway.

H.W.Jr: I know he does.

J: But Douglas doesn't, and they are both straightened out now and going all right.

H.W.Jr: And -- and within a day or two on that?

J: Yes, maybe tomorrow.

H.W.Jr: Good.

J: Because they will telephone us from there and we'll give.....

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H.W.Jr: Well.....

J: We've been talking on the five bombers.

H.W.Jr: Yes.

J: General Arnold and his group don't know what they mean.

H.W.Jr: Yes.

J: Dive bombers is a Navy phrase.

H.W.Jr: Yes.

J: The Navy has a ship they call dive bombers but we don't believe they're talking about that as such.

H.W.Jr: I see.

J: But that conference between Tom Burns and General Arnold with those people, Captain Collins is arranging for tomorrow sometime.

H.W.Jr: Good.

J: On the four engines.

H.W.Jr: Good.

J: The sixty four engines. That's going to be the toughest one of all to work out.

H.W.Jr: I see.

J: See it's divided Boeing. There will be no trouble there.

H.W.Jr: Yeah.

J: And Consolidated -- there will be 24 of Consolidated, is in itself an experimental ship that's just flying. There will be change orders that affect us and I think it will take a couple weeks to work that one out.

H.W.Jr: Well I thought that on these bombers you told me it was O.K. on the B-24. Oh no, you said yet to be negotiated with the manufacturer.

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- J: Yes, I said that the B-24 and the Boeing would be all right.
- H.M.Jr: Yes.
- J: But I'm just telling you that we'll get all of this stuff for you in a day or two except that when they get into the negotiations on the Consolidated B-24, which we are willing to let go.....
- H.M.Jr: Yes.
- J:I think it's going to take a week, maybe ten days, to get that thing worked out with the Consolidated people between the two sides.
- H.M.Jr: How about the Boeing 17?
- J: No, there won't be any trouble about the Boeing.
- H.M.Jr: No trouble on the Boeing.
- J: Because you see the Boeing is the -- the one that we are leasing is standardized and all the bugs are out of it.
- H.M.Jr: I see.
- J: There are still some bugs in the B-24, the Consolidated.
- H.M.Jr: But on the Boeing no trouble.
- J: No trouble.
- H.M.Jr: Well, as of today.....
- J: As of today you've made more progress than all the rest of the four months if they go ahead.
- H.M.Jr: Swell, but I can tell them this afternoon the Lockheed Hudson O. K. and on the pursuit ships -- just a minute, I want to get this thing before me. Just a minute, please. The Curtis P-40 O.K.
- J: Yeah.

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H.M.Jr: The so-called improved Curtis which -- as you call P-40-D. Isn't that what you call it?

J: That's right. O. K.

H.M.Jr: Bell P-39 O.K.

J: Right.

H.M.Jr: Lockheed interceptor?

J: O.K.

H.M.Jr: O.K. That was the one you didn't know this morning.

J: That's right, but that's been signed since.

H.M.Jr: That's O.K.

J: That's O.K.

H.M.Jr: And on the bombers, the so-called improved Lockheed Hudson, which they call the Lockheed.....

J:

H.M.Jr: Right?

J: That's O.K.

H.M.Jr: Well, that's wonderful! And on the others, these two, the Martin and Douglas will go out to Wright field.....

J: Tomorrow.

H.M.Jr: Tomorrow.

J: They'll be there tomorrow with our people and we'll -- may get it cleared for you tomorrow.

H.M.Jr: Well.....

J: And that arises only because Martin and Douglas, as I repeat to you, took the position, and the Army didn't have anything to do with it.

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H.M.Jr: Well now they know they do.

J: Yeah, now it's all right. They are cooperating fully now. There's no question of even chastising anything. They're all right.

H.M.Jr: Fine., fine.

J: So I think it's moving O.K.

H.M.Jr: It seems so to me. Very much obliged.

J: You're very welcome.

H.M.Jr: Thank you.

J: Goodbye.

April 10, 1940
4:35 p.m.

H.M.Jr: Hello.

Operator: Captain Collins is out of the room for a minute.
They're calling him.

H.M.Jr: Thank you.

4:36 p.m.

H.M.Jr: Hello.

C: Captain Collins. Go ahead.

H.M.Jr: Harry.....

Harry
Collins: Yes, sir.

H.M.Jr: Where are Purvis and his crowd?

C: Right in my office, sir.

H.M.Jr: Uh-huh.

C: And we're -- the meeting is still in session.

H.M.Jr: Who are you meeting with?

C: The Curtis aeroplane and General Brett of the
Army and Captain Kraus of the Navy.

H.M.Jr: Oh.

C: Plus Mr. Purvis and Sir Henry and Monsieur Plevan.

H.M.Jr: Well, I've got some news for them. I tell you,
I'm waiting to hear from across the street and I
may want to ask them to come over here. See?

C: Yes, sir.

H.M.Jr: How long does it take you to come over here nor-
mally? Ten or fifteen minutes?

C: Oh, about fifteen.

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H.M.Jr: Fifteen. Why -- how -- what stage are they in your talk -- I mean.....

C: Well, it may go for another hour.

H.M.Jr: What?

C: It may go for another hour.

H.M.Jr: Well, why don't you do this. Have them over -- come on over now. Bring the three of them over here, will you?

C: Yes, sir.

H.M.Jr: Because I want to -- I think it's important I talk to them tonight yet.

C: Yes, sir. Well when I'll tell them that and we'll start.

H.M.Jr: Supposing you start over and they can adjourn their meeting -- I won't keep them more than five minutes.

C: Yes, sir.

H.M.Jr: Maybe they want -- but I'd like to see them for five minutes.

C: Ave, ave, sir. I'll bring them right over.

H.M.Jr: What?

C: I'll bring them right over.

H.M.Jr: Yes. It will only take me five minutes. Let them come on over.

C: Yes, sir.

TREASURY DEPARTMENT

WASHINGTON

April 10, 1940.

MEMORANDUM FOR THE SECRETARY:

The American Steamship WILDWOOD, which sailed from New York for Vladivostok, Russia, on February 17th, was recalled by the owners of the ship while the vessel was between Honolulu and Vladivostok, and the steamer returned to Tacoma, Washington, where the cargo is being discharged onto the dock for account of shippers, namely Astor Trading Company.

The owner of the S/S WILDWOOD ordered the return of the ship on his own responsibility, fearing seizure by the British.

Baird Harris.

STRICTLY CONFIDENTIAL

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE April 10, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

The Finnish Minister telephoned me at 10 o'clock this morning. He asked whether I had any word for him from the Secretary. I answered in the negative, explaining that the Secretary had been, and still is, very busy with problems resulting from Germany's move into Denmark and Norway. The Minister understood that this complicated matters, but he insisted that Finland still needed help and hoped that reconstruction could go ahead with purchases of supplies from Sweden and other neighboring countries.

I inquired of the Minister as to whether he had any official news in regard to the item which appeared on the news ticker yesterday in regard to Russia making further requests of Finland. He said that he had no official word on this point, but did not take the press item seriously. He said this item covered three points. The first two, namely, a new commercial agreement between Soviet Russia and Finland and the construction of a railway across Finland to Sweden, were really old points which were covered in the peace treaty between Russian and Finland. The third point, as to joint ownership by Russia and Finland of the nickel mines in the north of Finland, was a matter concerning which the Minister was uncertain.

The Minister volunteered the confidential information that the State Department had heard that Soviet Russia would not be too hard on Finland in delimiting the new frontier and would let Finland retain one important woodworking center which from reports had gone to Russia. Minister Procope expects the Germans to exercise strong pressure on Sweden, even though hostilities may not result therefrom, since Germany now has Sweden bottled up, and will likely be obliged to have facilities for sending troops across Sweden by land to relieve and reinforce the German landing forces now established in Norway. Even if the Germans hold Oslo, the Minister emphasized the difficulty of getting troops and supplies to the various German outposts along the north coast of Norway, considering the lack of railway facilities. Procope did not refrain from expressing personally to me his surprise that the Allied fleets had not been able to prevent the progress which German Naval forces made in Norwegian waters.

The Minister is going to New York this afternoon but will be back Thursday night and available Friday if the Secretary may be ready to talk with him.



STRICTLY CONFIDENTIAL
TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE April 10, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

Mr. Leroy-Besulieu, Financial Counselor of the French Embassy, telephoned me from New York at 10:45 this forenoon. He inquired as to what action had been taken in regard to Danish and Norwegian balances in this country. I referred him to Mr. Leres's Circular No. 86 of April 9, in regard to suspension in exchange trading in Danish and Norwegian currencies. Leroy-Besulieu had this circular before him, but was particularly concerned to know whether steps had been taken similar to those that were put into effect when Czechoslovakia was taken over by Germany.

In reply, I told Leroy-Besulieu that the banks would undoubtedly have made it difficult for anyone to withdraw Norwegian or Danish balances from this country yesterday, and that the same situation obtained today. When he told me that he was coming to Washington on Thursday afternoon and would call at the Treasury, I told Leroy-Besulieu that I would give him such information as might be available and correct at that time, but for the present all decisions are provisional. I asked further that he should not cable any report to his Government in the premises until we might have a talk here in the Treasury.

A. M. J.

RSM

PLAIN

Berlin

Dated April 10, 1940

Rec'd 11:55 a. m.

Secretary of State,
Washington.

888, April 10, 9 a. m.

Ky 864, April 8, 9 p. m.

TREASURY FROM HEATH.

The reduction of the Reichsbank discount rate from four to three and one-half percent and the collateral loan rate from five to four and one-half percent effective today which was decided upon in a meeting of the Board of Directors of the Reichsbank yesterday afternoon (see my telegram under reference) was announced in this morning's press.

The official announcement of the Reichsbank states that this reduction was made possible by the increasing liquidity of the money market during the last few months which resulted in the progressive reduction of money rates in general and specifically in several reductions in the private discount rate and decreases in the discount rate on Treasury bills (see my 832, April 5, 9 a. m.). The lowering of the Reichsbank's discount and collateral loan rates

hsm -2- No. 888, April 10, 9 a. m., from Berlin

rates will, according to the Reichsbank's announcement, further facilitate the Reich's war financing.

Berlin financial writers in commenting on this development point out that the Reichsbank discount rate which remained constant at four percent for eight years was out of line with declining private interest rates and the reduction represents a necessary adjustment to present money market conditions.

KIRK

PEG

JR

PLAIN

London

Dated April 10, 1940

Rec'd 1:05 p.m.

Secretary of State,
Washington.

909, April 10.

FOR TREASURY FROM BUTTERWORTH.

British security markets continue weak on small
turnover pending authoritative news of the course of
Scandinavian events.

KENNEDY

Hcl.

APR 11 1940
RECEIVED
U.S. DEPARTMENT OF STATE

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: April 10, 1940, 6 p.m.

NO.: 452

FOR THE TREASURY. FROM MATTHEWS.

Today I had lunch with the managing director of the Banque de Paris et des Pays Bas, Henry Johan. His main preoccupation was naturally the developments in Scandinavia. He said that despite telephone calls to Amsterdam and London, he could get no more news than the public had; he found the atmosphere in Amsterdam quite depressed. Johan talked confidently that the Allies were well prepared to meet the German move, as they were fully aware of it beforehand. However, I got the impression that his optimism was somewhat forced.

Johan seemed to think that French finances were quite satisfactory, and said he could see no necessity in the near future for using "any Keynes plan" for France, which is partly because of the thrift and savings habits natural to the Frenchman. At the opportune moment, he said, a long term loan will of course have to be floated but he does not think that one is being contemplated now.

He said that the reaction of the market to the Scandinavian invasions is impressively calm - in spite of the large drop in the Norwegian Nitrate Company, in which his bank holds substantial interests; that security
dropped

- 2 -

dropped from 1805 to 1300 today; yesterday it could not be quoted.

Johan told me, in reply to my question, that French industry was not in any way handicapped for lack of credit; some armament firms, for example, have received loans up to 150 million francs from the Government for the purpose of plant operations and new tooling for production of armaments. In view of practically guaranteed markets, private bankers have been free in lending to the armament industries and those related to it. Incidentally, he emphatically condemned the unpreparedness of France in September 1939 for any offensive war movement, both in large caliber long range guns and in heavy shells, not to mention aviation, of course. Johan said that yesterday d'Austry, the Minister of Armament, told him that France had at last reached mass production of such long range large guns.

As to war-time profit limits, Johan likewise denied that they are a real handicap to industry; references: telegrams of March 13, No. 335 (third paragraph) and March 18, No. 357 from the Embassy giving the views of de Wendel and others. However, in its incidence, Johan said that the tax is not fair in that it is based on business turnover which is harder on smaller and less

- 3 -

prosperous concerns and on banks such as his than it is on the larger concerns; however, he believes that this situation will be remedied shortly. He made the remark that the law was in the main "window dressing" for the mass of the population, so they would not feel that the whole burden of the war fell on them.

END SECTIONS ONE TO FOUR, INCLUSIVE.

MURPHY.

EA:LWW

JT

GRAY

PARIS

Dated April 10, 1940

Rec'd 3:25 p.m.

Secretary of State,
Washington.

452, April 10, 6 p.m. (SECTION FIVE)

Today's JOURNAL OFFICIEL publishes two decrees in regard to the control of prices. The first provides for the provisions of the basic price control decree of September 6, 1939 (Telegram No. 1999, September 16, noon) insofar as they authorized price increases "warranted by the conditions of exploration of enterprises or of fluctuations of the prices of imported materials" will be suspended for a period of three months commencing May 1, 1940. In exceptional cases, however, price increases may be authorized if the prices of imported products and materials should exceed a minimum percentage of increase to be fixed by the National Committee for the surveillance of prices or by the interministerial committee on prices. The three months' period may be prolonged by decree for a similar period of time.

MURPHY

LMS:NFL

JT

GRAY

PARIS

Dated April 10, 1940

Rec'd 4:08 p.m.

Secretary of State,
Washington.

452, April 10, 6 p.m. (SECTION SIX)

In the preamble to this measure it is stated that the present moment would appear to be suspicious for the introduction of the aforementioned suspension since "in France prices have been fairly well stabilized since end of February" (see for example my 417, April 1, 5 p.m.) while "the general index of gold prices of nineteen raw materials in the United States which declined appreciably during the month of January and showed but a slight increase in the following weeks has fallen again since the beginning of March." The second decree on prices provides that any consumer may report in writing to the civil authorities any illegal increase in the price of merchandise products or foodstuffs subject to price control. It is hoped that this procedure may be an effective instrument for the maintenance of a strict control over prices.

MURPHY

CSB

JT

GRAC

PARIS

Dated April 10, 1940

Rec'd 4:03 p.m.

Secretary of State,
Washington.

452, April 10, 4 p.m. (SECTION SEVEN)

An explanatory statement with regard to these decrees was issued last evening by the Under Secretary of State for National Economy to the effect that price stabilization is "of the greatest importance from the point of view of defense of the franc and from the social point of view. The Government is determined to act with the greatest energy in carrying out this measure".

The Journal Official also publishes a decree providing for a control over specified French exports to certain powers so as to prevent their reexportation to Germany, by telegram No. 1780, September 4, 7 p.m.

The French commodities concerned are given in list A and relate to 165 tariff items including miscellaneous raw materials, minerals, fuels, foodstuffs and iron and steel products. List B gives the names of the neutral countries with respect to which such exports are to be "controlled".

MURPHY

CSB

JT

GARY

PARIS

Dated April 10, 1940

Rec'd 5:53 p.m.

