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January 13, 1941  
12:04 p.m.

H.M.Jr: Hello.

Frank Knox: Hello, Henry.

H.M.Jr: How are you?

K: Fine. Say, Henry, a fellow was in here the other day with what looked to me very much like a racket. He wanted me to subscribe for a \$200 book of some book of knowledge which was going to be presented with an inscription by me on the first page to the President, and it looked to me like a high-class book agent's racket. He said he had you and Hull and two or three others already agreed to it.

H.M.Jr: That's right.

K: I'm afraid of it, Henry.

H.M.Jr: Well, I tell you what we did: the person is Mrs. McAllister.

K: What?

H.M.Jr: Mrs. McAllister is behind it.

K: Who is she?

H.M.Jr: Well, up to very recently she was Chairman of the Women's National Democratic Committee. She's on the level and .....

K: Well, she may be getting fooled.

H.M.Jr: No, I tell you what we did: before Mrs. Morgenthau would do anything - I was opposed to it just the way you are - she had MacLeish, the Librarian, look into it and he sent the thing to two experts and he says that they are worth that and more too. So then they took the thing up with Miss LeHand to find out whether the President would really want them, and he said yes, he would like them.



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K: I see.

H.M.Jr: Now, I had the same reaction that you did. I didn't want to touch it but then Mrs. Morgenthau went into it further with MacLeish and he says that they are worth it. Now that's the .....

K: Well, I'm perfectly agreeable to joining anything that is bona fide but I didn't want to be a sucker.

H.M.Jr: Well, neither did I and that's why I insisted on somebody - you know MacLeish.

K: Yeah, sure I do.

H.M.Jr: The Librarian of Congress.

K: Yeah, I know him.

H.M.Jr: Well, he sent this to two experts and they say the binding alone is worth \$200.

K: Uh-huh. All right.

H.M.Jr: I didn't like it at all, Frank, and my own reaction was not to touch it but the books are worth the money and Mrs. McAllister is the person who is behind it and she is on the level, and Miss LeHand says the President would be glad to receive them, so there you are.

K: All right. Then that's O. K.

H.M.Jr: What?

K: Much obliged.

H.M.Jr: Now, wait a minute, wait a minute. While you're giving books away, how about a few planes for the Greeks?

K: Well, all right. I've issued the orders and they're going to take 30 of the planes off the wharves and send them up to New York whenever you tell me to.

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H.M.Jr: Well now look, the Greek Minister is coming in at quarter of five. You couldn't get me a little memo or something that I could tell him what you're doing.

K: Well, yes, or I can have somebody from our Aeronautical Department meet with you if you want me to.

H.M.Jr: Well, that would be wonderful.

K: All right. I'll get hold of Towers and see that somebody comes up there to meet with you.

H.M.Jr: Have him here a little bit before quarter of five.

K: At your office?

H.M.Jr: Yeah. Have him here at 4:30.

K: All right. 4:30 your office.

H.M.Jr: My office.

K: All right. I'll either have Towers there or somebody he sends.

H.M.Jr: Fair enough.

K: All right.

H.M.Jr: Thank you.

K: All right, Henry.

January 13, 1941  
12:20 p.m.

H.M.Jr: Listen, did anybody take your bag this time you went up to New York?

James Forrestal: Well, as long as you aren't going on the same train I'm safe.

H.M.Jr: You took a bodyguard with you from the Treasury, I hear.

F: That's right. The only way to handle that situation is to join the Treasury.

H.M.Jr: What?

F: The only way to protect yourself now is to join the Treasury.

H.M.Jr: Sure, join us.

F: Yeah. (Laughs).

H.M.Jr: Right.

F: Henry, did you know that Maxwell has prepared some sort of a similar directive in connection with export control.

H.M.Jr: I knew he had one and had had one for several weeks. I don't know that it's anything very new, is it.

F: I don't think it's new, no, but it's along the same lines.

H.M.Jr: Yeah.

F: Yeah. Well, I just wanted to be sure you knew about it.

H.M.Jr: Thanks for the tip but somebody else told me that and that he was very ambitious about it.

F: Yeah.



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H.M.Jr: Well, I suppose by now he's seen the one that the President has.

F: Yeah, I imagine so.

H.M.Jr: Of course, Bob Jackson is in it now, too, and he's set up a committee with the President's approval on this whole question of listing foreign properties and everything so just where it will end I don't know.

F: Yeah.

H.M.Jr: But I think irrespective of where export control goes, I think the Administration is very vulnerable, and Martin Dies knows it, on all of this money which is going abroad.

F: No question of it.

H.M.Jr: And the first thing we're going to find is that Martin Dies is going to force our hand and nobody likes that.

F: Yeah.

H.M.Jr: So irrespective of the other thing I do think that this money that is going to Germany and Italy - sooner or later we're going to be publicly criticized.

F: No question about that, but isn't he going to act today on your .....

H.M.Jr: Oh, I don't think so. No, he won't do anything until tomorrow and the more time that Hull has the more the people work on him on the freezing end.....

F: That's right.

H.M.Jr: I mean, on the freezing, and the less he likes it. Not on this other thing, you know, but just on the straight freezing.

F: Yeah.

H.M.Jr: So I'm very much worried about it because I think we're very vulnerable and all

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of this money which is being used for propaganda purposes, we could control it overnight if we froze, and that's where Dies comes in on the thing.

F: I wonder if anything that - when the Boss gets back I suppose he'll be up to his neck in appointments.

H.M.Jr: You mean the President?

F: Yeah.

H.M.Jr: Well, the President knows about it. He said he was going to take it up Tuesday and Hull has talked to him about it. Hull now puts it on the basis of the Japanese-Russian thing that is so ticklish.

F: Yeah.

H.M.Jr: This would aggravate it. Well, a week ago, ten days ago, he told me everything was all right, but the whole group in the State Department don't want us to freeze. They still think that you can appease Japan.

F: Oh, Jesus!

H.M.Jr: So there are a lot of cross-currents, but I appreciate your telling me about this other thing and as I say there're an awful lot of cross-currents and I put it in the President's lap and of course what we're doing here is - all of our energies are going on this bill, Aid to Democracies.

F: Yeah.

H.M.Jr: And what I'm doing on that is, I'm trying to get the President to take it out of my lap and give it to Hull because it's foreign relations, and I haven't been able to get him to do that, so that's the way she goes.

F: O. K., Henry.

H.M.Jr: Thank you.

F: Right.

7  
January 13, 1941  
12:30 p.m.

GROUP MEETING

Present: Mr. Bell  
Mr. Gaston  
Mr. Young  
Mr. Haas  
Mr. Graves  
Mr. Sullivan  
Mr. Stewart  
Mr. Schwarz  
Mr. Kuhn  
Mr. Cochran  
Mr. Wiley  
Mr. White  
Mr. Pehle  
Mr. Thompson  
Mr. Foley  
Mrs. Klotz

H.M.Jr: Ed, being in charge of the thing that interests me most at the moment, bring us up to date on where the bill of aid to democracies stands.

Foley: Well, I have been down talking to the Speaker and to Sol Bloom. They were going to vote in a few minutes on the committee jurisdiction matter, but Martin has indicated to Sam Rayburn that he will support his reference of the bill to the Foreign Affairs Committee, and they think they have the votes to keep it in Foreign Affairs. Now, Bloom would like to start tomorrow, if he can, and he would like to have Hull first and then you. He thinks that he could take care of the two most important witnesses in one day.

(Mr. Bell entered the conference)



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Foley: I asked him if Hull could be ready tomorrow, and he said he didn't know, but if he couldn't he would go ahead with you and I thought that would be a mistake because this was a Foreign Affairs Committee matter, and it would be much better to start off with Hull, and he said he would go over until Wednesday if it was necessary because Hull couldn't get ready.

(Mr. Gaston entered the conference)

Foley: Bloom wants to have somebody sit with him all the time and Sam Rayburn also said that the departments should get together down town and designate one fellow that can stay with this, sit in the executive sessions, stay in the hearings, and live with it right straight through.

H.M.Jr: Well, I agree with you. You know, I talked to the President last night and suggested to the President inasmuch as it was Foreign Affairs and Foreign Relations, that Mr. Hull should watch the thing from now on the way we have, and the President said that he would take it up Tuesday when he got back. I have had a call in for Hull ever since I came back, and I have been unable to talk to him, but I am very anxious to talk to him, and I am trying to get an early morning appointment with him. I don't want you, see - I don't want to be in the position - if it is Foreign Relations, I think Hull should do it. I think he should do it, but I want a clean-cut understanding with him whether he will or won't.

Foley: Well, they are kind of - both Bloom and Rayburn are kind of looking to us because we have been in on the thing so far, and they want one of us to be down there all the time.

H.M.Jr: You take the old man's advice.

.....  
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Foley: I know it.

H.M.Jr: I have reasons.

Foley: I know it.

H.M.Jr: And I think they are good ones.

(Mr. Young entered the conference)

(Telephone conversation with Secretary Hull follows)

January 13, 1941  
12:30 p.m.

H.M.Jr: Hello.

Operator: Secretary Hull coming on.

H.M.Jr: Hello.

Cordell Hull: Hello.

H.M.Jr: Good morning, Cordell. How are you?

H: All right.

H.M.Jr: How is Mrs. Hull?

H: Well, thank you, she is improving still.

H.M.Jr: Is she still at the hospital?

H: She got up last evening.

H.M.Jr: Oh, I'm glad.

H: Yeah. Thank you.

H.M.Jr: I'm glad. Cordell, you remember I told you that before I went on the Hill I wanted to have a chance to go over what I was going to say with you.

H: Yes.