Secretary of State,
Washington.

452, April 10, 6 p.m. (SECTION EIGHT)

It covers all neutral European countries with which France has not signed an agreement by which the neutral government guarantees that French merchandise exports to it will not be reexported to Germany. List "B" countries are Albania, Bulgaria, Denmark, Estonia, Finland, Hungary, Iceland, Latvia, Liechtenstein, Lithuania, The Netherlands, Norway, Portugal, Rumania, San Marino, Spain, Sweden, Switzerland, Turkey, Soviet Russia and Yugoslavia. In order to obtain a permit to export to a list "B" country commodities appearing on list "A" the French exporter must submit together with the export permit request an agreement signed by the neutral importer whereby the latter guarantees that the commodities in question will not be reexported to Germany. The Ministry of Blockade will decide whether or not an export permit shall be granted.

MURPHY

EBB

JT

GRAY

PARIS

Dated April 10, 1940

Rec'd 6 p.m.

Secretary of State,
Washington.

452, April 10, 6 p.m. (SECTION NINE)

An arrêté published in today's Journal Officiel states that merchandise will be considered as originating in a neutral country in accordance with the meaning of the basic decree of September 1, 1939 regarding trade with the enemy (see above reference) if the production of such merchandise does not involve the use of more than 25% of enemy materials or labor. A further arrêté states that the importation into France of "products native to or of original manufacture in or coming from" the neutral European countries listed below can only be effected if a certificate of origin signed by a French consul is presented in which it is certified that such goods do not contain more than 25% enemy material or labor. These countries are: Albania, Belgium-Luxembourg, Bulgaria, Denmark, Estonia, Finland, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, The Netherlands, Norway, Portugal (excluding islands in the Atlantic Ocean), Rumania, San Marino, Spain, Sweden, Switzerland, Turkey, Yugoslavia.

MURPHY

EHB

JT

CRAY

PARIS

Dated April 10, 1940

Rec'd 4:17 p.m.

Secretary of State,
Washington.

452, April 10, 6 p.m. (SECTION TEN)

Another decree appearing in today's Journal Officiel adds pulp wood and run to the list of materials which may be insured against risks of war (my telegram No. 190, February 7, 5 p.m.).

The securities market was stronger today and many variable revenue issues both French and international regained part of yesterday's losses. Rentes were subject to mixed gains and losses ranging from 15 centimes down to 90 centimes up. From talks with French and American bankers I gather the general feeling that yesterday's developments in the north mark the beginning of an extremely important phase of the war but that it is as yet too early and available information too meager to draw any sound conclusions.

(END OF MESSAGE)

MURPHY

EWS

April 10, 1940

6:15 p.m.
(After return from White House)

Present:

Mr. Cairns
Mr. Gaston
Mr. Foley
Dr. White
Mr. Cochran
Mr. Schwarz

HM, Jr: As I understand it, what we are going to do is to mimeograph this and release it at the State Department.

Mr. Gaston: The only difficult thing is the real reasons we cannot state.

HM, Jr: That's why I wanted it in your room. I wouldn't tell them it's because we hope to get some of the money Ribbentrop has in Denmark or anything like that.

Mr. Foley: We are going to have it mimeographed and give it out over there and send all inquiries over to you.

Mr. Schwarz: Are we going to make this public? We would have to mimeograph that if we are going to make it public.

Mr. Gaston: Let them know it has been signed and will be filed in the Federal Register tonight.

HM, Jr: Now I can forget about the machinery?

Mr. Gaston: You can forget it. It goes.

oo O oo O oo O oo

April 10, 1940

6:25 p.m.

Present:

Mr. Plevan
Mr. Purvis
Sir Henry Self
Capt. Collins

HM, Jr: I'm awfully sorry, but I will tell you in confidence what it is because it will be out in the paper tomorrow morning anyway.

The President just signed the executive order putting exchange control governing funds in this country for Denmark and Norway, which includes all funds. So I think it is worth waiting for.

Mr. Purvis: We did not have any doubt either that it was worth waiting for.

HM, Jr: Means quite a lot for us to cross that bridge. But all of their funds in this country are frozen. You can see the notice to them that if they should go into Sweden that the Swedish funds over here, which are tremendous, in other words, if they are going to have the cake there is going to be no icing. But I can't help it you fellows are at war and you make the work for me.

Mr. Purvis: We are conscious of it too.

HM, Jr: The reason I wanted to see you tonight is I wanted to know from you what I have been told by the War Department — is it working? That's what I want to know. Have these manufacturers been told that they can go ahead?

Capt. Collins: That part, yes, sir.

Mr. Purvis: The only direct evidence we have is in this case.

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Capt. Collins: What have you seen?

Mr. Purvis: Only Wright this afternoon.

HM, Jr.: Had Wright been told he could do business?

Mr. Purvis: Yes. General Brett was right in the meeting and Irans was there too.

HM, Jr.: I wanted to make sure.

Mr. Purvis: We just assumed that from the very tenor of their facts.

Capt. Collins: Of course he had been told.

HM, Jr.: The other thing which he told me, Johnson called me at 4:30, Lockheed, Hudson, was O.K. And this morning he said provisionally the Lockheed interceptor.

Capt. Collins: The P-38.

HM, Jr.: The Lockheed interceptor.

Mr. Purvis: Good. Splendid.

HM, Jr.: On the bomber thing, the Lockheed improved Hudson is O.K. They have asked Glenn Martin and Douglas to report to Wright Field tomorrow and they say that in 24 hours at the most they think they can give you a release on Glenn Martin and Douglas. He said Glenn Martin had been acting badly, said it was none of the War Department's business, but they now agree it is War Department business and Glenn Martin and Douglas have been ordered to Wright Field tomorrow and they think within one or two days he will get a release on that. They say on the four-engine thing, the Boeing 17, there will be no trouble about that, but on the Consolidated they expect it will take a couple of weeks.

Mr. Flevan: We are not interested in the Boeing.

HM, Jr.: You are not? Well, anyway you are interested in the Lockheed Hudson and that is all right as of tonight, and Douglas and Martin have been told to submit their plans and they say one to two days.

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On the dive bomber he said he was in connection with you.

Capt. Collins: He wants to have a meeting some time with our friends to discuss what we have in the matter.

Mr. Flewan: I spoke to Jarquin who has seen the dive bomber of the Navy. He would like to have technical advice.

Capt. Collins: He can have it.

EM, Jr.: The main thing I wanted to make sure I wasn't being kidded.

Mr. Purvis: Yes.

EM, Jr.: Fooled . . . That's all I had.

Mr. Purvis: There is one thing we.....

EM, Jr.: Look, I'm all in. I'm finished for tonight. Do you mind? You will be here tomorrow. I'm completely all in physically.

Mr. Purvis: Yes. May we come sometime tomorrow?

EM, Jr.: Yes. When I originally asked you, when I heard the President was ready, I wanted to make sure that what I had been told was safe, and incidentally, this is very confidential, there was to have been -- this is in the family -- Johnson is going to have a press conference tomorrow morning and announce all of this.

Capt. Collins: As usual.

Mr. Purvis: There is only one fundamental problem: development expense.

EM, Jr.: And I asked the President. He said Johnson should keep his mouth shut. He was going to announce all that he had done today, but that's very much in the family.

Mr. Purvis: Quite.

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HM, Jr: I will be available tomorrow. How's
three o'clock tomorrow? I am sorry.

Mr. Purvis: Please don't feel badly about it.

oo O oo O oo O oo

PRESIDENT ROOSEVELT TONIGHT BY EXECUTIVE ORDER FROZE ALL
BALANCES AND FOREIGN EXCHANGE TRANSACTIONS IN THIS COUNTRY
INVOLVING NORWAY OR DENMARK OR THEIR NATIONALS.

4/10--SB627F

ADD EXECUTIVE ORDER

BY THE SAME ORDER, THE PRESIDENT GAVE SECRETARY MORGENTHAU
DIRECT CONTROL OVER NORWEGIAN OR DANISH CREDITS IN THIS COUNTRY
BY AUTHORIZING HIM TO PERMIT WITHDRAWAL OF BALANCES OR CREDITS
WHICH HAD BEEN FROZEN.

THE PRESIDENT FURTHER AUTHORIZED MORGENTHAU TO REQUIRE REPORTS
WITH RESPECT TO ALL NORWEGIAN OR DANISH PROPERTY IN THE U. S.

MR. ROOSEVELT SIGNED THE ORDER FOLLOWING A PROTRACTED CONFERENCE
WITH ASSISTANT SECRETARY OF STATE BERLE, TREASURY GENERAL COUNSEL
FOLY AND MORGENTHAU.

ALTHOUGH THE ORDER WAS NOT EXPLAINED IMMEDIATELY IT WAS BELIEVED
IT IS INTENDED TO PREVENT GERMANY CLAIMING CONTROL OF SUCH BALANCES
BY VIRTUE OF ITS OCCUPATION OF THE SCANDINAVIAN NATIONS.

ACTING PRESIDENTIAL SECRETARY HASSETT SAID THE ORDER WILL
ENABLE MORGENTHAU BY LICENSE TO PERMIT CONTINUATION OF FOREIGN
EXCHANGE OR WITHDRAWAL OF BALANCES BY THE GOVERNMENTS OR NATIONALS
INVOLVED.

THE ORDER AMENDED A PREVIOUS ONE SIGNED JAN. 15, 1934. WHICH
REGULATED TRANSACTIONS IN FOREIGN EXCHANGE AND TRANSACTIONS OF
CREDIT AND EXPORT OF COIN AND CURRENCY.

4/10--SB644F

GROUP MEETING

April 11, 1940
9:15 a.m.

Present: Mr. Tiner
 Mr. Kiefler
 Mr. Thompson
 Mr. Sullivan
 Mr. Harris
 Mr. Schwarz
 Mr. Gaston
 Mr. Deas
 Mr. Foley
 Mr. Cotton
 Mr. White
 Mr. Bell
 Mr. Cochran
 Mrs. Elliott

H.H.Jr: I want to thank everybody for the difficult job we got through yesterday and Herbert carrying the extra loads he did yesterday.

Gaston: Thank you.

H.H.Jr: We got very good reports on the way you handled the press last night.

Gaston: Luckily, they had a big story running.

H.H.Jr: But everybody did their work very well. I told Dan now that he is back I want him to concentrate on the machinery of this thing to make sure that this thing clicks. I told him about the people and he has been getting the story this morning and right after this he will go into another conference.

Bell: I would like to have a little time to read the documents first. About 11:00 o'clock.

H.H.Jr: I have got to read them, too, sometime.

Bell: Harle is dictating a memorandum on what happened yesterday in the transactions on this stuff.

H.H.Jr: I wonder if there will be any technical questions they will ask at 10:30. Do you think so, do you think they got everything out of their system last night?

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Schwartz: They will try to get it today.

H.M.Jr: This is what I thought I would tell them, that anybody who has any - is the owner of any Norwegian money which is affected by this thing should go to his bank and ask his bank in turn to go to the Federal Reserve Bank in its district.

Foley: Property or money.

H.M.Jr: And I also thought what I would say is this, that the purpose of this was that after all, we have become the safe deposit vault of the whole world for safekeeping of this money, so that this money is here for safekeeping and we want to make a hundred percent sure that the owners of this money - that we continue to keep it for the original owners.

Gaston: Yes.

Foley: That is one of the things. I wouldn't put it entirely on that basis.

H.M.Jr: What is the other phase?

Foley: I think it is a protection of our interests primarily, rather than a protection of theirs, that we have to hang this on in order to sustain its validity.

H.M.Jr: How?

Foley: We don't know what there is here. We don't know how much has come over here. We have a general idea, but we don't know specifically. We want to freeze everything until we can get a census and know where it is and how much it is and what it is. Then we can determine in the light of our own interests --

H.M.Jr: What are our own interests?

Foley: What proper action we should take.

H.M.Jr: What are our interests?

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Poley: The effect it might have on our exchange, the impact that this may have on our economic situation.

H.M.Jr: Well, what would it do?

Poley: That is --

White: Well --

Edwards: The safe deposit covers those --

White: No, you have to be pretty vague, because you have hung this on a bill which certainly doesn't --

Poley: If they quote you officially, it may be used, you see, if this thing is attacked, and I think we ought to put it on as broad a ground as we can rather than on that we are just a bank for the whole world.

White: It might well destroy the Norwegian dollar rate.

H.M.Jr: I didn't say tin box. I said safe deposit vault.

Harris: Mr. Secretary, I think you ought to give as prompt action to any appeals from Norwegian ship owners as you can, because otherwise you will disorganize the whole shipping situation of the world.

H.M.Jr: What we have got is this: They meet again at 2:30. We receive all applications then and we are telling the banks that if they will get anything that they have up to 3:00 o'clock today to us, we will give them a clearance before sunset. We can't work any faster than that. We will clear business every day, but we won't take business from any Federal Reserve Bank after 3:00 o'clock.

Cochran: The question there, Mr. Secretary, which Ed ought to advise us on is to whether we can accept informal applications today by telephone or only those on the forms submitted to banks.

H.M.Jr: I will answer that. I would say informal.

Gaston: There is one other Allied question that I think we need to get the legal department's opinion on.

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Danish and Norwegian ships in our waters tied up at our docks, are they assets or property covered under this?

E.K.Jr: You will know all the answers by 10:30, won't you, Dan?

Sell: Oh, yes.

E.K.Jr: Well, supposing you and Foley sit in at 10:30 and if there is anything difficult, I will look at you and if you don't know, you smile and look at Ed. Ed will call up Bernie.

Waston: The way it is, you make a statement and Ed says, "Now wait a minute, that isn't quite right." Ed makes a statement and then Bernie says, "Now wait a minute, Ed, that isn't quite right." And then Harry White says to Bernie, "Now wait a minute, Bernie --"

E.K.Jr: I think we had better not have a lawyer here. You had better let me do it in my own peculiar manner.

White: It is one of the technical details to be worked out, but I do think it is necessary to pin it on just what you said, because there is no justification for the Act.

E.K.Jr: I will say the Order speaks for itself.

Foley: We want to freeze everything so we can find out just what we have and what action we ought to take.

White: You see, the Act also calls for an investigation --

E.K.Jr: I will tell them to read the Act carefully, that any business man should go to his bank, the bank should go to the Federal Reserve, and if they can't have the answer, we are going to try to clear the business every day. No regular business will be held up. If possible, we will try to - but we are going to give - I think we have got to give the Federal Reserve Banks a deadline of 3:00 o'clock. They will have to receive the business by 3:00 o'clock. I think that is fair, don't you?

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- Bell: You haven't put that 3:00 o'clock in any Order or anything.
- White: That is just for today.
- H.M.Jr: I made that as a suggestion to you.
- Bell: I would leave it informally. I don't think you can set any deadline for special transactions.
- H.M.Jr: We will try to clear everything every day.
- Bell: I think I would leave it that way.
- H.M.Jr: The purpose of the 2:30 meeting is for you to come in here with these people and tell me what the problems are and if there are any decisions you think I ought to make, I will try to make them at 2:30 in consultation with you and whoever you bring in.
- White: That possibility of clearing everything every day will be impossible, I can promise that, because they give it to you over the phone today and until the machinery gets going that is one thing, but to commit yourself to clear these things every day with thousands of reports coming from all over the country, that is going to be different.
- H.M.Jr: The banks are going to be able to clear a lot and we have got to give them a lot of authority. Listen, Harry, I always use the example of Sears Roebuck. I don't know how many - they had 50 million dollars of business last month. I don't know how many orders they cleared. Their average clearance on their orders, filling their orders, is eight hours. If they can do it - we had about 12 or 15 orders yesterday. They take eight hours to clear an order, fill it. It could be done. Somebody will have to work nights, that is all.
- White: It can be done fine, but if you promise ahead of time - yes, that is the objective.
- H.M.Jr: That is the objective. The Federal Reserve Banks, they have no business. This gives them a little business.