H.M.Jr: And I wondered if the first thing tomorrow morning I could come and see you and go over what I propose to say.

H: Yes. When will they be ready for you to go?

H.M.Jr: Well, as I understand it, they are voting now on the question of jurisdiction and they seem to think that they have the vote.

H: Yes, I imagine they will.

H.M.Jr: And they are talking in terms of starting the hearing either Tuesday or Wednesday.



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H: Yes, I see.

H.M.Jr: I also understand they want to start the hearing with you.

H: Well, you and Sol Bloom framed that up, didn't you?

H.M.Jr: What's that?

H: You and Sol Bloom fixed that up, didn't you?

H.M.Jr: No.

H: Sol said he was going to talk to you about it.

H.M.Jr: I haven't talked to Sol Bloom.

H: Oh, haven't you?

H.M.Jr: No.

H: Well, anyhow, my idea was - I don't care when I go and my idea was to discuss the course of international affairs and our policies and the conditions we have to deal with that have led up to these developments of danger and the need for every possible effort here and through Britain to protect ourselves against it.

H.M.Jr: Yeah.

H: I would go over all those things and then say that I have had - that naturally I have not undertaken to follow the accounting situation, none of the figures or statistics or contracts or any of those things. The technical side of the whole business is something that has been handled very ably and capably through the Treasury .....

H.M.Jr: Thank you.

H: ..... and that you people will deal with the mechanics of the bill and that I will discuss everything that shows need for the bill and need for the maximum help to Britain. I'll go into that mostly, and so on, without going into these particular mechanics because I haven't studied those things any.

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H.M.Jr: I see.

H: In fact, I've never seen anything of it. It wasn't my place, you know, to keep up with those things.

H.M.Jr: Well, of course, we had a meeting here and you will remember you were represented by Sumner Welles and Herbert Feis.

H: Yes, I know, but they didn't bring back any figures of any kind - no paper of any kind.

H.M.Jr: Oh, we gave them figures.

H: They said you gave them off hand but didn't give them copies of anything. But I'm not complaining, you understand, because that was not primarily my .....

H.M.Jr: Well, it is easy enough to rectify that.

H: That makes no difference with me except that as that is a good reason why I wouldn't be expected to discuss all of that - the needs of the British of different kinds, what kinds and the terms of payment and all those kind of things.

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

H: I still think you people are making a mistake on the other matter, but that's your business.

H.M.Jr: What is that?

H: I said to Mr. what's-his-name - Phillips - I said if you people have in mind to do anything in the way of payments on any of this five and a quarter billions during the next twelve months or so, why now would be the accepted time for some kind of a general statement on that. It would help us out tremendously politically and, I said, I'd be willing to make a gift of \$20 millions to you as far as the merits of the thing is concerned on this war, but all I'm concerned about is winning the war. Right now I'm not discussing the other thing at all.

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H.M.Jr: Yeah.

H: At any rate that's a matter with you and Phillips.

H.M.Jr: Well, did you have a good talk with Phillips?

H: No, he didn't talk any. I did the talking. He never talks you know.

H.M.Jr: I see.

H: I got nothing out of him that was worth a pewter nickel.

H.M.Jr: I see.

H: Not a figure of any particular point. I think you'll have to deal with Britain through somebody else, just privately speaking, when you get down to real dealing.

H.M.Jr: I see. Well, now, Cordell, I still would like to come over to see you.

H: Oh, yes.

H.M.Jr: The first thing tomorrow morning. How early can you see me?

H: Well, I can be down here around 9:00 o'clock if you want.

H.M.Jr: Well, 9:15?

H: 9:15, yes.

H.M.Jr: Is that convenient?

H: That's all right.

H.M.Jr: Well, I'll come over at 9:15 and then at that time I'd like to go over what I propose to say. Now one other thing: you and Bloom have come to an understanding about your testifying?

H: Oh, we didn't have any understanding. He called me just informally and I told him



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that you people had drafted the bill and were handling it because it was primarily a matter pertaining to supplying Britain like you've been supplying her, and that I would discuss - I'd be available if and when needed to discuss the need for all this thing, which includes all phases of our foreign policy leading up to it.

- H.M.Jr: Well, I feel very, very strongly that you should lay the foundation first before anybody talks.
- H: Well, that's all - of course if I give them information that they'd really need most, it'd have to be Executive and still I don't like to go without having - I don't like to open the thing without the public getting a somewhat elaborate manuscript.
- H.M.Jr: Because you know how enthusiastic I was when you went up there.
- H: Well, I know, but this is - you see, the whole thing, Henry, is going to be on your private list, not don't get that out of your mind. The whole argument practically is going to be on this bill - the mechanics of it. That'll be based on these different things about restricting and about collateral and so on and so on.
- H.M.Jr: Well, that .....
- H: I'm not going to worry particularly about any part of this thing.
- H.M.Jr: Well, if you don't mind, I think you're wrong. I think that on what you say the bill will be a success or not, and I think it will be a success.
- H: I won't agree with you on that because they're already up on that part there.
- H.M.Jr: Well, they haven't heard you in some time.

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H: At any rate you may find it very desirable and proper to open on the bill and I wouldn't foreclose my mind if I were you.

H.M.Jr: Well, I'll never foreclose it but I still think that after the experience I went through with on the bill - the Stabilization Fund - if you would do it first .....

H: Well, that was an entirely different situation.

H.M.Jr: Well, don't .....

H: You come over in the morning.

H.M.Jr: Right.

H: Yeah.

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- H.M.Jr: Will somebody tell me why, if he wants some figures - how long is it since Welles has been here and Feis - that they can't - has either Welles or Feis or anybody else in the State Department called up anybody and asked them what the figures are?
- Cochran: The only request I have had was just after Sir Frederick had been in here the other morning and Feis called me, and I said, "Well, Phillips is coming over, and he is trying to get an appointment today," and I gave Feis two figures then on which he was uncertain, and when I asked Phillips just a while ago, he said that he had seen Mr. Hull, and he told me Saturday night that he had seen him. I said, "Did you have a good talk?" He said, "Mr. Hull did all the talking. I didn't get a chance," but he said that he had asked him for some more figures and asked if it was all right to give them in writing, and I told him to give anything that he asked for.
- H.M.Jr: Well, when you leave this room, will you call up Herbert Feis and tell him - better yet, I think the thing to do is to get over to Herbert Feis today or this morning, within a couple of hours, whatever the figures are that we have and put them in his hands and say, "Please get these to Mr. Hull," or better yet--
- Cochran: You (White) gave him that table that day, didn't you?
- H.M.Jr: I thought we gave him some figures.
- Bell: No, they weren't passed around.
- White: Well, there was one.
- H.M.Jr: There were two meetings.
- White: At the first meeting we passed around tables, and



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at the second one, we said let's have it on the board, but the first meeting had the figures which, I take it, they are most interested in, namely, what are the various types of assets which they have and what are their nominal amounts, and I seem to remember definitely Pels commenting on them.

- H.M.Jr: Well, anyhow, I want a letter prepared for me, Harry, see. It ought to be very - "My dear Cordell: I am enclosing herewith the latest figures that we have on the financial situation as furnished to us by the British Treasury," so that he can't go up on the Hill and say that he doesn't know. He is just as apt as not to say that.
- Young: You sent Secretary Hall that blue book with the three British future programs in it.
- H.M.Jr: Mrs. Elots, will you have some one go through and see what I have sent Hall in writing during the last two months on either British orders or British finances, you see?
- Gaston: Do you want to add that these are the figures that we showed to Messrs. Waller and Pels at our meeting on such and such a date?
- Cochran: No, because some you will give are subsequent to that.
- H.M.Jr: I don't think so.
- White: I think the figures to give them are only those which the British have given us. Such estimates as we have made on our own book are available to them, the same as they are to us.
- H.M.Jr: That statement is December 31, that one sheet.
- White: Off their income and outgo, yes. We can give them that.

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- H.M.Jr: But I think if we could have an inventory, say, "I have sent you the following things. Now, in view of our telephone conversation, I am sending you this other thing." I ought to get it over to him this afternoon. You can see he doesn't want to handle the bill. You can see also what happened as far as Phillips went. I don't get the whole thing.
- Foley: Well, I don't get it either, Mr. Secretary, but I do think it would be criminal if you let this go by neglect.
- H.M.Jr: No one is going to do that. Don't worry about that.
- White: Isn't it possible to have two men, State Department and Treasury men there? Why should the Treasury be the only one to carry the ball on this?
- H.M.Jr: We won't do it. It is the penalty I have paid so often for doing a job too well in Washington. It happens regularly. When you do a job really well, somebody is always jealous. With the help of Foley and his people and everybody else - I mean, the thing was just done absolutely on time and done faster than it was ever done before, the President didn't have to lift his little finger, we didn't even bother him with the changes. You remember Hull said, "Can you do this without showing it to the President?" I said, "Yes, I will take the responsibility." We made half a dozen changes. When I came to the President and laid it on his desk and said, "Here is the bill," and he looked at me and it scared him all this worry. We must have made at least a half dozen important changes. Well, don't worry about my letting go. The bull's eye is there and I can see it day and night. Well,--
- Bell: Bloom will call me Saturday.

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- Foley: And I promised them I would see them just as soon as this vote was over and outline the presenting and so forth.
- H.M.Jr: Don't change one bit, see, until we get a chance to see the President and see this thing.
- Foley: Now, the way it shapes up, I should think it would be better to wait until we had to start these hearings.
- H.M.Jr: Oh, yes.
- Foley: Because I don't think we will all be ready tomorrow.
- H.M.Jr: No.
- Foley: The Speaker said it was impossible to hold joint hearings on this bill, it would hurt the bill to do it that way, and he says he can act much faster than they can over on the Senate side. The Senate may drag this thing out a month. He will get it out - he said he could get a vote this week, but he doesn't think it would be good to do it because then they would say we were railroading the thing and we were putting - he said the one thing that Martin wanted to know was whether or not there would be full hearings on this. He told Martin that there would be plenty of opportunity for the members to talk to you and to Hull and to Knox and Stinson and Knudsen, but they weren't going to call in Tom, Dick, and Harry from the outside. Martin said that is all he wanted. That was perfectly all right, and he would go along with the program.
- H.M.Jr: Well, tonight I wish the following people would hold themselves in readiness for me and that is Bell, Foley, Walter Stewart, Cochran, Kuhn, and White at eight-thirty, subject to any change, at which time I will go - I would like you to



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listen, Bell, in case I got sick or anything, so that you can carry on. Don't you think so?

Bell: Yes.

H.M.Jr: I mean, I am going to carry the brunt of it, but just in case - you know, something happened.

Bell: I will be available.

Foley: Well, Ferdie and Oscar Cox yesterday outlined--

H.M.Jr: Well, you can bring Oscar with you.

Foley: ....dimensions of what they thought you ought to say, and they have been working with Philip Young and Harry.

H.M.Jr: Well, bring Philip Young and bring Oscar Cox, and bring the Stenotype.

Bell: You have an engagement Wednesday morning which I assume you want to shift to the afternoon.

H.M.Jr: What is that?

Bell: Open market.

H.M.Jr: Well, let's wait and see.

Bell: It will be all right just so you don't change days because they are coming from out of town.

H.M.Jr: If we had somebody sit, who is your candidate to sit for Treasury?

Foley: Cox. They will have Beaman in there, too.

H.M.Jr: It is a funny situation. We can carry it. We have carried it so far.

Foley: Sure we can do it.

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- H.M.Jr: I suppose it is a financial matter, I don't know.
- Bell: I think so.
- White: They don't have to have anybody important, but they certainly ought to have somebody, even if Cox carries the ball.
- Foley: This is what I would like to see happen, Harry. I would like to see State, Treasury, War, and Navy agree on somebody to represent them all, and then he could clear with their representatives the changes, but only have one fellow that the chairman of the committee has to work with and have him in the executive sessions. You can't have too many people in the executive sessions. The committee doesn't like it.
- White: Are two too many?
- Foley: Well, I think we could have two.
- H.M.Jr: (To Mr. McKay) Suggest to Mr. Stimson that when I come at 9:15 tomorrow morning, - I mean to Mr. Hull, that he have Mr. Stimson and Knox present. I would like Know and Stimson present when I am there at 9:15 tomorrow morning.
- Schwarz: Could you get anybody representing the White House?
- H.M.Jr: No. They never do that.
- White: I don't think you can, by any stretch of the imagination, say that this isn't as much the responsibility of the State Department as it is the Treasury. There are problems of international law involved which they are raising. There are problems of foreign policy. I don't think it is only theirs, but I certainly think it would be a tactical error from our own point of view not to have them have somebody, it

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doesn't matter how unimportant he is, but they should have somebody sitting with a Treasury man on it.

Foley: Well, it is a joint process. There isn't any doubt about it.

H.M.Jr: I planted the seed last night, and I think the President is going to take care of that. We have got to see that Hull goes up there first. You remember how, until the last minute, he tried not to go there first on the Chinese thing.

Foley: Yes.

H.M.Jr: And we just showed him into it.

Foley: Bloom says he will do anything you want, but he doesn't want any mistakes.

H.M.Jr: I am just positive Hull should go first.

Foley: Bloom says, "don't think that I know anything about it, because I don't, and I want you to tell me. Don't consider my feelings at all. I don't want to make any mistakes at all, and you just tell me what you want me to do."

H.M.Jr: I don't need anybody there. Hull should go on first. I can't understand this false modesty on his part, that he doesn't want to do it. I just can't understand it. Now, while we are waiting, I don't know who does the job, but we only have their balance sheets as of December 1, and I want it as of January 1. Who does that for me?

White: Well, I was getting it, but we will need some figures from Phil Young and some from George. There are several sources of data that we need in order to get up the statement. It will be easy to get up the statement after we get up



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the figures.

Bell: Harry got up the last one.

White: Well, it was a joint product.

H.M.Jr: Well, who--

Bell: Harry carried the ball on it, but the other two collaborated.

White: It is a simple task if we have the figures.

H.M.Jr: I am serving notice that I want it.

White: We have already begun.

(Telephone conversation with Secretary Stinson follows)

January 13, 1941  
12:50 p.m.

H.M.Jr: Hello.

Operator: Secretary Stimson.

Henry L. Stimson: Hello, Henry.

H.M.Jr: How are you?

S: All right.

H.M.Jr: Harry, I've asked Cordell Hull to see me and you and Frank Knox at 9:15 tomorrow morning.

S: What's that?

H.M.Jr: I've asked Cordell Hull whether he would see you, Knox and me at 9:15 tomorrow morning. Hello?

S: Yes.

H.M.Jr: Can you hear me?

S: Yeah.

H.M.Jr: The reason is this - he's given me the time already, see. Cordell is taking a very definite stand that the English must put up collateral. See?

S: Yes.

H.M.Jr: I disagree with him. Hello?

S: Yes.

H.M.Jr: In the first place they haven't got any collateral except collateral on - outside of the United States, and I don't think it is the kind of thing we ought to ask anyway. Now I don't know how you feel but I wanted you there to express your own opinion the way you always do. Hello?

S: Yes, I'm on. I'm listening hard.

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- H.M.Jr: Because my own feeling is to go up and tell a straight story - this is what we've got, this is what the English tell us we've got, and not insist on collateral as though we were running a pawn shop.
- S: Yes, well of course you know my opinion but it doesn't help in the parliamentary situation. My, I would go much further than any of you. I think that an immediate alliance would be the best thing possible, but that doesn't help.
- H.M.Jr: No, but Cordell has got it in his head - I've tried my best to have Herbert Feis get it out and Herbert tried to - that the English have \$18 billions worth of securities and Herbert has been working on it to try to get that figure out of his head.
- S: How much does he think they have?
- H.M.Jr: \$18 billions.
- S: \$18 billions? B.
- H.M.Jr: Yes, \$18 billions.
- S: Well, of course I don't know the facts about that at all, but I should have thought that it was preposterous.
- H.M.Jr: Well, we have the facts .....
- S: But I don't know. I couldn't stand cross-examination a minute on that.
- H.M.Jr: Well, I can, and it is preposterous. But the point is, it's the method of approach and frankly I'm asking you in to say whatever you think because he's - it's going to be my testimony, I'll settle and say what I have to but, naturally, Cordell having a different opinion I told him I'd come over and listen.
- S: All right. Well, does he want me there?
- H.M.Jr: Well, I've asked to have you there and I'm sure that you'll get a telephone call.



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S: Well, of course, I'll come .....

H.M.Jr: But I wanted to explain to you what it is: it's what attitude I should take in regard to what we should ask for England in return in connection with this bill. Now I don't feel we should ask them for anything other than to pay for the orders they already have on hand, and after that I think it should be on a lend-lease basis or any basis that they want.

S: Yes.

H.M.Jr: And personally where I differ with Cordell, I don't think that Congress gives a damn and he says that he thinks it is the kernel of the whole thing.

S: Yes. Well, I don't think it is the kernel of the whole thing at all.

H.M.Jr: I don't either.

S: It may be one of the kernels that is entering into the opposition in the Congress and the question would come up there but I think it would probably, if they put in anything that was at all like a rigid necessity for collateral, it would probably defeat the whole purpose of the bill.

H.M.Jr: Well, anyway, I've asked Hull to get word to you to be there and I hope you can come because I'd like the benefit of your advice.

S: I was going to tell you one thing to forestall any apprehensions I fear on your part, but I don't think that after next week it'll be necessary but I'm so anxious not to have you troubled by anything that I'm doing. I was invited by Purvis to come to dinner with him tonight to talk over things.

H.M.Jr: Good. I'm delighted.

S: Is that all right?

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H.M.Jr: Yes. He told me he was going to do it,  
and I'm delighted.

S: Well, you know I'm not going to trench on  
your property anyhow.

H.M.Jr: You can't. It's impossible.

S: All right.

H.M.Jr: I'm delighted.

S: All right. I'll be there tomorrow.

H.M.Jr: Thank you.

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- H.M.Jr: He says, "How I feel, I would just sign an alliance with him, that is all." He is a grand fellow.
- Cochran: Phillips had dinner with Jones last night.
- H.M.Jr: You know where all these dinners come from, the arrangements and all?
- Cochran: Yes, I know.
- H.M.Jr: I mean, I told Phillips to get busy and go out and do some selling. I have gone as far as I could. I told him he should see Hull, Stimson, Knox, and Jones, and he is doing it, but I say I have gone as far as I could and Hull has this 18 billion dollar thing in his head, and then I called up Herbert Feis and tried to get him to dynamite it, and Herbert said he had had the most disagreeable half hour he had almost ever had since he had been in the State Department with Mr. Hull, trying to get the figure out of his head, but I told Phillips - I am not telling all of these people - it was my suggestion, but it sort of spoils the flavor of being invited to the British Embassy, but they are going there tonight so that finishes it. He will have seen all four of them by tonight. Well, anyway, you people can see some of the troubles. I haven't given anybody a chance to unburden themselves. Again I caution you, please be careful. Beware of the columnists hiding behind the columns. I have noticed a distinct improvement in Kintner and Alsop's articles the last week, the fact that they don't seem to have their facts right. I am looking right up at the ceiling. (Laughter) They know there is an Executive order around, but they haven't got it quite straight. Did you read it? It is very funny. They know there is one to Knox, and they have just - Maxwell - they haven't quite got it right, and they just kind of - you know, around.