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Bell: It gives the Treasury a little, too.

H.M.Jr: No, but the banks have nothing to do, absolutely nothing.

Bell: I do think we ought to clear them.

Foley: There ought to be a lot of calls from the banks today. We put the Order and the Regulations on the wire last night and we airmailed the forms, which they will get this morning, most of them - some of them won't get them until later - and I suppose they will be calling in about the procedure.

H.M.Jr: It ought to all go to Dan until he decides who he will designate to handle it, but for the time being, it is his baby, if he can stay awake.

Bell: I will be all right tomorrow, but I am having a little bit of difficulty today.

H.M.Jr: Norman?

Thompson: Nothing.

H.M.Jr: Harry?

White: There are several things I would like to see you about this morning.

H.M.Jr: When are you going to have that gold thing?

White: Very soon, within a few days.

H.M.Jr: Well, I was fishing.

White: Within a few days. It is started. I am supposed to give a talk tonight in New York. Is that --

H.M.Jr: That is all right.

White: That is all right?

H.M.Jr: That is all right.

White: There are several other things.

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Harris: I have that Italian thing. I would just like a word with you on that.

H.M.Jr: I will give you a time now. Supposing --

Harris: I think you could read the memo in five seconds.

H.M.Jr: I want to talk to you. And when you come in, talk about shipments of coal to Italy.

Harris: Coal to Italy?

H.M.Jr: Yes, and the possibility that maybe - this is just my own idea - there may be a barter of silk for coal, or something like that, but more business, more purchases from Italy. The State Department is very much interested in encouraging purchases and you ought to know about it. 11:00 o'clock?

Harris: Fine.

H.M.Jr: Harry, you want to see me?

White: Yes.

H.M.Jr: 11:15?

White: Yes.

H.M.Jr: All right, George?

Haas: I just have that weekly routine report, that railroad moving for export.

H.M.Jr: What else?

Haas: That is all.

H.M.Jr: Anything new on the race horses?

Haas: No, we haven't got the answer yet. I will give it to you first.

H.M.Jr: Chick?

Schwarz: We are up and current.

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- Gaston: Chick, what about your speech problem?
- Schwarz: This morning?
- Gaston: Yes.
- Schwarz: The Womens Division of the National Democratic Committee has asked Mr. Gaston to talk to a small group of ladies at 11:00 o'clock this morning at the club Headquarters, New Hampshire Avenue. They asked before Tuesday's developments. Now, in the light of developments, possibly we might wish to send somebody else over.
- Gaston: On the budget.
- Schwarz: The budget and the debt. It is intended as a preliminary skirmish before the national group meets here next month.
- H.M.Jr: I wouldn't send anybody to talk on the budget. We don't know where we are at ourselves. I wouldn't send anybody on the budget.
- Schwarz: Somebody can talk to them on more or less general terms.
- H.M.Jr: I just can't be bothered with it, I really can't. Everybody is too busy, we have got too much to do to be running over and talking to a lot of women at 11:00 o'clock in the morning. It is silly. Just tell them we can't do it. There is too much business going on at 11:00 o'clock in the morning.
- Schwarz: The picture has changed since they asked for it.
- Cotton: The status of these Export-Import Bank Scandinavian credits ought to receive some attention at some time. I notice Mr. Jones had a conference with the President yesterday and said he was holding everything.
- H.M.Jr: I don't think that was the purpose of the conference. What the purpose of the conference

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really was, Mr. Welles told me - Mr. Welles was very much annoyed that Mr. Jones had not made any loans to these South American countries.

Cotton: I knew that was coming up.

H.M.Jr: And he took Mr. Jones over there to have him spanked.

Cotton: Well, these press reports of it were that on the Scandinavian credits, they were discussed.

H.M.Jr: He has been ordered to get some of these South American loans through. Mr. Welles was very much annoyed.

Cotton: I think it ought to receive some attention sometime. I have talked to the Bank people a little bit. Pierson is in New York.

H.M.Jr: Supposing you press it and find out what the status is, because Procope is pressing Merle Cochran to see me. I have got nothing to see Procope about.

Cotton: I mean, offhand the Danish credit has never really been set up and I don't think you would probably want to let that one go and the Norwegian --

H.M.Jr: If you want to know what the status is, as a representative of the Treasury, let them call a meeting of the Directors.

Cotton: I think we ought to have a little bit about it here, what you think ought to be done. These things can be cancelled. They have cancellation clauses in them.

H.M.Jr: Why not take it up with Bell as part of the assets of these countries, will you?

Cotton: Right.

H.M.Jr: And Bell, get your machinery running and this is part of the picture.

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Bell: All right.

E.M.Jr: Merle?

Cochran: The man who is substituting for Pinsent telephoned me last night and asked me if I knew what it was that Summer Welles wanted Lord Lothian to learn from England. He said he thought there was some request up. I said yes, there was a request several days ago and I had him get the letter which had been sent to the State Department and transferred on here. He said that had gone through Chalkley's hands and was sure nothing had been done on it, so he agreed to send a cablegram last night.

E.M.Jr: Mr. Welles agreed to talk to Lord Lothian yesterday afternoon and ask Lord Lothian to give us an answer to his letter of April 4 to Mr. Hull.

Cochran: Yes.

E.M.Jr: And I want one damn quick.

Cochran: I told him that we had pressed through the State Department for it, that we had held up the --

E.M.Jr: In the letter, Lothian says he will have an answer by telegraph.

Cochran: He said the telegram was coming as soon as possible, so nothing had gone out. That is all.

Sullivan: I would like to see you sometime today.

E.M.Jr: Harry, is 15 minutes enough for you?

White: I think I need a half hour.

E.M.Jr: You won't get it today.

White: Then I will settle for 15 minutes.

E.M.Jr: 11:30.

Sullivan: I will not need 15 minutes.

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- H.M.Jr: It sounds political.
- Sullivan: No, sir, far be it from me to crowd into the sphere.
- H.M.Jr: All right. Fifteen minutes is enough for anybody today.
- Ed?
- Foley: Here is that memorandum you asked for the other day on the movie cases. (April 11, 1940)
- Here is an amendment to the authorization you gave the General Counsel sometime ago to accept or reject service of process for you. This would add all other officials in the building to the original order and centralize in one place the receipt of legal process, which is good administration.
- H.M.Jr: If anybody wants to be sued through the Undersecretary or Director of the Mint, they can see you.
- Foley: That is right.
- H.M.Jr: What else?
- Foley: That is all.
- H.M.Jr: Herbert?
- Gaston: Admiral Waesche's appointment term as Commandant expires in June. Shall I send a recommendation for him?
- H.M.Jr: Sure. What else?
- Gaston: Prepare a letter for your signature?
- H.M.Jr: Please.
- Gaston: That is all. I have taken up with Berle and am waiting for an answer from him on this question of sealing the radios on Danish ships. It is rather a complicated question. If there is any

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evidence that they are going to communicate with their masters in Denmark, the chances are we want the radios sealed. There are seven of them tied up at our wharves.

H.M.Jr: What else?

Gaston: That is all.

H.M.Jr: Well, Dan, then we are all right and you go on this thing, see.

Bell: I am going to get right to work on it.

CONFIDENTIAL

TREASURY DEPARTMENT

286

INTER OFFICE COMMUNICATION

DATE April 11, 1940

TO Secretary Department
FROM Mr. Cochran

A marked improvement in the sterling rate occurred abroad this morning, presumably as a result of reported British naval successes. After closing here at 3.49-3/8 last night, the pound jumped from 3.52-1/2 to 3.61-1/2 in Amsterdam prior to the New York opening. The first quotation here was 3.55-1/4 and in the space of a few minutes, sterling reached 3.54. From then on, the rate moved erratically upward, reaching an afternoon peak of 3.57. The closing quotation was 3.56.

Sales of spot sterling by the air reporting banks totaled \$749,000, from the following sources:

By commercial concerns.....	\$ 292,000
By foreign banks (Europe, Far East and South America).....	\$ 257,000
Total.....	\$ 549,000
Purchasers of spot sterling amounted to \$54,000, as indicated below:	
By commercial concerns.....	\$ 70,000
By foreign banks (Europe and Far East).....	\$ 584,000
Total.....	\$ 654,000

The Guaranty Trust Company reported that it had sold cotton bills totaling \$46,000 to the British Control on the basis of the official rate of 4.02-1/2.

The Guaranty also stated that it had purchased \$5,000 for forward delivery from the British Control at 4.05-1/2. The funds will be used to pay for shipments of jets.

Following the census of sterling, the French franc rose to .0205 in Amsterdam. Shortly after the opening here, it fell to .0200-3/4. Later in the day, it recovered to close at .0202.

The Canadian dollar improved to a discount of 15-3/8¢ in the early afternoon. This is the best rate that has been quoted for that currency in over a month. The closing discount was 15-1/8¢.

The other important currencies closed as follows:

Gullars	.5308-1/2
Sales France	.2298-1/2
Belgum	.1692

The Swedish krona rose to a market quotation of .2365-1/2 this morning. The closing rate, also nominal, was .2353.

The Federal Reserve Bank purchased 11,000,000 French francs for account of the National Bank of Yugoslavia.

We purchased the following amounts of gold from the earmarked accounts of the banks indicated:

\$15,000,000 from the Netherlands Bank
10,000,000 from the Bank of France
<u>352,000 from the Central Bank of Chile</u>
\$25,352,000 Total

The Federal Reserve Bank of New York reported that the following shipments of gold were being consigned to it:

\$2,258,000 from England, shipped by the Bank of England for account of the Swiss National Bank. The disposition of this shipment is unknown at the present time.
1,693,000 from Italy, shipped by the Bank of Italy, to be earmarked for account of the D.I.S.
\$3,951,000 Total

The State Department forwarded to us a cable stating that Mocatta & Goldsald, London, shipped \$7,000 in gold from England to the Banque Belge pour l'Etranger, New York, for sale to the U. S. Army Office.

The Bombay silver quotation was unchanged at the equivalent of 41.06¢.

The prices fixed for silver in London were 20-9/16d and 20-1/2d for spot and forward delivery, representing a decline of 3/8d in each case. The U. S. equivalents were 33.40¢ and 33.12¢.

Handy and Herman's settlement price for foreign silver was unchanged at 34-3/4¢. The Treasury's purchase price for foreign silver was also unchanged at 35¢.

We made six purchases of silver totaling 664,000 ounces under the Silver Purchase Act. Of this amount, 300,000 ounces represented sales from inventory. 200,000 ounces were trading silver, and the remaining 164,000 ounces consisted of new production from foreign countries, for forward delivery.



April 11, 1940
10:55 a.m.

H.W.Jr: Hello.

Harry
Collins: Mr. Secretary.

H.W.Jr: Yes, Harry.

C: It's in an impasse. The -- apparently the main argument is this. That in this development expense being allocated to these new contracts, in them is included certain expense incident to the development of past models which they have already bought, notably the P-36 in the case of Curtis and the P-40. Now, that comes right back to a straight case of policy which has been enunciated by Louis Johnson.

H.W.Jr: Yes.

C: And the only thing seems to be to go back to Louis Johnson and tell him just what the fly in this ointment is and see whether he cares to change that policy. Now, my thought was this. Brett has suggested that we go to Louis Johnson. I was wondering whether you would prefer to have that meeting in your office for a discussion with Louis Johnson.

H.W.Jr: (Pause) I don't know. Let -- just give me more details a minute, will you, so I can evaluate it.

C: Yes, sir. Well here, take the Curtis case. The Army figured 739 thousand dollars, and they asked last night for a break-down, on a percentage basis, by model.

H.W.Jr: Yes.

C: And Brett came in this morning after having discussed it with Johnson and Burns last night and said that he could not give that. That -- then it develops that what worries them is this, and Self put it up and he has an argument to a certain extent - that they had put their sums of money into the Curtis plant in the development of that plant, which had resulted in expediting production of the P-36 as well as the P-40. Now, what they would

- 2 -

probably go for would be a compromise to their wishes. They do not feel that they should pay any development expense, first of all, but what has stopped all the discussion is the fact that there is included in this 739 thousand dollars some of the development expense for the P-40, for which they have a contract for 100, and some of the development expense for the P-36.

- H.M.Jr: Why don't you do this, because I -- the limit to the amount of time that I can put on it.....
- C: I appreciate that.
- H.M.Jr: Why don't you take a crack at Johnson and see where you can get?
- C: All right. Well then, would there be any objection if I go to Johnson with Brett?
- H.M.Jr: I think it would be fine.
- C: All right. Well then, I'm doing the listening part for that fellow only though, sir.
- H.M.Jr: What?
- C: I'm doing the listening part only with him. I mean by that I'm not going to make any suggestions. Brett is the one who will have to develop.....
- H.M.Jr: Well, see where you can get. And can't you do two at the same time? Can't you do Bell also?
- C: Well, the Bell is just a little different, you see. Their claim on the Bell is not so -- is not so involved because here is one aeroplane and they will simply have to take that. That is, if they must take development expense why then they've got to take this without argument.
- H.M.Jr: Well, go and see what you can do with Johnson and let me know later.
- C: Aye, aye, sir.

April 11, 1940.
2:47 p.m.

H.W.Jr: Hello.

Operator: Captain Collins. Go ahead.

H.W.Jr: Hello.

Captain
Collins: Mr. Secretary.

H.W.Jr: Yes.

C: We're still in the throes of our discussion over here. Was there anything other than this discussion with which you talked to Sir Henry and Mr. Plevin.

H.W.Jr: What -- say that again.

C: I say was there any subject other than discussion today with which you - about which you wishes to talk to Sir Henry and Mr. Plevin.

H.W.Jr: Other than the planes?

C: Yes sir.

H.W.Jr: No.

C: All right. Well then inasmuch as we're still going on here and there's some other things to be developed, and some other information which must be had, would it be all right to postpone the meeting with you until tomorrow.

H.W.Jr: Yes, I'd be delighted.

C: All right sir.

H.W.Jr: Well now, you don't know when do they - what time do they want to come.

C: I should think that we ought to be able to - say eleven o'clock.

H.W.Jr: Eleven o'clock.

C: Yes.

H.W.Jr: All right.

C: Goodbye sir.

H.W.Jr: Thank you.

April 11, 1940.
4:45 p.m.

Operator: Go ahead.

H.M.Jr: Harry?

Captain Collins: Yes sir.

H.M.Jr: Bought any planes?

C: No sir, not a one.

H.M.Jr: Are they still meeting?

C: No sir. We adjourned here about, I guess some thirty minutes ago.

H.M.Jr: Huhhuh.

C: Well the situation was this. We discussed together, at least they discussed quite at length this question of policy. Have I talked with you since I talked to Johnson?

H.M.Jr: No.

C: All right. Well, we went over and told him just the dilemma in which we found ourselves with reference to the French and British and we discussed that quite at length and he said that inasmuch as the testimony had been what it was on the Hill, that he didn't see how they could change that policy.

H.M.Jr: Yes.