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- Bell: New York called this morning and said that they had a rumor from Brazil, China, and Sweden, that the United States was going to freeze the rest of the world.
- H.M.Jr: Well, if any of you fellows hear that I am having lunch or supper with Martin Dies, don't be surprised. He is the only pal I have got in town. I will take care of Knox, and if any of you want to see me, I will be available today or tomorrow, but I wanted you to know what I was doing, so if I don't see you at least you won't think I am loafing. O.K.?
- Cochran: The British have given us some more material. I will bring it in this afternoon.
- H.M.Jr: Right. Well, Merle, at 2:30 Sir Frederick is coming and I want White and I want Walter Stewart here and Bell, if he is not busy.

January 13, 1941  
12:57 p.m.

H.M.Jr: Hello.

Operator: Secretary Knox is at lunch with Mr. Forrestal in Mr. Forrestal's office. Want me to call him there?

H.M.Jr: Yes, call him there.

Operator: Right.

1:00 p.m.

H.M.Jr: Hello.

Frank Knox: Hello, Henry.

H.M.Jr: Frank, I hate to bother you when you're eating pig knuckles and sauer kraut.

K: Well, it's no trouble at all.

H.M.Jr: I'll be snappy. I've asked for an appointment, and I have it, tomorrow morning with Cordell Hull at 9:15, and I asked him to have you and Stimson there. The purpose of the meeting is this: I want to rehearse my testimony on this bill, and Hull and I have a fundamental difference. He wants me to ask for collateral and I don't, and I want to air the whole thing before the three of you and get the benefit of your advice.

K: All right. Did he tell you that both Stimson and I were going to meet him at 9:30 anyway?

H.M.Jr: He did not.

K: We have a meeting at 9:30 Tuesday morning with him.

H.M.Jr: Well, he must have forgot it.

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K: All right, I'll be there. 9:15 tomorrow morning, Henry?

H.M.Jr: That's what the appointment is, yes.

K: At Hull's office.

H.M.Jr: At Hull's office and the purpose is I'm going to rehearse my testimony.

K: I see.

H.M.Jr: You see?

K: Yeah.

H.M.Jr: And Hull disagrees. He wants me to ask for collateral and I don't.

K: Well, I'm afraid I - as you may have guessed from our conversation the other day - I rather sympathize with Hull's point of view.

H.M.Jr: Well, I want to listen. That's what I'm going over there for.

K: All right.

H.M.Jr: Thank you.

K: All right, Henry. Good-bye.

H.M.Jr: Good-bye.



January 13, 1941  
2:32 p.m.

H.M.Jr: Schenker.

David  
Schenker: Yes, Mr. Morgenthau.

H.M.Jr: Now what I can't seem to get straight -  
your message to Harry White.

S: Yes, I can explain that in a moment.  
The Quinn group, Cy Quinn's group, have  
prepared to come down today, tomorrow and  
start doing business immediately. Then  
you've got the Arthur Bunker group who have  
a little difficulty with the Quinn set-up,  
who would like to talk to you about it and,  
if I may make the suggestion, I think you  
ought to see him for a few minutes and listen  
to them. I think we've got it straightened  
out. Now you don't want the group that is  
ready to do business, do you, tomorrow?

H.M.Jr: No, because I don't know whether the English  
are ready.

S: Yeah. Well, then I'll have the other group  
down tomorrow just for a few minutes. May I?

H.M.Jr: Sure. You think I ought to see them?

S: Yes, I think so.

H.M.Jr: 3:00 o'clock tomorrow?

S: Yes. Thank you.

H.M.Jr: Thank you.

January 13, 1941  
3:15 p.m.

RE AID TO BRITAIN

Present: Mr. Young  
Mr. Purvis  
Mrs. Klots

H.M.Jr: Everything is going along all right. Do you want to tell me on the record or off the record some of the things that you have been doing behind the scenes? I can't remember these things.

Purvis: As a matter of fact, here is a thorough indication. I don't think that should go on the indiscretion record (handing paper to Secretary).

H.M.Jr: Good. May I read it now?

Purvis: Yes, please. I got on my horse and went....

H.M.Jr: Now look, I haven't got the time, but there are some things in here that I don't agree with.

Purvis: I would like very much to get them, but I thought that--

H.M.Jr: I want you to have that, and I'll tell you what I would like you to do. I would like you to - if you are not busy - to come to lunch tomorrow at one o'clock.

Purvis: That would be fine. I wanted to show you this because I - don't forget, I have got a very difficult situation over there. I am trying to

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break through it first. There are some things there that--

H.M.Jr: Yes, very definite, that I would like to talk to you on.

Purvis: Isn't this the way to play it?

H.M.Jr: Yes, but you are going to have to go further, at least in a gesture.

Purvis: Are you talking about direct sales, because please remember that sale of a hundred million dollars now or something of that kind - are you speaking of that? Because this was one dable. *able* Phillips sent it off and I had sent it before I made this out, another, in which he says that Purvis insists, and I agree with him, that the Secretary's view in regard to the sale of a substantial measure of the direct investments be done and done immediately.

(Discussion off the record)

H.M.Jr: Let me tell you, this is what I am going to say on the Hill, and this isn't what my people tell me. In round figures, you people have nine hundred million dollars worth of direct investments.

Purvis: Yes.

H.M.Jr: In this country, you see. You have got in round figures 6 hundred million dollars worth of our securities, or a billion and a half. Those are the securities which I have in mind, which are here to pay for the orders you already have placed.

Purvis: Correct.

H.M.Jr: You see?



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Purvis: Correct. I get you.

H.M.Jr: Do you see?

Purvis: That is right.

H.M.Jr: After all, they are going to say - and by the way, Mrs. Klots, Mrs. McHugh was working on that stuff up until five o'clock Saturday.

Klots: That is all finished.

H.M.Jr: I should have that for tonight.

Klots: Home?

H.M.Jr: Yes. If I get a chance, I will look at it before, but I doubt it.

Klots: Do you want the stuff pulled out or want the index?

H.M.Jr: Just the index. And I just want to ask here on one particular date that I asked for.

Klots: I will go out and get it.

H.M.Jr: There was one particular date that I served notice, and if you could get that date.

Klots: Yes.

H.M.Jr: Now, I am not going to say - I will say those are direct investments, you see. "Now, gentlemen, the American manufacturer is amply protected on the orders that he has on hand." That has nothing to do with your cash balances, your gold, or anything else, you see. We also figure that outside of the United States it - the best figure is approximately 10 million dollars. That is the figure I am using.

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Purvis: What are they?

H.M.Jr: Largely sterling securities, the gold, the Canadian stuff and all that, but I hope they won't ask for the breakdown because I don't want to show the Canadian gold and all of that.

Purvis: In the Empire as a whole, it is as much as that?

H.M.Jr: Oh, yes. Now, that is the picture, gentlemen. Now, as to their cash picture, they have enough out of this billion and a half for taking the gold here and taking advance payment on their wool and this and that and the other, to get along all right.

Purvis: And if you will fill what they have already contracted for.

H.M.Jr: Yes. But as to the future, the things that we are talking to them about are the 10 million dollars outside. Now, whether they can sell their stocks or whether they are going to put up anything of what they hold in the Malay Straits and South Africa and the rest of it, what good is it to us? If they lose, how are we going to collect on a gold mine in South Africa or a tin factory in Malay if they lose? If they win and the stuff has been advanced, all of this helps them do business to pay us back afterward, but I am for leaving them that because if they lose we can't collect anyway.

Purvis: It is their working capital and their journey-men's tools.

H.M.Jr: I don't want to go down below that, and I have told Phillips he has just got to trust me. Now, Hull keeps using a figure of 18 billion, and so what is the difference if they put up two or three billion collateral. Now, what I told Phillips, and I think I am right, I don't think

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that Congress is interested in this. What they are interested in, should Mr. Roosevelt have this power or shouldn't he.

Purvis: Oh, I think that is very penetrating.

H.M.Jr: See? That is what they are interested in and all the rest of this is - they may say to me, "Well, how could you let them buy this stuff when you knew they didn't have the money?"

Purvis: And that is where you have to be a guardian.

H.M.Jr: And that is where I am going to say, "Well, there is a billion and a half dollars in the United States, which is worth a billion and a half--

Purvis: Yes, and therefore - I think that is a sound line.

H.M.Jr: But that doesn't take into account the cash which you have here, private balances, Government balances, and all the other balances which are a part of your insurance and all the rest of the stuff, you see, but I want to explain that to them.

Klotz: This is the index. This is the date on which you first served notice. (Referring to Press Conference dated October 14, 1940) Then again here. (Referring to transcript entitled "British Purchasing Program," dated October 28, 1940) And then a third time. (Referring to transcript entitled "British Purchasing Program," dated October 29, 1940)

H.M.Jr: Which is the first?

Klotz: Oh, that is a Press Conference, Mr. Morgenthau, at which you mentioned it.



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H.M.Jr: Did I?

Klotz: Yes, you must have. I remember that myself.

H.M.Jr: Will you find it?

Klotz: Yes.

H.M.Jr: I don't remember that one. I remember this. (Referring to transcript entitled "British Purchasing Program," dated October 29, 1940) You see, I went on record on October 29, American standard equipment, with Knudsen and Stinson. So you see, I am in a good position.

Klotz: (Reading from Press Conference dated October 14, 1940) "The only comment I have on this and so forth."