C: Now this afternoon it develops. We met them again with the French, after we'd met with Johnson and the British, we met with the French and British after we'd met with Johnson, and it develops now that the reason presumably more that this percentage breakdown of which I spoke this morning was to determine whether or not any of this development expense was applicable to some model that was not restricted.

H.M.Jr: Yes.

C: And then they dealt quite at length on the amounts of money which they estimated for purposes of discussion at twenty million that had already been

- 2 -

put up for capital extensions for training of employees for overtime and premiums for expedited deliveries. Of course the amounts of money covered in the memorandum, a copy of which Purvis left with you the day before yesterday. And they said that they felt this, that it was a debit and credit deal. They admitted at the last that the principle however that they were properly chargeable with some development expense, but they said in connection with that they could not lose sight of the fact that they had made very large outlays of money for capital investments in this country which after all, did provide additional facilities for the use of the military service of this country.

H.M.Jr: Yes, but you can't sell that.

C: Well I know but here the way it was with us right now sir. The - it appears now from what Brett said that, just before the meeting blew, that it's a question of seven hundred and thirty nine thousand dollars for Wright and about three hundred and forty thousand dollars for Bell.

H.M.Jr: Yes.

C: And he is now trying to get tonight, what it will amount to on the Lockheed.

H.M.Jr: Yes.

C: They in turn, are bringing in as a matter of information, tomorrow, the total amount of money which they have laid out in this country.

H.M.Jr: Yes.

C: And I fear that we may have to have a meeting with them and Louis Johnson to just see what effect that may have on the policy unless you desire to sit in on that meeting. They feel very strongly that the amounts of money being charged them for development are entirely too high, and that consideration should be given to the amounts that they have spent in plant expenses.

H.M.Jr: Well you can't get away with that.

- C: You don't think so.
- H.M.Jr: No. I think the Allies are entirely wrong.
- C: Huhhuh.
- H.M.Jr: And Johnson's got to have something and so's the War Department, so's the President and so do I, to tell them.
- C: Yes.
- H.M.Jr: The public.
- C: Yes.
- H.M.Jr: And we - what's other more, we've got to have some money.
- C: Yes.
- H.M.Jr: To develop a new plane which will be one jump ahead and they need this money to do that.
- C: Yes. Well look, unfortunately, in the talks out there at Dayton, why the breakdown on the Curtiss plane was given to the Curtiss people.
- H.M.Jr: Yes.
- C: And this P-36 slipped into the discussion yesterday and that's what upset the applecart.
- H.M.Jr: Well -
- C: Because they have a contract for that and they've had it, you know, what is it, two hundred and fifteen of them delivered to them and they don't see why we should go back to that. They said -
- H.M.Jr: No, but charge it all up to the new plant, why -
- C: Well that's just exactly what I said yesterday. It's unfortunate that they ever got into this dog fight at all on models. Just simply say that's development expense applicable to this new ship and let it go at that. But unfortunately that attitude can't be assumed now because the Army has spilled it. Now, they'll be no meetings with these people tomorrow prior to the session in your office. Now I presume they will

want to present that side of it. Purvis, I think, is going to stay over and he will be there.

E.M.Jr: Well I want to see you and General Brett before I see them.

C: Well, then, what time?

E.M.Jr: I'd like to see you and General Brett in my office at nine o'clock.

C: Nine o'clock.

E.M.Jr: Yes. Brett's the man, isn't he?

C: Brett's the man all right. But Brett of course is tied down by Louis Johnson's instructions.

E.M.Jr: That's all right. I'm - from what I've heard, this time I'm with Louis Johnson.

C: Well I am too. I had to admit to him today that I could see his point and of course Louis comes up for the question here that there was a whole lot of this conversation held up there that's not in the record. And they definitely, he said, they want an off the record meeting with Dowell Harter, he told him he was going back and save the Government's hide.

E.M.Jr: I don't - I just was thinking whether I ought to have Johnson here, and Brett or Brett alone. Has Brett got all the figures?

C: Yes, he has the figures all right sir.

E.M.Jr: What?

C: He has the figures all right sir. I'm wondering - Brett's in sort of a tight boat over there, and I'm wondering if politically it might not be a good thing to ask Johnson to come too.

E.M.Jr: I'll ask him. I think I'll call up Johnson and ask him whether he would come and bring whatever officers necessary with him, to give me explanation of this at nine o'clock tomorrow morning.

C: All right.

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H.M.Jr: See?

C: Yes. But look, if you could, if I might suggest it, if you could consistently mention Brett's name, why -

H.M.Jr: I'll do that.

C: I wish you'd do it, because otherwise he'll bring this Burns in there, and Burns is - he hasn't got the picture.

H.M.Jr: I'll ask them to be at my office at nine tomorrow morning. I'll call them right away, because I want to get his story before I see the Allies.

C: I think that's very desirable. I was going to try to get in touch with you later on today -

H.M.Jr: I'll do that.

C: - to bring up that point.

H.M.Jr: Let me call Johnson and I'll ask him to come with Brett tomorrow morning at nine.

C: Yes sir.

H.M.Jr: See ?

C: Well you'll have Mac call me back if it's a go.

H.M.Jr: Well, no, if you don't hear it's nine.

C: All right I'll be there. I'll be there.

H.M.Jr: Unless it's a cancellation it's nine o'clock.

C: Aye aye sir. I'll be there.



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

April 11, 1940

MEMORANDUM FOR THE SECRETARY

Meeting was held in my office this morning at which were present Sir Henry Self, M. Plevan, General Brett, Captain Kraus, Mr. Bell, Mr. Whitman and Mr. Neely of the Bell Aircraft Company, Mr. Bones and myself.

Mr. Bell stated that he was ready to discuss the contract for the P-39s. Sir Henry asked if the price that he had included any development costs. Mr. Bell informed him that it did and then turned to General Brett for a statement of the amount concerned. General Brett stated that there had been allocated to the Bell Plant in connection with this proposed contract for P-39s \$360,000 for development expense. Sir Henry then referred to a question asked by him at a meeting yesterday afternoon and again asked just what this expense covered and how it had been computed. General Brett stated that computations had been made at Dayton; that consideration had been given to the sums of money paid by the Army to Bell Aircraft for the development of the P-39; that the \$360,000 represented only a proportion of the expense actually incurred by the Army; and that, further, at no time had there been included any direct charges incurred by the Army such as their engineering and administrative forces at Dayton.

Sir Henry then reverted to the discussions of yesterday concerning the \$739,000 of development expense which the Army determined would have to be amortized by Curtiss Airplane over contracts at present being negotiated for P-40s and P-46s and asked if any of this expense was incident to development work on any models prior to P-40. General Brett referred to the policy under which, as interpreted by the Air Corps, the amount of development expenses incident to all of the companies had been computed. Since the discussion had reached an impasse the meeting was recessed at 11 o'clock.

At 11:20 General Brett, Captain Kraus and I went to a conference with Assistant Secretary of War Johnson and Colonel Burns, his aide. The discussions of yesterday and this morning were briefly told to the Assistant Secretary, and it was pointed out to him that the British and French desired to have a breakdown which would indicate the distribution of any development expense chargeable to them over the different types of airplanes to which it was applicable. After a general discussion of this point Assistant Secretary Johnson decided to adhere to the policy laid down in his letter to the manufacturers on April 1st.

The meeting with Sir Henry and M. Plevan reconvened at 1:30 and after much discussion there was presented for consideration by the proper authorities of the Government the fact that approximately \$25,000,000 had already been invested by them in capital expenditures, training of employees and premiums for overtime and expedited deliveries from subcontractors and that, further, the proposed purchase of airplanes would entail

a further expenditure of approximately \$21,000,000 for capital investments, plant extensions and training of new personnel, they desired that consideration be given to a change in policy which would recognize these expenditures as an offset, at least in part, of development expense allocated to their new contracts. A further discussion developed the fact that apparently the only other model in which they are presently interested against which development charges would be made is the Lockheed P-38.

General Brett stated that he did not have the figures indicating this amount, that he did, however, hope to be able to present them by tomorrow morning. M. Flevan pointed out that until they knew what the total development expense was they could not make a determination as to what their program would be, and Sir Henry added that the application of this development expense, and he cited the proposed Bell contract as an example, might result in their not buying any planes at all. Meeting was then adjourned until after the meeting in the Secretary's office tomorrow at 11 AM by which time the total development expense allocable would be known. They indicated that they would appreciate an opportunity of discussing with the proper authorities this question of policy with a view to having a reduction made in development expense charges.

In this afternoon's meeting the foreign representatives agreed to the policy of having charged to them a proportion of development expense but immediately coupled it with a request for consideration for the money they have expended in the extension of the aviation industry in this country and stated that they felt that these two items must be considered in arriving at any amount of development expense chargeable to them.

They further expressed the hope that in evaluating the benefits derived and to be derived by our Government from extensions and training of employees for which they had paid, that development expense chargeable to them might be reduced to a minimum.

H. J. Folger

ANGLO-FRENCH PURCHASING BOARD

NEW YORK:
15 BROAD STREET

WASHINGTON:
725 15th ST., N. W.

(His letter from Washington, D.C.)

April 11, 1940.

Capt. H. E. Collins
Chairman, President's Liaison Committee
Procurement Division
Treasury Department
Washington, D.C.

Dear Captain Collins,

As agreed at our meeting this afternoon, I take pleasure in sending you herewith in triplicate a statement of the expenditure incurred by the French and British Governments for the expansion of the capacity of the United States aircraft industry, that is to say, the building up of assets of importance for national defence.

May these figures help to convince the Under-Secretary of War that any development charges, from which we may indirectly benefit, have been more than offset by our contribution to the development of the aircraft industry.

With kindest regards,

Yours sincerely,

Copy

Statement of expenditure incurred by the
French and British Governments for expansion
of capacity of the U.S. aircraft
industry

1. French and English orders placed prior to present
programmes:

- (a) Expansion of plant of Wright Aeronautical Corporation for the manufacture of aero engines.
Total cost.....\$10,372,000
- (b) Expansion of plant of Pratt & Whitney for the manufacture of aero engines
Total cost..... \$ 7,255,000
- (c) Expansion of plant of Curtiss Wright for manufacture of air frames
Total cost..... \$ 940,000
- (d) Expansion of plant of Glen Martin for manufacture of air frames
Total cost (including training).\$3,292,000
- (e) Expansion of plant of Consolidated Aircraft for manufacture of air frames
Total cost.....\$ 940,000
- (f) Expansion of plant of Curtiss and Hamilton propellers
Total cost.....\$ 500,000

These figures do not include the cost of capital expansions by the Lockheed and North American companies which they were able to bring into being by virtue of large British aircraft contracts.

2. Expenditure involved by the present Allied programme under discussion:

- (a) New expansion of capacity of Wright Aeronautical Corporation for the manufacture of aero engines
 - Capital expenditure.....\$6,560,000
 - Cost of training personnel..... 1,560,000

- (b) Capital cost for increase of capacity of Allison plant for manufacture of aero engines
 - Capital expenditure..... \$5,550,000
 - Cost of training personnel.... 600,000

- (c) Expansion of Pratt & Whitney (Figures not yet available but estimated capital expenditure)...\$8,000,000

- (d) Expansion of Pittsburg plant of Curtiss Wright for manufacture of steel bladed propellers
(Final figures not yet determined but estimated minimum).....\$5,000,000

- (e) Estimated cost of increasing capacity of sub-contractors and suppliers of accessories and equipment such as carburetors, magnetos, armament, etc.

\$10,000,000

3. Development charges incurred on designs for French and English -

It is not possible to state a definite figure here inasmuch as the cost has been included in

the contract prices, but it was by virtue of Allied orders for the Glen Martin, Douglas, Lockheed and 301 North American types, which have been purchased in the past, that the designs of these aircraft have been largely elaborated.

Very important technical contributions have been made by the experts of the French and British Commissions to the re-designing of many aircraft types in order to incorporate the requirements demonstrated by war experience to be necessary.

4. Summary

Without attempting to evaluate the contributions referred to in the preceding paragraph 3, it will be seen that the direct contributions to development of capacity of the aircraft industry in the United States will reach a total figure of \$60,569,000. It is suggested that the creation of this additional capacity constitutes an outstanding contribution to the military preparedness programme of the United States which, according to declarations of Administrative policy, is a factor of recognized importance.

Anglo-French Purchasing Board

April 11, 1940.

THE WHITE HOUSE
WASHINGTON

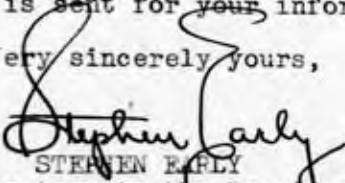
April 11, 1940.

Dear Mr. Secretary:

I am sending you herewith a copy of the message the President will transmit to the Congress today about noon -- a confidential advance copy, to be held in confidence until released when read in either the House of Representatives or the Senate.

This is sent for your information.

Very sincerely yours,


STEPHEN EARLY
Secretary to the President

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

Enclosure.

April 11, 1940.

CONFIDENTIAL: This message and the Reorganization plan transmitted with it - must be held in STRICT CONFIDENCE and no portion, synopsis, or intimation be published or given out until the READING of the President's message has begun in the Senate or the House of Representatives. Extreme care must therefore be exercised to avoid premature publication.

STEPHEN EARLY
Secretary to the President

TO THE CONGRESS OF THE UNITED STATES:

One year ago the Congress directed the President to investigate the organization of the Executive establishment and to submit plans for such transfers, consolidations, and abolitions of agencies as were found necessary and desirable.

Shortly thereafter I submitted Reorganization Plan No. I which improved the over-all management of the Executive Branch. This was followed by Reorganization Plan No. II which effected a better allocation of certain agencies and activities among departments. Although these two plans have been in effect less than a year, their benefits have already been gratifying. I have found the task of coordinating the work of the Executive Branch less difficult. Many improvements in service have occurred, and substantial economies have resulted.

Reorganization Plan No. III, recently submitted, is a third step which will improve intradepartmental management through internal adjustments in certain agencies.

I am now proposing a fourth reorganization plan which provides for a number of interdepartmental reorganizations. These changes are designed to increase efficiency in the administration of Government services by a more logical grouping of certain functions and by a further reduction in the number of independent agencies reporting directly to the Chief Executive.

Accordingly, I am transmitting herewith Reorganization Plan No. IV, which, after investigation, I have prepared in pursuance of section 4 of the Reorganization Act of 1939 (Public No. 19, 76th Congress, 1st Session) approved April 3, 1939; and I declare with respect to each reorganization made in this Plan, that I have found such reorganization necessary to accomplish one or more of the purposes of section 1 (a) of the Act:

1. To reduce expenditures;
2. To increase efficiency;
3. To consolidate agencies according to major purposes;
4. To reduce the number of agencies by consolidating those having similar functions and by abolishing such as may not be necessary;
5. To eliminate overlapping and duplication of effort.

The Plan I now transmit I shall describe briefly as follows:

Department of State: The Dominican Customs Receivership is transferred to the Department of State from the Division of Territories and Island Possessions in the Department of the Interior. The State Department is the most appropriate agency to supervise this activity which involves relations with a foreign government.

Treasury Department: The Plan transfers to the Secretary of the Treasury the function of the Attorney General of approving out-of-court settlements -- technically termed compromises -- of cases arising under the Federal Alcohol Administration Act which have not, prior to compromise, been referred to the Department of Justice for prosecution. The present requirement that the Attorney General approve all compromises results in a cumbersome, time-consuming procedure which the small amounts involved do not warrant. The proposed handling will be simpler, less likely to cause delay, and consistent with the procedure now followed in compromises arising under other Acts which the Treasury Department administers.