H.M.Jr: I don't remember that. This is what I want. (Referring to transcript entitled "British Purchasing Program," dated October 29, 1940)

Klotz: Yes.

H.M.Jr: This is all right. These two.

Klotz: Well, I will read this and I will see.

H.M.Jr: Well, so let's do this again because I want you to know what my mind is. We are not quite eye to eye on this thing.

Purvis: I am interested to hear that. If it were the hundred million of demonstration, willingness, I think I have succeeded on that, but that was in a separate cable where I was quoting.

H.M.Jr: That is all to the good, and I got word from the SEC that this one investment group are standing by, ready. Phillips served notice - I told

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him they are ready to do business, and I said, "Get in touch with them and tomorrow we will have a second group."

Purvis:

Good.

H.M.Jr:

So that is started.

Purvis:

That is fine. That is on the marketable securities or the direct investments?

H.M.Jr:

Direct.

Purvis:

So we have there straightaway which you want to be able, as I understood it, to say to the committee, "This an evidence of the way it is being treated."

H.M.Jr:

That is right.

Purvis:

I have gone after it.

H.M.Jr:

They first turned you down?

Purvis:

Oh, yes. I went into this first, you see. On Friday I got Phillips first to make his series of cables. He has got a cable there which quotes me very strongly on this question of giving you what you feel is the thing, a demonstration sale to show that the thing is being done. That has since, with some difficulty, found its place, and I take it that Phillips has told you that, hasn't he?

H.M.Jr:

Well, he didn't tell me his troubles. You know Phillips. All he told me was, he is ready today and that they are ready to sell 50 to a hundred million dollars.

Purvis:

That is as recent as eleven o'clock this morning.

H.M.Jr:

They are ready to sell 50 to a hundred million

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dollars worth of securities and I told him the investment group are ready to buy and I got my notice at 2:30 that they are ready to buy.

Purvis: I think we have broken through.

H.M.Jr: Sounds good to me. Now, what I would like to do at this stage is bring Philip Young in. He is desperate about something that he needs my help on.

Purvis: Yes. I think we have got to orientate it, and I think it needs getting the War Department into it.

H.M.Jr: I don't know what Phil has.

Purvis: I think we are in a somewhat difficult situation in that the War Department is asking our men to go over and talk about this balance of 230 million dollars. We are sending word across to Phil Young saying, "We have been asked to go over. Are you going to have a representative there? What would you like?" He is telling us to go ahead across. My men are then coming back to me and saying, "We can't tell the War Department anything because we don't know what the financial negotiations are that you have with the Treasury," but this is what we are talking about and I am scared about it. I would like to see the feeling - have the feeling that the Treasury and Lovett and Forrestal, whatever it is, or McCloy, whatever it is, were coming in so that we are dealing with it with our combined brains, and I would rather hope that we could then present to you some recommendations that would save your time, but I mean it is not our affair. It is the--

H.M.Jr: Well, the thing - let me - let Phil do whatever is the easy one first.

(Mr. Young entered the conference)



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- H.M.Jr: What is the particular thing, Phil, you said you needed, something about engines?
- Young: Yes. This morning the War Department is putting the heat on. A joint program has been worked out in both the case of Studebaker and Buick, as you know, for building Wright and Pratt and Whitney aircraft engines, the large size. That has been going on since about September or October when we first started talking about working out the deal. Jesse Jones has gone ahead and arranged the plant facility contracts for the expansion of Buick and Studebaker. The Army is ready to sign up its contract. The British have their contracts all negotiated, as I understand it, and they are practically ready to sign.
- Purvis: Yes.
- Young: Studebaker, they are ready. Buick will be ready shortly.
- H.M.Jr: How much horsepower is the Studebaker engine going to be?
- Young: That will be the Wright 2600, which is the big engine. They are about the biggest engines.
- H.M.Jr: The biggest engines?
- Young: Yes.
- H.M.Jr: Both Wright?
- Young: No, the Buick is Pratt and Whitney.
- H.M.Jr: But the largest horsepower?
- Young: Yes, they are the big engines.
- H.M.Jr: They are over two thousand horse.

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Young: Yes, sir, they are the two thousand size.

E.M. Jr: All right.

Young: The War Department is putting the pressure on because both Studebaker and Buick say they can't go ahead and make firm commitments for their suppliers, who in turn may have to have increased plant expansion, for a certain number of parts, a certain number of forgings, et cetera, unless they can get a firm commitment on the part of the British with the contracts signed. I talked to Mr. Curtice, who is the President of Buick, over there this morning and he feels very strongly that they can't go ahead unless they can get a contract signed with the British. The British are in a position where, despite the fact that these negotiations started quite sometime ago, they cannot sign a contract under the present instructions.

E.M. Jr: What are the instructions?

Purvis: Sign no contracts.

E.M. Jr: From whom?

Purvis: They can negotiate contracts up to the point of signing.

Young: Those are your instructions?

E.M. Jr: Say that again.

Young: Negotiating contracts up to the point of signing, but not signing them.

Purvis: When I can back, I can into that situation.

Young: Which was your December 19 Press Conference. Both of those contracts for those engines were included in the general aircraft program which

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you want to get underway.

- Purvis: Yes. With a capital commitment of 46 and 36 millions or something of that kind.
- Young: Yes. The down payment that the British would be required to put up on both of these contracts, calling it a third down, would run about 38 to 40 million dollars.
- H.M.Jr: Just do it another way. How many engines will Studebaker make altogether and how many for the Army and how many for the English?
- Young: Studebaker is six thousand engines, four thousand for the British and two thousand for the Army.
- H.M.Jr: And--
- Young: And on Buick, I think it is three thousand and two thousand, a total of five thousand.
- H.M.Jr: Well, the answer is very simple. The answer is very simple. It is up to the Army to order them.
- Young: The Army hasn't got the money to order the additional number of engines.
- H.M.Jr: Well, it is just too bad, that is all.
- Young: Now, the Navy has somewhere between 50 and a 100 million dollars which can be returned.
- H.M.Jr: Can be what?
- Young: Which is unexpended appropriation for aircraft, and they have got a similar amount unexpended for ordnance, so I found out this morning. Whether or not that could be made available and the Navy could order these specific engines, I don't know.



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- H.M.Jr: Well, what I would do is, if you can get - have you found whether you can get any action out of Lovett?
- Young: On these engines?
- H.M.Jr: On anything.
- Young: Oh, yes, he has been very cooperative.
- H.M.Jr: All right then, I would say this to Lovett, that you have talked to me on the present status and we are not far enough along, that the English could do this sort of thing, but isn't there some way, possibly, that the Navy can do this thing, do you see, with the understanding that when this bill passes that the Army will take this contract over because some of these engines are for the British anyway.
- Young: The Army will take them over from the Navy.
- H.M.Jr: Yes, and reimburse them.
- Young: I think that is the only possible chance at the present time because that is the only place there is any money.
- H.M.Jr: And there is no particular reason why the Navy shouldn't order them for the British anyway, just as much as the Army should order them. That is my answer. I am not going to ask the British to - put up how much?
- Young: About 40 million dollars.
- H.M.Jr: Well, even if they had it - I mean, here is the Army, got this scheme whereby they are trying to cancel contracts and take them over and get you (Purvis) back some money, you know.
- Purvis: That is right.

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H.M.Jr:

Now, this leads up to this point, and then if I haven't satisfied you, you come back again, Phil. I mean, if I haven't given you a satisfactory answer, you come back. This leads to this point. This is what is happening, as I get it. What the Army is doing is, they are pushing for those things which they are short of. They are not pushing for the things that you need the most.

Purvis:

That is right.

H.M.Jr:

Right?

Young:

Yes, I am sure of it.

H.M.Jr:

Now, that is what I sensed. Therefore, I said to you (Purvis) this morning and I say it to you again, tell me what are the things, standard, American things, not the non-standard ones, but the standard, American things, which you need the worst which take the longest to build?

Purvis:

Yes.

H.M.Jr:

Then what you ought to do is ask for a meeting. I would start with Knudsen, which I can start here if you want to. I would be glad to say, "Now look, Bill, let's talk turkey. The Army is doing so and so," which I am sure he doesn't know. They are pushing for things which they need the most. "But this is what the English need and you heard the President. You were there Thursday. I wouldn't let it go too long. You were there Thursday." As to what the English need, we should go ahead and Jones should build the plants and get ready, pending what action should take place, and that was - I had this feeling, that it was very difficult, but we did get that out, and present were Stimson, Knox, Jones, Knudsen, and myself. So let - by having

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business here and letting them know what the army is doing - most likely the first time he finds out about this horse trading which is going on, which is getting the army in the position - they need 50 caliber guns, so they are perfectly willing to have the contract canceled and take it over.

Parviz: Exactly.

...: But what are the things that you need?

Parviz: Yes.

...: Well, if you could say to me, "Look, these are the things that we want, in view of what the President said Thursday, 'Now, this, will you take this thing and carry the ball for us,' you see, and I think you will find he will do it."

Parviz: We have three difficulties, Mr. Secretary.

...: What are they?

Parviz: Yes, I see your point.

...: Now, I wanted to give - and this brings out this whole thing, you see. It would be a mistake to do this engine thing. If the Army wants it badly enough and they need these engines badly enough, I would force their hand on it. I mean you can't in one minute say you haven't got - this is only for my own record - enough money to pay their bills on Monday unless we give them credit for this gold today, and the next thing say, "How much of these two contracts" - how much do they require?

Young: Twenty million dollars down.