Department of Justice: Executive Order No. 5166, issued June 10, 1933, provided for the centralization of the disbursement function in a Division of Disbursement in the Treasury Department. The resulting increase in efficiency has amply demonstrated the wisdom of centralizing disbursement work. In effectuating the plan, however, I have found it necessary to postpone its application to United States marshals because of the unusual character of their disbursing work in serving the courts. Experience indicates that this arrangement should be continued. I am proposing, therefore, the permanent transfer of the disbursement function of United States marshals from the Treasury Department to the Department of Justice.

Post Office Department: It has also been found desirable to continue permanently in the Post Office Department the disbursement of Post Office funds. The special character of the work of this Department, involving disbursements in thousands of post offices throughout the Nation, requires here, as well as in the case of the United States marshals, a departure from the sound theory of central disbursing. With its far-flung facilities, the Post Office Department is better equipped to carry on this work than the Division of Disbursement.

Another proposal affecting the Post Office Department relates to the transportation of mail and other material between Departments. In the early colonial days, the interchange of correspondence and messages was by the simple hand-to-hand method. Gradually a more systematic service became necessary to transport messages, with the resultant evolution of the postal service. Business and private citizens in general have made use of that service, and today we have in our Post Office Department the most efficient organization of its kind in the world. However, here in the Capital City, the Federal Government, instead of utilizing fully the resources of the Post Office Department to maintain its mail and messenger service, has permitted a multiplicity of interdepartmental messenger services, each serving its own department, bureau, or agency. This duplication of services is uneconomical and results in a constant crisscrossing and overlapping of personnel and equipment, all engaged in a common activity. I am sure that the average citizen in Washington, as well as officials of the Government itself, have wondered at this paradox whereby the Federal Government is failing to make the fullest use of one of its own agencies which is specially equipped to render a simple, centralized service for all the other agencies. This Reorganization Plan proposes to do exactly that; to provide for the transportation of mail, documents, packages, and similar material between all buildings occupied by Government offices on a regularly scheduled basis of sufficient frequency to meet the reasonable and normal requirements of these offices and to reduce to a minimum the constant dispatching of messengers on so-called urgent and emergency errands. This service will be available on a reimbursement basis to the agencies exempted by the Reorganization Act.

Department of the Interior: I propose to transfer to the Department of the Interior the activities of the Soil Conservation Service relating to soil and moisture conservation on lands under the

jurisdiction of the Interior Department. With respect to private lands, the soil conservation work of the Federal Government is primarily of a consultative character and can best be carried on by the Department of Agriculture through cooperation of the farmers throughout the country. In the case of Federal lands, this work includes the actual application by the Government of soil conservation practices and is an appropriate function of the agency administering the land.

Department of Commerce: One of the purposes of the Reorganization Act is to reduce the number of administrative agencies and thereby simplify the task of executive management. We have made substantial progress toward this objective under previous reorganization plans. I am now proposing another step in this direction by placing the Civil Aeronautics Authority within the framework of the Department of Commerce. Reorganization Plan No. III, which deals with interdepartmental changes, makes a more practical separation between the functions of the Administrator and the Civil Aeronautics Board. In Plan IV, which is concerned with interdepartmental reorganization, I am bringing the authority into the Departmental structure. The Administrator will report to the Secretary of Commerce. The five-member board, however, will perform its rule-making, adjudicative, and investigative functions independent of the Department. In the interest of efficiency it will be supplied by the Department with budgeting, accounting, procurement, and other office services. As a result of the adjustments provided in Plans III and IV, I believe the Civil Aeronautics Board will be able effectively to carry forward the important work of accident investigation heretofore performed by the Air Safety Board. In addition to the effective and coordinated discharge of accident investigation work which this transfer will facilitate, economies in administration will be possible.

The importance of the Weather Bureau's functions to the Nation's commerce has also led to the decision to transfer this Bureau to the Department of Commerce. The development of the aviation industry has placed upon the Weather Bureau a major responsibility in the field of air transportation. The transfer to the Department of Commerce, as provided in this Plan, will permit better coordination of Government activities relating to aviation and to commerce generally, without in any way lessening the Bureau's contribution to agriculture.

Department of Labor: The Plan transfers to the Secretary of Labor the functions of the Secretary of the Treasury and the Secretary of the Interior relating to the enforcement of the minimum wage provisions in contracts for Federal construction. The Secretary of Labor is responsible by Law for the determination of the prevailing wage rates included in Government contracts and should properly have complete responsibility for their enforcement.

United States Maritime Commission: I propose to transfer to the United States Maritime Commission the functions of the Secretary of the Navy relating to State marine and nautical schools. These schools are devoted to training young men for junior officer positions in the merchant marine. The general responsibility for developing facilities for the training of merchant marine personnel is vested in the Maritime Commission. The proposed transfer will thus permit closer coordination of the nautical schools with the training work of the Maritime Commission.

Federal Security Agency: The Federal Security Agency has as its major purpose the protection of social and economic security, educational opportunity, and the health of the citizens. The functions of Saint Elizabeths Hospital, Freedman's Hospital, Howard University, and Columbia Institution for the Deaf plainly come squarely within these purposes. Consequently, I find it necessary and desirable in pursuance of the objectives of the Reorganization Act to transfer to the Federal Security Agency the responsibilities of the Interior Department relating to these institutions. The work of Saint Elizabeths Hospital and Freedman's Hospital is much more akin to the activities of the Public Health Service in the Federal Security Agency than to those of any other Federal establishment. Similarly, Howard University and Columbia Institution for the Deaf can derive more benefit from association with the Office of Education in the Federal Security Agency than with any other Federal organization.

I further propose to transfer to the Federal Security Agency the Food and Drug Administration with the exception of two activities intimately related to the work of the Department of Agriculture. The work of the Food and Drug Administration is unrelated to the basic functions of the Department of Agriculture. There was, however, no other agency to which these functions more appropriately belonged until the Federal Security Agency was created last year. I now believe that the opportunity for the Food and Drug Administration to develop along increasingly constructive lines lies in this new Agency. There is also need for coordination of certain of its functions with those of the Public Health Service. To accomplish these objectives, the Plan establishes the Administration as a separate unit within the Federal Security Agency.

Economics: Functions may be transferred or consolidated under this Reorganization Act, but the abolition of functions is prohibited. Congress alone can curtail or abolish functions now provided by law. Savings must come from administrative expenses which comprise only a small fraction of Federal expenditures. This precludes the making of large reductions in expenditure through reorganization plans. The major achievements in reorganizations under this formula must inevitably be found in improved management and more effective service. However, some savings in administrative expenses will be possible under this Plan. I estimate the immediate annual savings at approximately \$800,000.

Future reorganization needs: The reorganization plans thus far submitted do not exhaust the transfers, consolidations, and abolitions that may be necessary and desirable. Some changes that now appear to have merit require further study. It is the responsibility of the President as Chief Executive to see that needed adjustments and improvements in administrative organization are made. But this he cannot adequately accomplish without proper statutory authority. The present Reorganization Act entirely exempts some 21 administrative agencies from consideration. Furthermore this Act expires on January 20, 1941.

I strongly recommend the reenactment of the Reorganization Act, without exemptions. The structure and management of our Government, like the activities and services it performs, must be kept abreast of social and economic change.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE

April 11, 1940.

Prepared by the President and transmitted to the Senate and the House of Representatives in Congress assembled, April 11, 1940, pursuant to the provisions of the Reorganization Act of 1939, approved April 3, 1939.

DEPARTMENT OF STATE

Section 1. Transfer of Dominican Customs Receivership.—The functions of the Division of Territories and Island Possessions in the Department of the Interior relating to the Dominican Customs Receivership are transferred to the Department of State and shall be administered by the Secretary of State or under his direction and supervision by such agency in the Department of State as he shall designate.

DEPARTMENT OF THE TREASURY

Sec. 2. Approval of Compromises.—The functions of the Attorney General relating to the approval of compromises made in accordance with the provisions of section 7 of the Federal Alcohol Administration Act are transferred to the Secretary of the Treasury, to be exercised by him or under his direction and supervision by such officer in the Department of the Treasury as he shall designate; Provided, That exclusive jurisdiction to compromise cases arising under the Federal Alcohol Administration Act which are pending before the courts or which have been or may hereafter be referred to the Department of Justice for action shall be vested in the Attorney General, and may be exercised by him or by any officer in the Department of Justice designated by him.

DEPARTMENT OF JUSTICE

Sec. 3. Disbursement Functions of United States Marshals.—All functions relating to disbursement by United States marshals which would otherwise become functions of the Treasury Department on July 1, 1940, by virtue of the provisions of Executive Order No. 8186 of June 10, 1933, as amended, are transferred to and vested in the Department of Justice to be exercised by United States marshals under the supervision of the Attorney General in accordance with existing statutes pertaining to such functions; Provided, That the Attorney General shall furnish the Secretary of the Treasury, when requested by him, such information as the Treasury Department may require with respect to the amounts of money received and disbursed by marshals and the proceeds followed in connection therewith; Provided further, That upon the request of the Secretary of the Treasury, and with the approval of the Attorney General, the facilities of the Department of Justice may be utilized in the disbursement, or aiding in the disbursement, of public moneys of the United States available for expenditure by any agency of the Government.

POST OFFICE DEPARTMENT

Sec. 4. Functions of postal disbursements.—All functions relating to the disbursement of the postal revenues and all other funds under the jurisdiction of the Post Office Department and

the Postmaster General and the Board of Trustees of the Postal Savings System which would otherwise become functions of the Treasury Department on July 1, 1940, by virtue of Executive Order No. 6166 of June 10, 1938, as amended, are transferred to and vested in (a) the Board of Trustees of the Postal Savings System as to postal savings disbursements, and (b) the Post Office Department as to all other disbursements involved, and such functions shall be exercised by postmasters and other authorized disbursing agents of the Post Office Department and of the Postal Savings System in accordance with existing statutes pertaining to such functions; Provided, That the Postmaster General shall furnish to the Secretary of the Treasury, when requested by him, such information as the Treasury Department may require with respect to the amounts of money received and disbursed by the Post Office Department, its postmasters and other fiscal officers, and the procedure followed in connection therewith; Provided further, That upon request of the Secretary of the Treasury, and with the approval of the Postmaster General, the facilities of the Post Office Department may be utilized in the disbursement, or aiding in the disbursement, of public moneys of the United States available for expenditure by any agency of the Government.

Sec. 5. Transfer of interbuilding messenger functions.

(a) Except as prohibited by section 3(b) of the Reorganization Act of 1939, the function of regular interbuilding messenger service (including the transportation of mail) and the function of transportation of mail between Government agencies and the City Post Office, now exercised in the District of Columbia by agencies of the Government, are transferred from such agencies to and consolidated in the Post Office Department and shall be administered by the Postmaster General under such rules and regulations as the President shall prescribe; Provided, That this section shall not apply to the transportation of moneys and securities by armored truck or by other special services, or to messenger service between contiguous buildings.

(b) The Director of the Bureau of the Budget may waive the transfer of any motor vehicle coming within the purview of section 14 of this Plan where he finds that the retention of such vehicle is essential to the performance of functions other than those transferred by this section.

DEPARTMENT OF THE INTERIOR

Sec. 6. Certain Functions of the Soil Conservation Service transferred.—The functions of the Soil Conservation Service in the Department of Agriculture with respect to soil and moisture conservation operations conducted on any lands under the jurisdiction of the Department of the Interior are transferred to the Department of the Interior and shall be administered under the direction and supervision of the Secretary of the Interior through such agency or agencies in the Department of the Interior as the Secretary shall designate.

DEPARTMENT OF COMMERCE

Sec. 7. Transfer of Civil Aeronautics Authority.

(a) The Civil Aeronautics Authority and its functions, the Office of the Administrator of Civil Aeronautics and its functions, and the functions of the Air Safety Board are transferred to the Department of Commerce.

(b) The functions of the Air Safety Board are consolidated with the functions of the Civil Aeronautics Authority, which shall hereafter be known as the Civil Aeronautics Board and which shall, in addition to its other functions, discharge the duties heretofore vested in the Air Safety Board so as to

provide for the independent investigation of aircraft accidents. The offices of the members of the Air Safety Board are abolished.

(c) The Administrator of Civil Aeronautics, whose functions shall be administered under the direction and supervision of the Secretary of Commerce, and the Civil Aeronautics Board, which shall report to Congress and the President through the Secretary of Commerce, shall constitute the Civil Aeronautics Authority within the Department of Commerce: Provided, That the Civil Aeronautics Board shall exercise its functions of rule-making (including the prescription of rules, regulations, and standards), adjudication, and investigation independently of the Secretary of Commerce: Provided further, That the budgeting, accounting, personnel, procurement, and related routine management functions of the Civil Aeronautics Board shall be performed under the direction and supervision of the Secretary of Commerce through such facilities as he shall designate or establish.

Sec. 8. Transfer of Weather Bureau.—The Weather Bureau in the Department of Agriculture and its functions are transferred to the Department of Commerce and shall be administered under the direction and supervision of the Secretary of Commerce: Provided, That the Department of Agriculture may continue to make snow surveys and to conduct research concerning: (a) relationships between weather and crops, (b) long-range weather forecasting, and (c) relationships between weather and soil erosion.

DEPARTMENT OF LABOR

Sec. 9. Transfer of certain functions relating to enforcement of wage payments on public construction.—The functions of the Secretary of the Treasury and the Secretary of the Interior under section 2 of the Act of June 13, 1934, entitled "An Act to effectuate the purpose of certain statutes concerning rates of pay for labor, by making it unlawful to prevent anyone from receiving the compensation contracted for thereunder, and for other purposes" (48 Stat. 946), are transferred to the Secretary of Labor and shall be administered by him or under his direction and supervision by such agency in the Department of Labor as the Secretary shall designate.

UNITED STATES MARITIME COMMISSION

Sec. 10. Transfer of nautical school functions.—The functions of the Secretary of the Navy with respect to furnishing, maintaining, and repairing vessels for the use of State marine or nautical schools and with respect to administering grants of funds for the support of such schools are transferred to and shall be administered by the United States Maritime Commission. Jurisdiction over vessels, apparel, charts, books, and instruments now loaned to State marine or nautical schools is transferred from the Secretary of the Navy to the United States Maritime Commission.

FEDERAL SECURITY AGENCY

Sec. 11. Transfer of certain Interior Department institutions.—(a) Saint Elizabeths Hospital.—Saint Elizabeths Hospital in the Department of the Interior and its functions are transferred to the Federal Security Agency and shall be administered under the direction and supervision of the Federal Security Administrator. The annual report required to be submitted to the Congress by the superintendent of the Hospital shall be submitted through

the Federal Security Administrator. The annual report required to be furnished to the Secretary of the Interior by the Board of Visitors shall be furnished to the Federal Security Administrator.

(b) Freedmen's Hospital.--Freedmen's Hospital in the Department of the Interior and its functions are transferred to the Federal Security Agency and shall be administered under the direction and supervision of the Federal Security Administrator.

(c) Howard University.--The functions of the Department of the Interior relating to the administration of Howard University are transferred to the Federal Security Agency and shall be administered under the direction and supervision of the Federal Security Administrator. The annual report required to be furnished to the Secretary of the Interior by the president and directors of the University shall be furnished to the Federal Security Administrator. The Office of Education shall continue to make its inspections of and reports on the affairs of Howard University in accordance with the provisions of existing law.

(d) Columbia Institution for the Deaf.--The functions of the Department of the Interior relating to the administration of the Columbia Institution for the Deaf are transferred to the Federal Security Agency and shall be administered under the direction and supervision of the Federal Security Administrator. The annual report required to be furnished to the Secretary of the Interior by the president and directors of the Institution shall be furnished to the Federal Security Administrator, and the annual report of the superintendent of the Institution to the Congress shall be submitted through the Federal Security Administrator.

(e) Federal Security Administrator.--The functions transferred by this section shall be administered under the direction and supervision of the Federal Security Administrator through such officers or subdivisions of the Federal Security Agency as the Administrator shall designate.

Sec. 12. Transfer of Food and Drug Administration.--The Food and Drug Administration in the Department of Agriculture and its functions, except those functions relating to the administration of the Insecticide Act of 1910 and the Naval Stores Act, are transferred to the Federal Security Agency and shall be administered under the direction and supervision of the Federal Security Administrator. The Chief of the Food and Drug Administration shall hereafter be known as the Commissioner of Food and Drugs.

GENERAL PROVISIONS

Sec. 13. Transfer of functions of heads of departments.--Except as otherwise provided in this Plan, the functions of the head of any department relating to the administration of any agency or function transferred from his department by this Plan, are transferred to, and shall be exercised by, the head of the department or agency to which such transferred agency or function is transferred by this Plan.

Sec. 14. Transfer of records, property, and personnel.--Except as otherwise provided in this Plan, all records and property (including office equipment) of the several agencies, and all records and property used primarily in the administration

- 5 -

of any functions, transferred by this Plan, and all personnel used in the administration of such agencies and functions (including officers whose chief duties relate to such administration and whose offices are not abolished) are transferred to the respective agencies concerned, for use in the administration of the agencies and functions transferred by this Plan; Provided, That any personnel transferred to any agency by this section found by the head of such agency to be in excess of the personnel necessary for the administration of the functions transferred to his agency shall be retransferred under existing law to other positions in the Government service, or separated from the service subject to the provisions of section 10(a) of the Reorganization Act of 1939.

Sec. 15. Transfer of funds.--So much of the unexpended balances of appropriations, allocations, or other funds available for the use of any agency in the exercise of any function transferred by this Plan, or for the use of the head of any agency in the exercise of any function so transferred, as the Director of the Bureau of the Budget with the approval of the President shall determine, shall be transferred to the agency concerned for use in connection with the exercise of the function so transferred. In determining the amount to be transferred the Director of the Bureau of the Budget may include an amount to provide for the liquidation of obligations incurred against such appropriations, allocations, or other funds prior to the transfer: Provided, That the use of the unexpended balances of appropriations, allocations, or other funds transferred by this section shall be subject to the provisions of section 4(d)(3) and section 9 of the Reorganization Act of 1939.

April 11, 1940
8:57 a.m.

- H.V.Jr: Take a look at the Wall Street Journal this morning.
- Harry Collins: Yes, sir.
- H.V.Jr: The War Department has been talking plenty again.
- C: Oh, for God's sake!
- H.V.Jr: But there's nothing we can do about it.
- C: Yeah.
- H.V.Jr: You know they asked -- he asked me point blank what -- how much each order was. I couldn't -- I had to tell him.
- C: Yes, sir.
- H.V.Jr: But I've tried to kill a press conference he was going to have this morning.
- C: Yes, sir.
- H.V.Jr: Now, what I want to know is what are they going to do this morning.
- C: Well, now Bell is going to be down this morning, and I don't think we're going to go so far with it.
- H.V.Jr: You don't?
- C: No. Now yesterday you were too tired to go into it, but on the Wright case the development expense to be amortized in the Wright case was about 739 thousand dollars.
- H.V.Jr: Yeah.
- C: Well, they asked about that and, in fact, that was just about the only subject discussed at yesterday's meeting. And Brett said that he was not at liberty to tell them the basis on which that had been arrived at. He told them the formula but he wasn't -- he wouldn't give them the figures. As a matter of fact he didn't have them.

- 2 -

H.M.Jr: Yes.

C: And he was stalling also against getting probably authority from Johnson to tell them.

H.M.Jr: Well, I mean, what do the British want? They.....

C: Well, they feel that's too much money.

H.M.Jr: Now listen.

C: Yeah.

H.M.Jr: Let me tell you something. Now, seven hundred and how much?

C: Thirty-nine thousand.

H.M.Jr: Over -- for what company?

C: Wright, Wright.

H.M.Jr: For which planes?

C: The Curtis -- for the P-39.

H.M.Jr: The P-39? Which is that?

C: No, no, I mean the P-40 and the P-46.

H.M.Jr: For the two together?

C: That's right.

H.M.Jr: That's all they want?

C: That's right. Wait a minute, that -- this is development expense only to be amortized over the contracts, you see.

H.M.Jr: All right. Now listen, don't tell them to come and weep on my shoulder on that. That's the cheapest money they ever layed out. I don't want them coming around weeping here. Now, if -- now, wait a minute. Get this thing straight, Harry.

C: Yes, sir.

- 3 -

- H.W.Jr: And if they don't want it I'll tell it to them right between the eyes. If that's all that the War Department wants to charge up the Allies are God damn lucky!
- C: That's for one contract.
- H.W.Jr: Well that's cheap.
- C: Yes, I think so myself. I go with you on that.
- H.W.Jr: Well don't let them come over here at three o'clock and do a lot of weeping on my shoulders because I'll get rough. And if that's all that they have to pay to get a release on these two planes, they ought to get down on their knees and thank their lucky stars.
- C: Well, I -- I quite agree with you and I think that -- I think that's one of the things that Brett feels too. Now, if -- I don't know, I haven't been able to get to him yet this morning. I don't think that they're going to back up one foot, the War Department, on that.
- H.W.Jr: Well, they shouldn't. I mean, I don't know it is, but if the War Department says it costs 739 thousand dollars to develop these two models and they want the Allies to assume that, the Allies are getting off very reasonable and they should quit trading and do business.
- C: Well, of course that is only their share of it. It costs well over a million, you know, on those two models.
- H.W.Jr: Well, I still -- well then it's all the more reason they.....
- C: It certainly is from that point of view, yes, sir.
- H.W.Jr: Now what I want the Allies to do, because I want to know whether they're stalling. And this is as good a thing as any because these two planes take that engine with the super-charger, see?
- C: That's right, sir.

- 4 -

- H.M.Jr: I'd like them to concentrate on this one order with this super-charger engine and get one contract signed and get the formula fixed. See?
- C: Yes, sir. Yes, sir.
- H.M.Jr: And this will be as good as any, the contract with the Curtis.
- C: Well, I.....
- H.M.Jr: Is Curtis in town?
- C: No, they went back yesterday afternoon. They had to.
- H.M.Jr: Well.....
- C: But they have gone as far as they could go because it's just now a case of price. It was rather interesting -- Wright had a very good -- very good story to tell them, and of course another point why he asked -- he's asking for some 240 thousand dollars which is representative of scrap values that will accrue by virtue of the British taking this plane over instead of going through with the Army contract.
- H.M.Jr: Oh.
- C: And they were squawking about that, but of course that's without the Army. That's not a government deal. That's a deal for them to trade with Wright on.
- H.M.Jr: Well, who are the Allies going to see this morning?
- C: Well, we're going to see the Bell aircraft this morning.
- H.M.Jr: Well, do you know how much there is there?
- C: 435 thousand, -- 335 thousand.
- H.M.Jr: Development cost.
- C: That's right.
- H.M.Jr: Yes.

- 5 -

- C: On a P-39, the fastest plane in the air.
- H.M.Jr: That's the Bell.
- C: That's right.
- H.M.Jr: Well, what I'm still suggesting is that they take one. I don't care which it is, whether it's Bell or Curtis, but get through with one and get this formula established.
- C: I think the Bell is an easier one to get it through with because it's just one ship concerned there, you see?
- H.M.Jr: Well then concentrate on Bell and the fact -- whatever the development cost of the other thing is, but -- in the Bell it's 350?
- C: 335 is what I think it's going to figure.
- H.M.Jr: Cheap! My heavens!
- C: Oh, of course it is. Why that's only a small share of what they have put into that plane and what Bell has put into it.
- H.M.Jr: I think the Army is very reasonable.
- C: Yeah.
- H.M.Jr: Don't you?
- C: I do. I don't -- I really can't see why anybody should stumble over a million dollars when you are discussing 800 -- 800 ships, you know. And if Bell -- now they want to go to 300 on Bell and that'll make this 335, they'll amortize it even down further.
- H.M.Jr: How many was it yesterday?
- C: 200.
- H.M.Jr: Well, whatever it is -- look, this is what I want you to do.
- C: Yes.

- 6 -

H.M.Jr: Concentrate on one company and get the thing established and get one thing signed.

C: All right. Now we'll -- we'll concentrate on Bell because I think it's an easier deal.

H.M.Jr: All right.

C: All right, sir.

H.M.Jr: Now, who's -- are you going to have Brett there today too?

C: Oh, absolutely!

H.M.Jr: Good.

C: Absolutely.

H.M.Jr: When do you meet with them?

C: When?

H.M.Jr: Yes.

C: This morning ten o'clock.

H.M.Jr: Right. And let's see if we can't get one thing through.

C: All right, sir. We'll try on the Bell.

H.M.Jr: O. K.

C: Because I can talk very frankly to him and tell him we want this thing rushed through.

H.M.Jr: Because I won't believe that the Army is going to play ball until I see one contract signed.

C: Yes, sir. Well, I'll stick on top of it.

H.M.Jr: All right.

C: Have you got another second?

H.M.Jr: Yes.

- 7 -

- C: Yesterday afternoon I called up Burns, Colonel Burns, and I asked Burns -- I sort of took his breath away -- I asked Burns for one officer -- one, I said, from the War Department, and he said, "Well, who has been working with you?" And I said, "Brett." And he said, "You phone Brett and tell him it's all right, will you?" I said, "I'll be very happy to."
- H.M.Jr: Good.
- C: So that broke up that little play. You see, Johnson, after I came out of your office yesterday, he wanted me to deal entirely with Burns; don't pay any attention to these other people at all. Well, Burns doesn't know what time it is as far as aircraft goes.
- H.M.Jr: Right. Well.....
- C: But we'll clear through this channel and get the men we want each trip.
- H.M.Jr: O. K.
- C: All right, sir.
- H.M.Jr: Thank you.
- C: Well then, we have a standing date with you for three o'clock, have we?
- H.M.Jr: That's right.
- C: All right.
- H.M.Jr: But don't let them come over and weep on my shoulders on this development cost.
- C: Well, I'll tell them they had better keep quiet on that.
- H.M.Jr: And they better pay it, and they're getting off cheap. And I want to see them; now I've turned myself inside out and the President has. I want to see them sign a contract, The English.

- 8 -

- C: Yes, sir. I do too. You know, this is sort of an about-face because Wright phoned me Sunday.....
- H.M.Jr: Yeah.
- C:and said that -- that he had this meeting and he said in principle why he thought the British had accepted this idea of development cost and scrap damage. He said they seemed very pleased over the fact that we were going to get these planes.
- H.M.Jr: Yeah.
- C: And now, of course, they've -- yesterday was this Henry Self who has -- about-face, and he's gotten Plevan all upset over it too.
- H.M.Jr: What is the scrap thing? You might as well explain it to me. I don't understand it.
- C: Well, in the -- in the switch-over, you see, to the French plane, they want certain changes and things of that made which will obsolesce certain parts that have already been processed for the Army '40's.
- H.M.Jr: I see.
- C: Which they are going to release to them.
- H.M.Jr: I see.
- C: And the changing around -- the change-over there and the scrap which accrues all runs -- they estimate at the moment, around 400 thousand dollars.
- H.M.Jr: I see. Now, let me ask you this. When they -- when they take the Bell plane do they get the super-charger with that?
- C: Oh, yes.
- H.M.Jr: They do?
- C: That's been released.
- H.M.Jr: That does.

- 9 -

- C: Now they -- they've released the two stage two speed and that's what Bell uses, you see? He doesn't use the . The is only used in that Lockheed.
- H.M.Jr: Well, let's get the Bell contract and let -- you tell the Allies that I want them to concentrate on one, I don't care which one it is, but let them concentrate on one order and get that through.
- C: All right, sir. I shall.
- H.M.Jr: And if they come over tonight and do the baby act at three o'clock it's going to -- they're going to get a very cool reception.
- C: Well, I'll tell them I don't think it's any use in worrying you in a discussion of that because that's a matter that was one of the principles layed down when these releases were made.
- H.M.Jr: Why I wouldn't -- absolutely! And I repeat I think the Army is very reasonable.
- C: Yeah.
- H.M.Jr: I wouldn't blame the Army if they'd put the entire development cost to Bell on the English.
- C: They haven't done it.
- H.M.Jr: Well, I think they're very reasonable.
- C: Yeah, yeah.
- H.M.Jr: O. K.
- C: All right, sir. Thank you, sir. Good morning.

April 11, 1940
9:44 a.m.

H.M.Jr: Hello.

Operator: Mr. Berle.

H.M.Jr: Hello.

Adolf A. Berle: Good morning, Mr. Secretary.

H.M.Jr: How are you?

B: First-rate. I hope you got some sleep last night.

H.M.Jr: Oh, yes. I slept well. A good conscience; everything else.

B: Well, I think the order that you got out shouldn't have weighed very heavily on your conscience.

H.M.Jr: Are the Norwegians and Danes pleased at this end?

B: The Danes are very pleased. I think the Norwegians likewise, although I've -- I'll know more about their attitude by the end of the morning. The Danes, of course, are very happy.

H.M.Jr: Well now, at two-thirty the boys are coming to my room and tell me the various problems that have developed during the day. If you would care to sit in on it I would be delighted to have you.

B: Well, I shall be very glad. It's -- unless they've got some other job for me here I'd like to do that.

H.M.Jr: Well, -- I mean, they'll be bringing in the things the way you heard them yesterday. See?

B: Right.

H.M.Jr: And the various problems that anybody has had during the day, they're going to bring them in at two-thirty, and if you are not otherwise occupied I'd be glad to have you sit in.

B: Thank you, Mr. Secretary. You may not realize it, but you and the Danish Minister and the President and I are building a Denmark in our heads for the time being.

H.M.Jr: What's that?

B: I say, you may not realize it, but about three of us are building a Denmark in our heads for the time being.

H.M.Jr: You mean -- meaning what?

B: Well, obviously there isn't any Danish government. There's a German Government there.

H.M.Jr: Oh.

B: And we're just arranging there's going to be a Denmark existing somewhere in the upper ether and just keep on going until the Germans get out of there.

H.M.Jr: Well, if they want to send an Ambassador this summer to Greenland, please consider my application.

B: I'll put your application on file and consider your qualifications.

H.M.Jr: All right. I don't know whether I'm qualified, but after all Ruth Bryan Owen went there and liked it.

B: Well, my grandfather explored that country in the earlier days, crossing Greenland he was shipwrecked on the coast up there and had a very good time.

H.M.Jr: (Laughs) All right.

B: All right.

H.M.Jr: Goodbye.

April 11, 1940
11:05 a.m.

H.M.Jr: Hello.

Operator: Mr. Welles.

H.M.Jr: Hello.

Sumner
Welles: Hello, Henry. Good morning.