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- Purvis: Well, it doesn't matter. It is a very substantial sum.
- Young: It is about that. One is 65 to 70 million. That is Studebaker, and I think the Buick is around 50.
- H.M.Jr: Well, you shouldn't do it.
- Purvis: We are not doing it. There are three difficulties we are in.
- H.M.Jr: Without saying everything that is in my mind, I think you can read it.
- Purvis: Yes. (Laughter)
- H.M.Jr: What are your three difficulties.
- Purvis: Our difficulties are this. Our men are being asked to see the War Department at 9 o'clock tomorrow morning. They have been in there at eleven. They are getting very embarrassed because they feel they are playing a hand which is not frank down there, and they come to me for guidance. When - their problem is number one. There are the payments against existing contracts which are going on from day to day. There are the payments required for new product to keep existing capacity alive, which is a problem that Self particularly is worried sick of because there is capacity for certain airplanes but we can't place the orders and it is really an impasse. Then we have the things that require new capacity, every day's delay in which means a loss of time in the war, and these are the ones that I take it are particularly in question with what you are talking about.
- H.M.Jr: New capacity is what I am talking about.

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- Purvis: But actually we have got three problems, first, the payments against existing contracts; second, the orders that should be placed to take advantage of existing capacity; and third, the ones that require new capacity, and in each one of those groups there are terribly important items.
- R.M.Jr: You have got to save me as much as you can.
- Purvis: Yes, I have--
- R.M.Jr: You have got to save me as much as possible because I just--
- Purvis: You can't do it all.
- R.M.Jr: I can't do it all, but are the things where we have capacity and which are not taken up, which I brought to Lovett's attention - I think that comes before everything else. Where Curtiss is running out of - has additional capacity coming in in April, for instance--
- Purvis: So much so that Self didn't include any items in that 500 million dollars we filed the other day for new capacity. He only included those that had to come ahead for existing capacity.
- R.M.Jr: If I might suggest, I think list number one, where American factories are running out of orders, and when I say out of orders - between now and the first of July - is that too short?
- Young: No, I don't think so.
- Purvis: Six months is a pretty fair thing. You need six months for most factories to look ahead at least.
- R.M.Jr: You can say from now until September 1. If there is any factory that is running out of production

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between now and the first of September, that is eight months, I would like that to be brought to my attention first.

Purvis:

Yes.

H.M.Jr:

And I think, second, where you need additional plant capacity, the things that you want, American standards, that ought to be brought immediately to Mr. Knudsen's attention and let him take it up with Mr. Jones. I don't see why I have to sit in on that. You can work it out with Phil.

Purvis:

The difficulty there is that the War Department and the Navy Department haven't any funds which are available for these things lying in their jurisdiction. Is that right?

H.M.Jr:

No, the thought that they had was that as the new capacity, it would be RPO.

Purvis:

I see. And that would be entirely Knudsen and Mr. Jones, subject to the War and Navy giving the appropriate thing.

H.M.Jr:

I can ask them all over here. I would just as lief start it here.

Young:

You do run into one added difficulty here, which is the situation you have in these Studebaker engines, where they can't go ahead and place their sub-contracts unless they have got a firm order.

H.M.Jr:

Phil, the only way to do this thing, and I can't do it today, is to do what I am telling you to do. Throw it back into Lovett's lap, this Studebaker thing - Buick thing, you see, and then get enough of these cases - I mean, you see, I don't know - I haven't got a list where it takes a new capacity, additional capacity to



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take care of the English orders. If we had that, I could call them in one meeting and say, "Now, gentlemen, here is the thing, and here are all of the troubles that the English have pending this legislation. Here is all that I know of." And get some of these cases - one type is this Studebaker that you are talking about. Another type is where they know they need more tanks or machine guns, new factories, that would be another thing, and then the other thing would be where you know existing plants are going to run out of orders, you see.

Parvles: Mr. Secretary, taking--

H.H.Jr: But I think if you had a good example of each--

Parvles: That we can give you very readily.

H.H.Jr: Give me a good example of each. But this is going to be difficult, and I say I can only do so much to help it. I can call them in a meeting and have you people sit in.

Parvles: I think we should do a little preparatory work first.

H.H.Jr: I know you have to.

Parvles: We have got most of it done, but there is still more to be done. Could you give me a little advice in what should our men do opposite the War Department? They are being called across. They don't want to spoil their good will. These fellows have to go over at nine tomorrow morning. I wonder whether Lovett or somebody - supposing we were to put some lists forward? Could he and Forrestal and Phil Young or somebody work up something for you so that the basis for the meeting is--

H.H.Jr: I don't know what the meeting is about.

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Purvis: No?

H.M.Jr: Who is calling the meeting?

Purvis: Well, it is the War Department. They have had one this morning, apparently, with two of our war fellows, Campion and Tatham. They had one on Saturday morning. I think we sent advance notices because I put a claim in to see that you get advance notices of all these meetings.

H.M.Jr: McCloy is supposed to keep Young posted.

Young: Mr. Purvis called me and said they had called this meeting, and he asked Mr. Durand and Captain Tatham to come over and give me a report on it afterward, which I haven't yet received, but that was because I had to go down--

H.M.Jr: In order to keep this thing - let him go over there and let's work this thing out in a day or two. Let them go. Don't keep them away.

Purvis: No, I see. Let them carry on as best they can.

H.M.Jr: And you and Phil whisper in each others ears three times a day what is going on, and let's just see what happens, but I would certainly let them go. Don't you (Young) agree?

Young: Yes. I think you are just looking for trouble if you try to do anything else at the moment.

H.M.Jr: Let them go, and then let's see if we can't pick this thing up.

Purvis: Yes. In the meantime, we have still got a little more - I told our men at the meeting this morning you haven't quite given me what you want. If you don't give me what you want, I can't give you what we want. I would like to sit down with Young now.

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H.M.Jr: Are you busy now, Phil? Do you want to talk to him now?

Purvis: I will go along now if it suits him. You have no specific sum of RFC money in your mind?

H.M.Jr: Oh, they have got unlimited funds.

Purvis: I see.

H.M.Jr: I just want to ask you a personal question.

Young: May I ask you one other point? George is working again on steel statistics. Can George show two people in the Advisory Commission the British programs, one, two, and three, so that they can help him estimate how much that means in terms of steel industry?

H.M.Jr: The answer is yes.



January 13, 1941  
3:30 p.m.

Present: Mr. Bell  
Mr. White  
Mr. Cochran  
Mr. Playfair  
Sir Frederick Phillips  
Mr. Pinsent  
Mr. Stewart

Phillips: I got the word on the direct investments. We understood that Mr. Peacock would be ready at Lisbon on Tuesday. The State Department and Mr. Cochran have been in touch with Pan-American, and the first plane they can get him on leaves on Sunday.

H.M.Jr: Which Sunday?

Phillips: Next Sunday.

H.M.Jr: Oh, I can do better than that.

Phillips: Then it is up to you.

H.M.Jr: Peacock?

Phillips: Sir Edward Peacock. There is a fellow with him called Hanbury-Williams coming with him on the mission.

H.M.Jr: Do you want both of them?

Phillips: Yes.

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H.M.Jr: No good one without the other?

Phillips: Well, if there is only one it should be Peacock.

Cochran: We were in touch with New York, and they got Pan-American yesterday and there isn't a plane before Thursday or Friday. That is the earliest plane, and they weren't sure that that would go and today they told us that they would take him on Sunday, on the 19th, and then when we had the other name up, they said they would do everything possible to get --

H.M.Jr: Who are you working through?

Cochran: Latchford, who is the Communications man in the State Department. He has been in touch with Pan-American here. I got Mr. Hull's office and I told them if it would help any you would speak directly to Mr. Hull about it because you had asked personally for that man to come over.

H.M.Jr: Well, I will just tell them. We will do it a different way, but it is all right.

(To Mr. McKay) McKay, after Mr. Cochran goes out of here, ask him what he has done. There is a Mr. Peacock that I am interested in getting over here. What is his correct name?

Phillips: Sir Edward Peacock.

H.M.Jr: And who travels with him?

Phillips: Hanbury-Williams.

H.M.Jr: We will get the right name and find out what

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Mr. Cochran has done. He has done it through the State Department. You get in on it besides, will you?

Phillips: And let me know anything that happens, because remember London is six hours off from this time and if there is anything earlier than that, we must know so they can get them down to Lisbon.

H.M.Jr: You might start on it, but Mr. Cochran has been working - find out first what he has done. You see, Coast Guard, of which McKay is an officer, we patrol - the cost is about a million dollars a year to give these - it takes six cutters to maintain this weather station between the Azores and Bermuda, and we have two cutters on patrol there all the time just to give these people the weather, so when Coast Guard gets in on it, it means something. I very rarely do it. But I mean it costs a little over a million dollars a year to maintain those two ships to give them the weather. If I ever got up and had a bad day of it, there would be no cutter - no plane would go, if I withdrew those cutters. There would be no plane without the weather report. But I mean, that is the - I have no influence other than that Coast Guard is in the Treasury and they like to get their weather reports.

Phillips: Well, when I heard this Friday --

H.M.Jr: Most likely I can't do anything other than what Cochran has already done, but I just wanted to make doubly sure, that is all. It looks like he has done more than I can do.

Phillips: Well, when I heard this Sunday night, I got onto London again to make quite sure they had no objection if Peacock is not here for some days for Gifford to do any preliminary work that can be done.



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H.M.Jr: I see.

Phillips: They agreed.

H.M.Jr: Good.

Phillips: Then they gave me certain assurances to give you which I will just read out.

H.M.Jr: Please.

Phillips: They are as anxious as you are to do with these investments, direct investments, all that is in the joint interest of the two countries.