H.M.Jr: Good morning.

W: I wanted to let you know yesterday afternoon that I had spoken to Lord Lothian.

H.M.Jr: Yes.

W: And he was sending a further rush telegram the minute he left me.

H.M.Jr: Good.

W: And that he'd try and get a reply immediately.

H.M.Jr: Good. Sumner.....

W: Yes.

H.M.Jr: You can inform the Italian Ambassador that on the recommendation of Basil Harris I have remitted all the fines on those four boats.

W: Oh, I'm very much gratified. I think that will be very helpful, Henry.

H.M.Jr: There will be no fines.

W: Thank you so much.

H.M.Jr: I thought -- you said you'd like to let him know yourself.

W: Yes, I'm very much obliged to you.

H.M.Jr: O. K.

W: Thanks a lot.

H.M.Jr: Goodbye.

W: Goodbye.

April 11, 1940
1:00 p.m.

Operator: Go ahead.

Adolf A.
Berle: Hello. Hello.

O: Just a minute, Mr. Berle.

H.M.Jr: Hello.

B: Hello, Mr. Secretary. Mr. Berle speaking.

H.M.Jr: Yeah.

B: The Norwegian Minister is here and he has asked a couple of questions and I'm proposing to answer them, believing that I state your view as well as my own.

H.M.Jr: Please.

B: His first question is whether there was any intent to block the funds, the government funds, in the event that -- well, to put any obstacle in the way of the Norwegian Government from getting its funds and I am answering that by saying that there's not the slightest intention and there will be no difficulty, so long, of course, as the Norwegian Government remains a free agency and isn't submerged by military government.

H.M.Jr: That would be my interpretation.

B: Mine too. Exactly. The second was that so far as the Norwegian business interests and so forth having funds here are concerned pretty much the same rule would apply.

H.M.Jr: I would say so.

B: I would say so too.

H.M.Jr: But I would tell him this. This would keep our hands free, that it's the Treasury -- to work from day to day. We don't make any commitments beyond one day.

- 2 -

B: Well, I've been telling him that we're settling each case on its merits, but what he's getting is the general guide wire of the principles involved, because his government is now, of course, I take it, operating outside the German military line. Maybe there won't be any military line if this keeps up but.....

H.M.Jr: But if you would just as soon sort of act like a windward - say that things move so fast...

B:we can't foresee.

H.M.Jr:we can't foresee.

B: All right. Thank you very much.

H.M.Jr: Just give me that

B: All right, I'll do that.

H.M.Jr: Thank you.

B: Thank you. Goodbye.

April 11, 1940.
4:53 p.m.

H.M.Jr: Hello.

Operator: Mr. Johnson is taking a friend to the train.
We can locate him a little later.

H.M.Jr: Who's in his office?

O: His secretary is there.

H.M.Jr: Let me talk with her.

O: Right.

H.M.Jr: Hello.

O: Mr. Johnson's secretary. Go ahead.

H.M.Jr: Hello.
Mr. Johnson's
Secretary: Yes Mr. Morgenthau.

H.M.Jr: Could you get this word to Mr. Johnson, please?

S: I think so, sir.

H.M.Jr: I'd very much like if he could be at my office
tomorrow morning at nine o'clock.

S: I think so, sir.

H.M.Jr: And bring General Brett with him.

S: General Brett.

H.M.Jr: And what I'd like to get from them is their
explanation of this money that they want the
Allies to pay to Curtiss, Bell and Lockheed
for so-called development costs.

S: Curtiss whom?

H.M.Jr: Curtiss, Bell and Lockheed.

S: Huhhuh. so-called developments.

H.M.Jr: Yes, because I'm seeing the Allies at eleven,
the Allied Purchasing Mission.

S: Huhhuh.

H.M.Jr: And I want to get it directly from Mr. Johnson and General Brett before I saw -

S: Before you see the Allied Mission at eleven.

H.M.Jr: And if for any reason Mr. Johnson can not make it at nine, if you would let me know at home.

S: All right.

H.M.Jr: If I don't hear from you I'll take it that he and General Brett will be here.

S: Thank you Mr. Secretary, I think I can get him probably within forty-five minutes.

H.M.Jr: And if he wants to bring any other officer with him of course that's entirely up to him.

S: All right sir.

H.M.Jr: But I would appreciate it if he could bring General Brett.

S: If you get no word it means he's coming.

H.M.Jr: All right thank you.

S: Thank you.

April 11, 1940

My dear Mr. Forster:

At Mr. Foley's request I am sending you herewith, for your records, copies of the documents which the President signed last night.

Yours sincerely,
(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. Rudolph Forster,
Executive Clerk,
The White House.

Enclosures. ✓

April 11, 1940

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April 11, 1949

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(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. Edolph Forester,
Executive Clerk,
The White House.

Enclosure.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 11, 1940

TO Secretary Morgenthau
FROM Mr. Haas *HA*
Subject: Railroad freight movement for export.

Export freight receipts slightly lower

Receipts of export freight at New York declined to 3,979 cars during the week ended April 6, reaching the lower limit of the narrow range within which the receipts have fluctuated since the first of the year. (See Chart 1 and table attached). Receipts of export freight at 9 other North Atlantic ports last week recovered slightly from the previous week's decline, totalling 1,551 cars.

Actual exports at higher rate than receipts

The volume of freight exported from New York last week is estimated at 4,284 cars (see Chart 2), which is slightly below the total of the previous week. Since this figure is higher than the 3,979 cars of export freight received during the week, the volume of export freight in storage has been further reduced. This reduction is reflected in a further decline in lighterage freight in storage and on hand for unloading in New York harbor, shown in Chart 3.

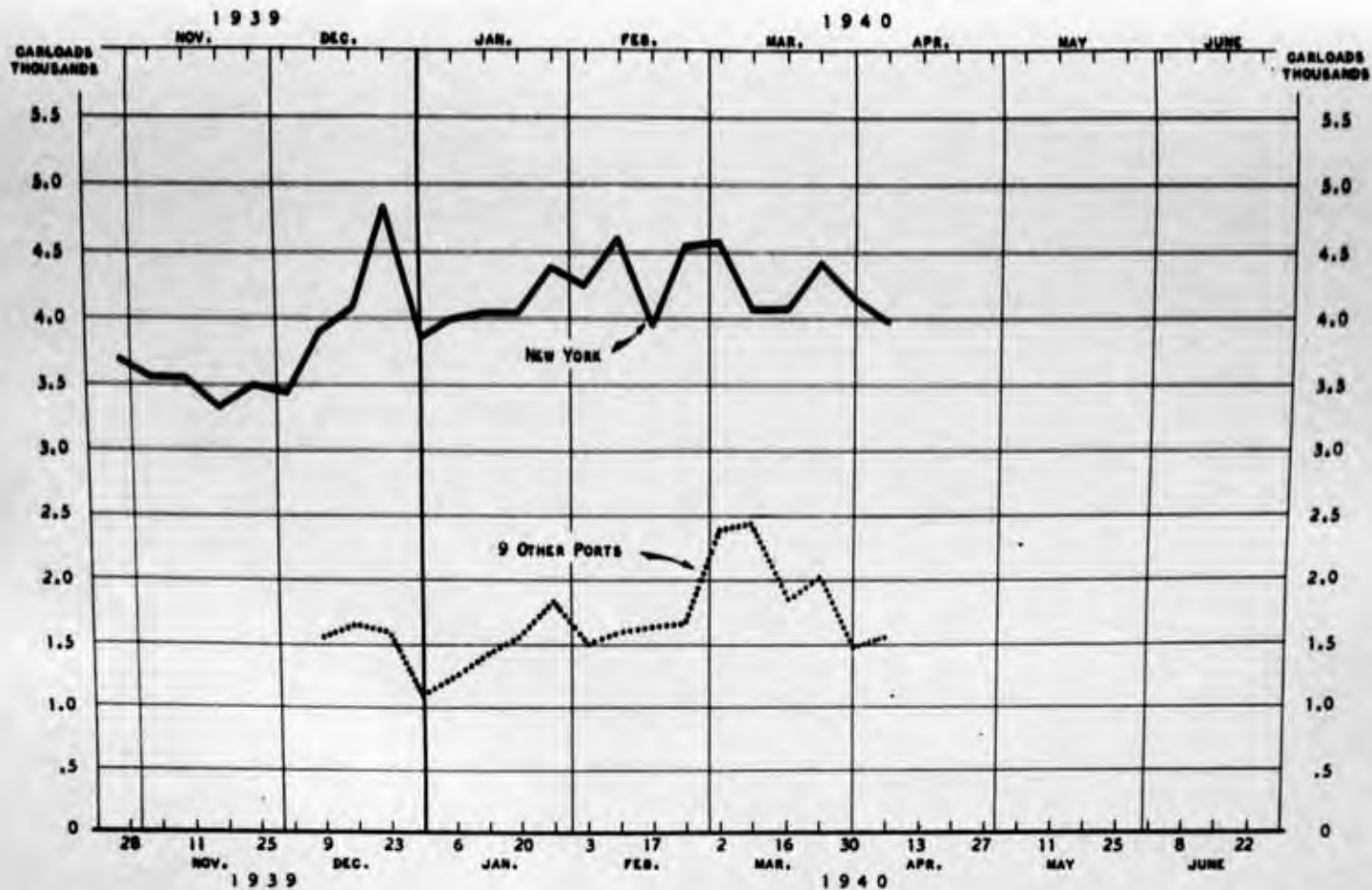
RECEIPTS OF FREIGHT FOR EXPORT AT NEW YORK
AND AT NINE OTHER NORTH ATLANTIC PORTS

Week ended 1939-40	New York ^{1/} (In carloads)	Nine other North Atlantic ports ^{2/}
October 28	3,707	
November 4	3,562	
November 11	3,547	
November 18	3,334	
November 25	3,497	
December 2	3,435	
December 9	3,922	1,548
December 16	4,088	1,658
December 23	4,848	1,602
December 30	3,856	1,104
January 6	4,000	1,251
January 13	4,056	1,433
January 20	4,060	1,557
January 27	4,389	1,825
February 3	4,274	1,498
February 10	4,617	1,590
February 17	3,974	1,637
February 24	4,550	1,667
March 2	4,577	2,388
March 9	4,059	2,448
March 16	4,072	1,845
March 23	4,424	2,033
March 30	4,150	1,492
April 6	3,979	1,551

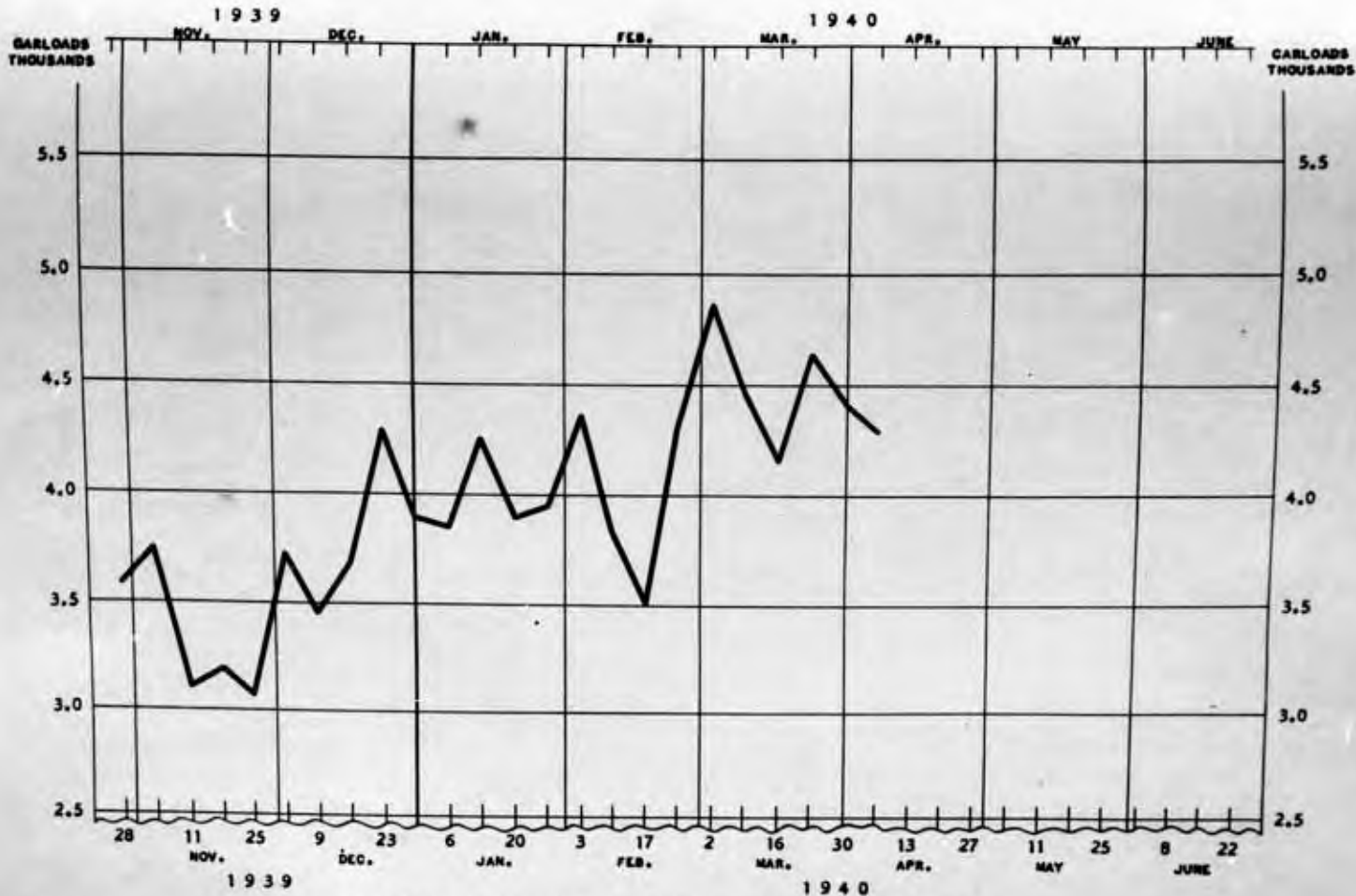
^{1/} Source: General Managers' Association of New York, Daily Report of Operating Conditions in New York Harbor.

^{2/} Source: Association of American Railroads, Car Service Division, Report of Carload Freight for Export and Coastal Vessel Movement.