Second, they wish the discussions about these investments to be realistic.

H.M.Jr: Really what?

Phillips: Realistic, and thirdly, that an unreasonable attitude on the part of anyone concerned would not be allowed to block an equitable transaction.

H.M.Jr: What does that mean?

Phillips: Well, to be sure that the price offered is a fair one.

H.M.Jr: Oh, I see. Well, that is encouraging. Now, I just got word before you came from Mr. Schenker of SEC that this first group of investment trusts are organized and ready to do business, so whoever the British Treasury wants to - they are ready to begin talking now, and tomorrow he is bringing over Mr. Arthur Funker of Lehman Brothers, who wants to see me; and, of course, he says he has another group. Well, if he has, that gives you a little competition, which is good; but the first group, the one headed by Quinn, they are ready right now as of today, so will you --

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Phillips: I will let Gifford know that.

H.M.Jr: Let Gifford know that, that they are ready.

Phillips: Now, one last point, sir. They want to give out a statement in London because they have got to account for Peacock disappearing, you see. Do you wish to see the notice? I have instructions to show it to you if you wish.

H.M.Jr: I would be glad to see it. Do you mind if I read it out loud?

Phillips: Not at all.

H.M.Jr: "In the light of statements made publicly by the President of the United States, it may now be freely published that His Majesty's Government have realized and disposed of a very great proportion of their gold holdings, and are steadily realizing American securities owned by their nationals at every opportunity. Relying on the guiding principle proposed by the President and continuing to do so. A more difficult problem is presented by investments such as business in the United States and United States companies controlled by companies in this country whose shares are not quoted on the stock market. His Majesty's Government resolve to make the best possible use of them, and with this end in view, they requested Sir Edward Peacock, who has great experience in such matters, to go over to the United States and examine the possibilities on the spot. Sir Edward Peacock will be leaving for America immediately."

Well, I have got two suggestions, if you don't mind. I don't like the first paragraph, and the second, I think I would wait to give out this statement until - when you know he has

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cleared Bermuda, he is about to arrive. Once he has cleared Bermuda, you know he is about to get here, and I would do it but I don't like the first part of it, bringing in the President twice. I think it might be misunderstood. I mean, it wouldn't help any over here and it might do some harm.

Phillips: Of course, they have drafted this with their own public in view.

H.M.Jr: Well, it might do some harm.

Phillips: That second reference, relying on?

H.M.Jr: Well, it - "can realize and dispose of great -" no, "in the light of statements made publicly by the President, which now may be freely published." In other words, you were doing this before the President said anything, but now that the President has said it, you feel that you can say this out loud. I tell you, if I might make this suggestion, it just doesn't hit me right. If you had time when you left here to talk with Mr. Kuhn who is here helping me just on this - whom you know, don't you?

Phillips: Yes.

H.M.Jr: I won't even say anything, but I think he might be helpful.

Phillips: Right. I will have a word with him then.

H.M.Jr: You know him?

Phillips: Yes.

H.M.Jr: Did you know him in London?

Phillips: I don't think I met him in London, no.



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H.M.Jr: I think if you could have a word with him. Do you like this, Walter?

Stewart: I think Kuhn is a lot better judge than I will be.

H.M.Jr: I think if you could step down. I will find out if he is there before you leave, but I am not crazy about it and I certainly wouldn't do anything until you know that he has cleared Bermuda.

Phillips: Well, of course that is a week ahead, maybe.

H.V.Jr: Yes.

Cochran: It will be a week before he gets there.

Bell: Has he left London yet?

Phillips: Well, he was going to leave London today, but since there is no plane until Sunday, we held him up.

Bell: If he could get a plane Wednesday, when would he leave London?

Phillips: If he got a plane on Thursday he could leave London Tuesday night, tomorrow night.

H.M.Jr: There is no trouble on the planes out of London, I gather?

Phillips: No, not unless something went wrong. The plane on Thursday will certainly get him to Lisbon in time to catch it Sunday.

H.M.Jr: Now - but you are not going to wait until Peacock gets going, you are going to --

Phillips: They wanted to do something before he left.

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- H.M.Jr: Well, this group is ready. I mean, the so-called, for a better name, the Quinn Group, which represents at least a dozen or 18 or more investment trusts.
- Phillips: Yes. I also made sure - to make quite sure I asked them to send out to Gifford a list building up something like that figure, 50 to a hundred million dollars, to give Gifford something to go on, do you see, which they say they are doing.
- H.M.Jr: Fifty to a hundred million dollars of direct investments?
- Phillips: That was what that group was mentioning. They didn't make any condition. They simply said they didn't want the individual names used.
- H.M.Jr: That is all right. What else have you got?
- Phillips: Now, you asked me about that - making advance statements under strategic reserves.
- H.M.Jr: Yes.
- Phillips: Well, I sent Cochran a letter in which I pointed out the first big thing is a quantity of wool, Australian wool, which it has already been agreed shall be sent from Australia and is being shipped with the intention of storing it in this country. If it was possible for any United States organization to buy that wool and the agreement for storing does contain a provision under which they might buy, that means a sum, a new amount - we haven't considered it before - as near as we can judge of between 130 and 150 million dollars.
- H.M.Jr: That is a tidy sum.

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Phillips:

That is a big sum. Then there were those tin and rubber contracts where the point was rather different; namely, that you thought it might be possible to make down payments now instead of waiting until the goods were delivered. I haven't got you any good figures there, because I found I can only get the figures by going to this International Tin and International Rubber Committee in London, which would have loaded the gaffer rather badly but I think Mr. Cochran is getting some figures from the corporations and our rough guess was that there might be in it a total - the total deliveries still to be made might perhaps be of the order of a hundred and twenty million dollars, but you have got to allow for the fact that part of that is Dutch. You don't buy only from us, you buy from the Dutch, so the maximum sum there, I should guess, is 50 or 60 million dollars, something of that kind. I have got together one or two other items. The first of those was lead. We could give you a hundred thousand tons of lead from Australia at about \$80.00 a ton, roughly, and the other things are all quite small. I went into them all. There is mica and that sort of stuff, but they don't amount to anything in dollars worth talking about.

Then finally, there were two other suggestions. One was that we were ready and could look into the question of a further shipment of tin, if you wanted any more tin; and there is still another transaction about cross bred wool. It is rather complicated, and I think you had much better get on with the ordinary wool propositions, first, the one I mention to you, the wool which is coming here for storage anyhow.

E.W. Jr:

Who in our Government handled the wool for storage?

White:

Council for the Defense.



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H.M.Jr: Who?

White: Under the Council for Defense.

H.M.Jr: Not Jones?

White: I think he advanced the money to pay for the storage and the shipment.

H.M.Jr: Well, wouldn't the Secretary of Agriculture know?

White: He would know about it, but I don't think it was under his arrangement.

Bell: Harry, this was British wool, wasn't it?

White: Australian wool.

Bell: Well, the British took it off their hands and were going to store it here. The United States Government haven't any interest in it, have they, except the possibility of taking it off the British hands.

White: Well, the arrangement was made with the Government and that is where they got the shipping costs, 10 million dollars, I think.

H.M.Jr: Why don't I talk to Wickard?

White: He would certainly know about it.

H.M.Jr: He could find out about it. I will call him. He is the Secretary of Agriculture.

Phillips: The purchase would be, I take it, on behalf of the War Department, wouldn't it?

Bell: Yes. 'It might go through one of these corporations of Jesse Jones'.

White: One of the reserve corporations.

H.M.Jr: Well, Wickard could look into it anyway.

White: If he is out, the man who would know about it is Lester Wheeler. He would know. How much of that wool is - has arrived, much of it, do you happen to know?

Phillips: I think the agreement was dated December 4, wasn't it? It is probably just being shipped. They are just beginning to ship it.

H.M.Jr: Well, you would buy it in transit, isn't that the idea? Who could he talk to for the British Government if Wickard said --

Phillips: Chalkley.

Bell: That is a high grade wool, isn't it, at that price?

Phillips: Yes. It is used for making cloths and so on. It isn't blankets and so on. It is very good wool.

Bell: The amount of money you have got in there implies it is a pretty high price. It is sixty cents a pound or something like that.

Phillips: There is no price named there. It is simply storage. We could give you the quality, as far as we could judge.

H.M.Jr: Did that go through there?

Cochran: Yes.

H.M.Jr: How much was it?

Cochran: A hundred and forty-two. That represents 96%.

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H.W.Jr: Now, what about this rubber reserve? That is up, and the tin. Who does that over in National Defense, anyway? They have changed so much.

Phillips: There are two separate corporations. There is a tin corporation and a rubber corporation.

H.W.Jr: That is over with Jones.

Pell: Jones has the corporation, but somebody passes on it in the first instance in national defense, don't they?

White: I think they do. It is the Metal Reserves Corporation that advances the money.

H.W.Jr: What is the rubber thing?

(Telephone conversation with Mr. Olmstead follows.)



January 13, 1941  
2:58 p.m.

H.M.Jr: Hello.  
Operator: Secretary Wickard is out of the city until the end of the week.  
H.M.Jr: Well, give me Paul Appleby.  
Operator: Right.

2:59 p.m.

H.M.Jr: Hello.  
Operator: Mr. Appleby is at home with a cold. We could reach him there if you like, or Mr. Olmstead, his assistant, is in the office.  
H.M.Jr: Who?  
Operator: Mr. Olmstead, his assistant.  
H.M.Jr: Well, put him on.  
Operator: Right. (Pause) Mr. Olmstead.  
H.M.Jr: Hello.  
Ralph W. Olmstead: Hello.  
H.M.Jr: This is Mr. Morgenthau talking.  
O: Yes.  
H.M.Jr: Olmstead?  
O: Yes.  
H.M.Jr: I want to get this information from Mr. Wickard or Mr. Appleby and I'd like

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if I could to have it the first thing tomorrow morning. Hello?