RECEIPTS OF FREIGHT FOR EXPORT AT NEW YORK
AND AT 9 OTHER NORTH ATLANTIC PORTS



CARLOADS OF FREIGHT EXPORTED FROM NEW YORK *



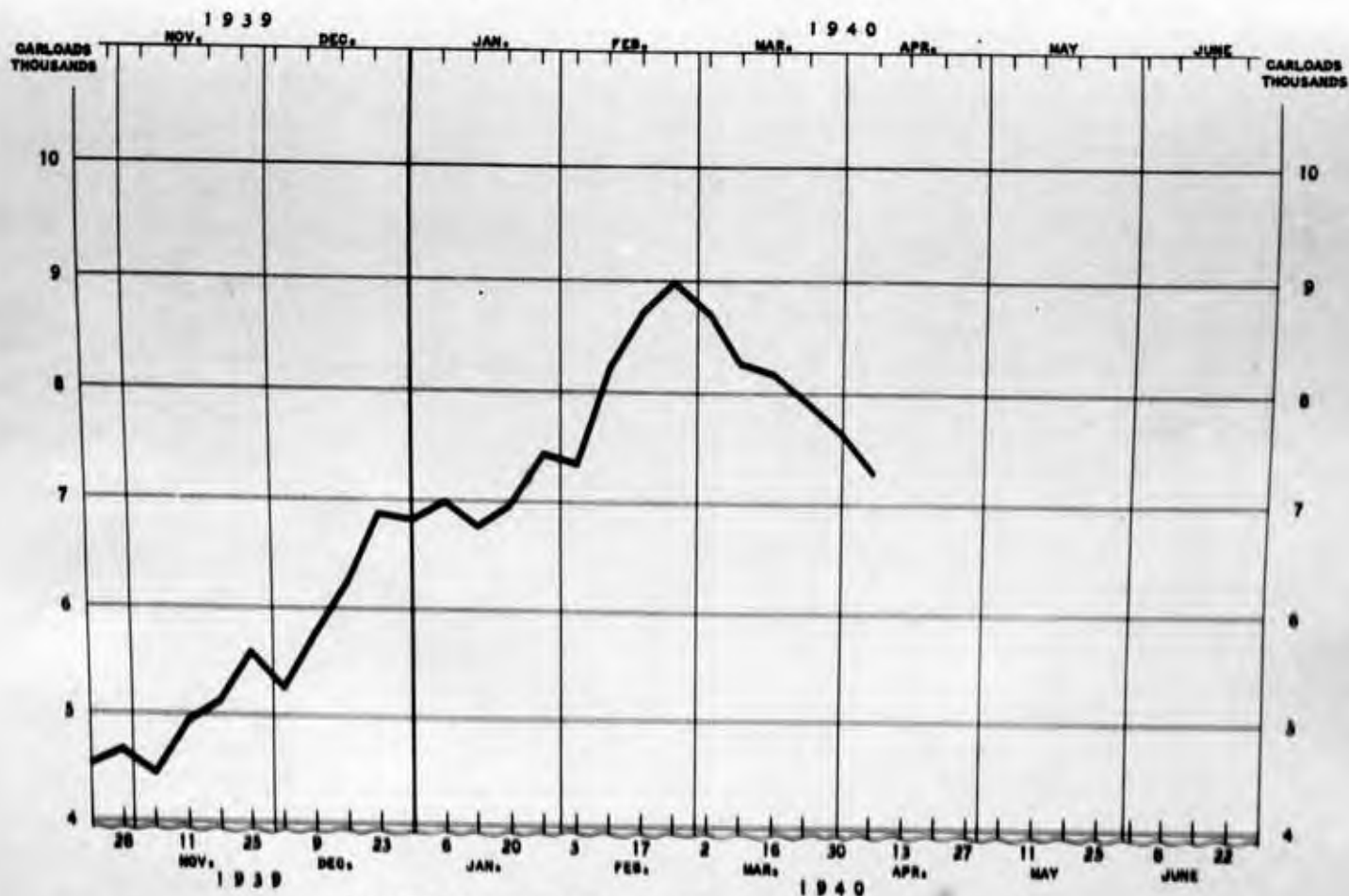
* AS ESTIMATED FROM DATA OF GENERAL MANAGERS' ASSOCIATION OF NEW YORK.

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

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334 Chart 2

LIGHTERAGE FREIGHT IN STORAGE
AND ON HAND FOR UNLOADING IN NEW YORK HARBOR *



* LARGELY EXPORT FREIGHT, BUT ABOUT 10% REPRESENTS FREIGHT FOR LOCAL AND COASTAL SHIPMENT. FIGURES EXCLUDE GRAIN.

Office of the Secretary of the Treasury
Bureau of Research and Statistics

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Chart 3

STRICTLY CONFIDENTIAL

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 11, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

At 10:15 today, I telephoned Mr. Purcell of the Securities and Exchange Commission that I had been confidentially informed that the British contemplated a second vesting order to be made on Saturday, April 13. I told Mr. Pinsent further that in the absence of both Pinsent and Opie from Washington the last of the week, there would be no daily figures on security transactions until Monday or Tuesday. I promised to call him on one of these days to give him the accumulated data as received from the British Embassy.



JR

PLAIN

London

Dated April 11, 1940

Rec'd 12:48 p.m.

Secretary of State,
Washington.

919, April 11.

FOR TREASURY FROM BUTTERWORTH.

1. The British Treasury is of course very pleased about the executive order blocking Danish and Norwegian assets in the United States.

2. The British security markets closed firm in anticipation that Churchill's speech would contain both good war news and promise of drastic British action. After closing trading when the speech had been made did not indicate that the anticipation had been fully realized.

3. The Bank of England has circulated this morning the following notice:

"The Bank of England wish to draw attention to instructions issued today by the Central Bank of the Argentine Republic under which remittances to the sterling area in respect of financial services which have previously been affected through the Argentine official exchange market, must be made through authorized Argentine institutions at authorized rates of exchange for sterling based

-2- 1919, April 11, from London.

based on a sterling rate for United States dollars of 4.02 dollars. United Kingdom residents who obtain the transfer of sterling as a result of these instructions of the Central Bank of the Argentine Republic will not be required to offer the relative pesos for sale to His Majesty's Treasury in accordance with the defence (finance) regulations. United Kingdom residents who do not transfer pesos into sterling in the manner provided for by the instructions of the Argentine Central Bank must offer their pesos for sale to His Majesty's Treasury through an authorized dealer in the United Kingdom. In no circumstances may a transfer of pesos be effected through any other channel."

KENNEDY

DDM

RE DANISH AND NORWEGIAN BALANCES

April 11, 1940
2:30 p.m.

Present: Mr. Ransom
Mr. Goldenweiser
Mr. Viner
Mr. Riefler
Mr. Cochran
Mr. Bell
Mr. Foley

Bell: Shall I start?

S.M.Jr: Yes.

Bell: Well, I don't know whether you know what was done last night, but the boys sent to the Federal Reserve Banks a telegram which more or less summarized the provisions of the Executive Order and told them that the regulations and the forms, Executive Order, were all being sent by airmail, most of which were received certainly this morning. They also sent instructions to the Collector of Customs and wrote a letter to the Postmaster General, who in turn will instruct all the Postmasters.

This morning we went over Form 1, which is an application for a license and with a few changes, approved it. There is not enough of importance in the changes to justify wiring them, but on the reprint we will have them changed.

On the license form, we also made a few changes, but we are wiring those changes to the Federal Reserve Banks so they can incorporate them and on the report form, which follows the license, why, we have approved that.

On the other two forms, which they call 200 and 300, which is --

Foley: They are the reporting forms.

Bell: Census, they call it; we have not had an opportunity of going over them. Harry White and Mr. Ransom are working on that this afternoon and as soon as they get together we will have another meeting and go over that.

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As to operations, we thought that it would be well to have all of this information come in the first instance to Mr. Cochran, either by telephone or even the applications will be concentrated in his office. Then for the time being we have a meeting twice a day of Mr. Cochran, Bernstein and Harry White in my office at 11:00 and 4:00 for the purpose of cleaning up the business of the day and if the meetings are required oftener, we can make arrangements to do that, but we will try to clean up every day's business in that day. That completes about as far as we have gone today.

H.M.Jr: Well now --

Bell: I might add before you go on that Mr. Harrison did call - Mr. Lancaster of the National City called the State Department and they in turn referred him to Harry White and he said that he had a number of cases which should go through today. He called Mr. Harrison and he said that he didn't understand that, because they had furnished the National City with all the information they needed. We told him to again contact them and if they had any information or any cases that had to be handled promptly, they could use the forms that we had sent them, just typing them up, and telephone us the information and we would try to pass on them this afternoon.

H.M.Jr: Are you people perfectly happy over what has happened so far?

Ransom: The decision hasn't been made, Mr. Secretary. We think that the mechanics for carrying it out are just as good as can be done. We think perhaps there will have to be some revisions such as Mr. Bell suggested, but they do not seem to me to be material. There is one detail that Mr. Harrison mentioned to me on the phone after I left your office this morning that I would like you to have in mind. He says that he thinks it might expedite the situation if the Federal Reserve Banks could grant licenses in some routine cases above the thousand dollar limit where they are satisfied that it is a transaction which has arisen before the 8th of this

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month or in the case, for instance, of a banker's acceptance where it was made sometime ago and comes in. Now, there are three or four of those sort of cases that Mr. Harrison could tell you about and he thought it would speed up things a good deal if they had that authority.

H.M.Jr: Well, I wouldn't give it to him.

Bell: You would not?

H.M.Jr: No. That is just the thing he was arguing about yesterday. There can't be so many. Let's clean them up, those that happened before the 8th.

Viner: You might find out whether there is a class of routine cases that can be made that way, but I would first let the flow come in.

H.M.Jr: That is the point. Let's see what they look like and then after we see, say this kind of thing, yes.

Ransom: I just say that I don't know whether Mr. Harrison was suggesting that that be done immediately. He thinks that in the development of this procedure you may find it helpful, both for you people and for the banks and the customers of the banks, if they have some such authority as that.

H.M.Jr: The only suggestion I have to offer is this: I would be very glad if the Federal Reserve Board would like to have an observer sit at this 11:00 and 4:00 o'clock meeting. I would be very glad to have an observer there and that will keep you up to date and if there is anything going on you don't like, you will know it the same day, but if you would like to have an observer there, we will be glad to have him.

Ransom: I would like to suggest for the first few days that I would like to have Dr. Goldenweiser do that, then as the routine of the thing develops perhaps he can designate one of his younger men, but for the first few days while we are finding our bearings in this situation, I would like to have him.

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- H.M.Jr: That would be fine.
- Bell: I think as we go along we might find cases where we can establish precedents in which they follow this in all similar cases.
- H.M.Jr: After you have seen the run of the mine, you can say, "Well, that kind of stuff, that is all right," but I would like everything to go through this group first, because that was just the trouble we had yesterday. I can't do what the President asks me to do if I am going to say yes to stuff which I don't know before I see it, but after we have seen - let's say there are a dozen cases all the same and they all have the same purpose and you decide, well, that kind of purpose is all right.
- Foley: We have given the Banks, Mr. Secretary, authority to issue licenses for normal commercial transactions or traveling requirements in amounts not more than a thousand dollars for any one person in any one month. Those don't have to come down. All the rest of them do come down.
- Bell: That is in your regulations.
- H.M.Jr: Let's leave it this way, Dan. I am willing to leave it to this committee. When you have any doubts at 11:00 or 4:00, let me know and I will join you, but if you haven't - if you have any doubts, let me know. Otherwise, certainly with that group I am more than satisfied. All right?
- Ransom: All right.
- H.M.Jr: Got any ideas?
- Viner: No, it seems all right to me. I think that - I have been wondering now with these licenses for transactions under a thousand dollars, unless the Federal Reserve Banks have an observer here for a few days, how those two are going to run on the same principles. How do they know what principles govern you in the larger transactions, how do you know whether there is a match? You might say it doesn't matter, but I say it is

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some value in having the same principles govern both sets of transactions and I would say it would help very much, and also in the advice they can give to people if there was the same sort of a tie-up from the people who go to operate this in the field and this group here.

- Ransom: Don't you think that might be accomplished through Dr. Goldenweiser, who could keep in touch with these Federal Reserve Banks? There are only one or two of them where I think this is going to be of any importance.
- Viner: Somebody ought to have the responsibility for maintaining that contact.
- Ransom: Just let him maintain it.
- Cochran: And then yesterday, when they had about 15 different cases, they phoned them down and we discussed the merits on the phone. On this application you notice that the Federal Bank has to give its recommendation on each case.
- Viner: Oh, I see.
- Golden'r: Certainly I wouldn't like to make it too many people, but if I am going to start this, would you have any objection if I had, say, Mr. Morris with me so that after a while he could take my place and be familiar from the beginning?
- H.M.Jr: Sure.
- Bell: I might say, Mr. Secretary, that Riefler and Viner are going to sit in for the first few days, tomorrow at least.
- H.M.Jr: I don't think we need anybody from the New York Bank to sit in.
- Ransom: I think we could take care of that.
- H.M.Jr: Well, who do Riefler and Viner represent?
- Bell: The public.
- H.M.Jr: I see.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: April 11, 1940, 6 p.m.

NO.: 461

FOR THE TREASURY DEPARTMENT. FROM MATTHEWS.

Today Pennachio had lunch at my house. He was of course full of the news and rumors from Norway. I asked him what was the reaction in Italy, and he said that the German viewpoint had been played up in the Italian press, to the effect that it had been necessary for Germany to make the invasion in order to forestall Allied intervention in the Scandinavian countries. Pennachio said he did not think that this viewpoint represented public opinion in Italy.

He seemed eager to learn of our reaction to the events, and was impressed by the prompt action of the United States in blocking Danish and Norwegian balances - which action is described with much pleasure as "unprecedented" in the French press.

He said that "the coal problem" was a source of considerable worry to his country, and was frankly skeptical as to whether Italy's requirements could be supplied by Germany by rail. I remarked that I had seen in the news this morning that Italian colliers are on their way to
England.

England. He indicated that negotiations are not going well with the British, despite the favorable exchange aspect for Italy resulting from the pound drop on free markets on which the lira rate is based. Pennachio made no reference to any political difficulties, but he did mention that the British did not want to purchase what the Italians had to sell, and had preferred "other products" - varieties of armaments, I presume.

On the other hand, he remarked that the recent trade and clearing agreement with France is working out very well. However, he complained that he is swamped with detail work, being alone here in Paris. I gather that as the war goes on he is finding his relations with former French friends and associates increasingly cold.

Contrary to French and American opinion here, Pennachio seems to feel that regardless of how bitter the pill may be, and regardless of its effect on the British international banking position, the British authorities will eventually be compelled to block foreign sterling balances, though not just now.

Incidentally, he told me that his New York "colleague" believes that the British control intervened to support the free market on several recent occasions, though this view is not held by Pennachio himself. Local American banks
are

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are inclined to doubt that the British control has so intervened; they at least have no knowledge of it. Since the outbreak of the war they get very little or no exchange information from New York. To me the French authorities have denied that there has been any intervention.

This morning I talked with Barrett of the Guaranty Trust. He said that this morning the Bank of France had sent a confidential intimation to "approved intermediaries" that transactions such as that described in Section 5 of telegram No. 437 of April 8 from the Embassy "should not be encouraged" - that is, the swapping by French concerns of pre-war dollar balances for sterling on the free market in New York, with conversion into francs subsequently.

This action did not constitute a direct prohibition, however, nor has there been indication from the Bank of France that such deals would be formally disapproved.

END SECTIONS ONE TO FIVE INCLUSIVE.

BULLITT.

EA:LWW

MR

GRAY

PARIS

Dated April 11, 1940

Rec'd 5:30 p.m.

Secretary of State,
Washington.

461, April 11, 6 p.m. (SECTION SIX)

The Securities market continued its improvement today (?) the more encouraging (though still confused) news from Norway. French industrials registered gains of 1% to 3% and Norwegian nitrate regained 300 francs of its previous 500 franc loss. Rentes were up from 10 to 65 centimes with the exception of the 1925 sterling guarantee issue which dropped one franc 20 centimes. The Bank of France statement for the week ending April 4 shows that the state drew a further 350,000,000 francs to a total of 20,900,000,000. Note circulation increased notably 863,000,000 to the record figure of 157,895,000,000.

The only change in official exchange rates was the improvement in the belga to 738-744 as with 742---748.

(END OF MESSAGE)

BULLITT

LMS EMB