O: Yes.

H.M.Jr: The United States Government purchased - no they didn't, now let me start over again. The British Government is sending 250 million pounds of Australian wool here for storage under a December, 1940 agreement. Hello?

O: Yes.

H.M.Jr: Now, I don't know who did it, who's handling it or all the rest of it, but I'd like to find out from your office just who is handling it, you see, with this in mind - of the possibility of advancing to the British the dollars for this wool in transit or even before it leaves Australia, you see, to make this additional money available to them.

O: Yes. I understand the R.F.C. is handling it, but I'll have to check to get it precise.

H.M.Jr: You think the R.F.C. is.

O: Yes, but by tomorrow morning I can give you a detailed report on it.

H.M.Jr: I see, but you think that's an R.F.C. transaction?

O: Yes.

H.M.Jr: Well, could you find out and let me know in the morning?

O: Yes, indeed.

H.M.Jr: Thank you.

O: You're welcome.

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H.M.Jr: Dan, supposing I have this letter copied, you see.

Bell: It is copied.

H.M.Jr: And on the rubber, which is Rubber Reserves, and tin, which is Metal Reserves, supposing you get in touch with Jesse, see, and find out what the status is. You might also ask about wool and tell him what we are interested in and what are the chances of getting this money to these people right away.

Bell: I will do this just as soon as I get out of here.

H.M.Jr: Will you?

Phillips: Might I also suggest about lead, sir? I know your lead stock is very low, and the amount I suggest, a hundred thousand tons, wouldn't bring your stocks up to any abnormal figure.

Bell: I will look it over.

H.M.Jr: Would you? Tell Jesse just what is the idea and has he any suggestions, you see.

Phillips: Then that was all I could find that looked like strategic reserves, but of course, there are a lot of other things. There is jute and stuff, burlap, which is really manufactured jute, and cocoa, and all these things where we have got massive supplies, far more than you could possibly want; but if you want to place any fresh orders, there the stuff is.

H.M.Jr: Supposing we try rubber, wool, tin and lead and see where we get. If we can do one, we can do the rest. How would that be?



- 14 -

Phillips: That would be all right.

H.W.Jr: Put the idea in Jesse's head about advancing the money.

Bell: Yes.

H.W.Jr: Right away.

Bell: It sounds more like the Chinese.

White: That was exactly what that bill was prepared for with the note for the other problem which Foley raised of the Neutrality Act.

Bell: He said as long as it wasn't a credit.

White: Then there is no question.

Bell: The advance payment for something to be delivered within a reasonable time.

H.W.Jr: Well, this really falls under Jones, I think.

White: Yes, he is --

Bell: He would have to furnish the money.

White: He is the head of that corporation.

Bell: He would have to furnish the money.

H.W.Jr: Now, what else have you got there?

Phillips: I have nothing else. There was a small proposition about Canada, but I really can't ask you to consider it now.

H.W.Jr: All right. I want to ask you one thing personally. That is all.

## THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

*per meeting with Mr. Jones*  
 January 13, 1941 *11:45 AM*  
*J. H. P.*

MEMORANDUM TO THE SECRETARY:

As you suggested, I conferred with Jesse Jones regarding the purchase by the United States of some of the commodities set out in Sir Frederick's letter of January 10, 1941. His comments regarding each commodity were about as follows:

Wool: He said that the President had allocated to him the sum of \$12,000,000 for the purpose of paying transportation and storage charges on the Australian wool which the British had acquired to be stored in the United States. He said that he had turned the \$12,000,000 over to the Defense Supply Corporation, which will use it to pay only the costs of shipment in excess of what the British would normally pay to transport the wool to Great Britain, and it will also pay the storage costs in the United States. The Defense Supply Corporation gets for these expenses an option to buy any part of this wool which the United States may need. At the time this transaction was up, it was necessary for Chester Davis to pacify certain Western Senators. He got them to agree not to object to it if we had the option to buy only in case the United States actually needed the wool.

I understand that there will be between forty and fifty shiploads of this wool and that two are now on the water and five are loading. These seven ships will carry between twenty million and twenty-five million pounds of this wool to the United States.

Rubber: Mr. Jones said that out of the 150,000 tons of rubber which were to have been delivered prior to December 31, he believes that we have received, or there is on the way, approximately ninety thousand tons, of which we have already paid in dollars for approximately seventy thousand tons. He said that he had agreed to take not only the 150,000 tons for shipment during 1941 as specified in Sir Frederick's letter, but he had agreed to take another 100,000 tons in the calendar year 1941. He said that they had had some difficulty in getting delivery on rubber as ships were not available. Also, there was some question about going into full production. He said when they first started negotiating with the British, production was only running about equal to consumption requirements, but since then they have increased their production until it is about twice normal consumption requirements. He said he thought if the British could find means whereby the rubber could be stored in warehouses in the British Empire, he could make payment for it immediately. This also applies to the other commodities listed in this memorandum.



Mr. He said that he would be glad to buy 50,000 additional tons of tin over and above the 75,000 tons agreed upon by the Metal Business Company. He said the British was very slow in getting this tin on the way but if they will produce the tin he will be glad to buy it.

He called my attention to the question also raised by Sir Frederick in his letter and that is that the rubber and tin case only in part from British sources. I told Mr. Jones that that had been called to our attention and we realized that the British would not get all of the dollars. He suggested that the British might make some arrangements whereby the Dutch or other interest would accept shipping in payment for these commodities and the British would sell it to us for dollars. I told him we could have this looked into.

Lead: I asked Mr. Jones if he thought he could buy 100,000 tons of lead as Sir Frederick had suggested that he might have that quantity available. He called Merrill Harrison to ask him if we could use a substantial amount of lead. Mr. Harrison said that it was not needed for defense purposes, but Mr. Jones said that he was quite certain he could get a letter from the President authorizing him to buy this additional stock of lead and he would be willing to do that if we decided the British needed the money immediately.

He also said that we might look into the question of zinc. Mr. Harrison suggested we might buy some additional quantities of zinc if it is available any place. This commodity was not mentioned in Sir Frederick's list. We should look into this.

Mr. Jones said that he would like to have a copy of the list of commodities given in Sir Frederick's letter and that he would look into the stocks of those commodities in this country to see if we could buy some of them. I have given him a copy of Sir Frederick's letter.

Mr. Jones also said that he would ask his lawyers just how far he might go in making advance payments to the British for these various commodities. He said his personal opinion was that the commodities should be delivered on dock or to a warehouse before advance payments are made. He did not feel that he ought to make advance payments before production without taking it up with Congress.

He said that he had had dinner with the British last evening and had gone over their problems. He said he did not feel that it was as urgent as they had put it and he was quite certain that we would have the President's bill through Congress within the next two weeks and then we could begin to work out our program. I told him that we felt in the Treasury that it was quite urgent and we thought every means ought to be taken to provide the British with dollars as soon as they send them without waiting for their entire balance to be exhausted.



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He said he had suggested to Purvis some months ago that the British start the policy of putting up collateral for many of their contracts instead of putting up cash. He thought that when they had run out of cash they would have already established the habit of depositing collateral, which would be an important step forward. They refused, however, to do this. He still feels, he said, that the British should get into the habit of putting up collateral for many of these things, including the transactions that will take place under the Lend-Lease Bill. I asked him where he thought they would get this collateral. He said they have an interest in many things throughout the world, some of which may not be of much value, but then the fact that they have placed them with the United States would have a tremendous effect on our own people and also on our Congress.

He said he would try to let me know in the morning as to what they could do on the advance payment idea.

I suggest that if you go to the White House to discuss this matter with the President, you consider taking Mr. Jones with you.

*W. W. B.*

British Embassy.

Washington, D. C.

10th January 1941.

Dear Colonel,

We will recollect that at the meeting this morning the question was raised whether some financial relief could be secured through immediate payment for goods in the sterling area to be acquired by the U.S. Department.

The following instances occur to us:-

1) Wool. Purchase by U.S. Government of 750,000,000 lbs. Australian wool to be stored in the United States under the Storage Agreement signed in London on December 9th 1940. Possible purchase by U. S. Government is provided for in this agreement.

According to our information, the value of this wool would be between \$150 to \$200 millions. The loading of the wool for shipment to the United States has recently commenced in Australia. As you know, the British Government has purchased the entire Australian wool clip until after the war.

2) Wool. British Reserve Company agreed to purchase 150,000 tons on June 27th, for shipment prior to December 31st, but we understand that shipment has not yet been completed. The Company agreed to purchase a further stock of 150,000 tons for shipment during 1941, some of which has presumably yet been shipped. The value of the first lot at the contract price was about \$67 millions, and that of the second lot \$81 millions.

3) Wool. British Reserve Company agreed in July 1940 to purchase 75,000 tons of tin at \$40 lb. S.I.F. U.S. Price, total value being about \$24 millions. I understand delivery was expected to be completed towards the end of 1940, so that some substantial part of this yet remains to be delivered.

We are sure that these items include the best chance for an immediate application of the new idea in time to be of use in meeting the financial needs of the interim period. I have called to London to enquire whether there is a prospect of fixing up a contract for a further 50,000 tons of tin and generally whether any other articles occur to them. In particular we know that all the following articles are in currency in the sterling area and that

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we can meet any orders which U.S. Departments are likely to place for them. We do not, however, know how far they are regarded as strategic materials under the Act of June 27th 1940.

Barley  
Beans  
Cocoa  
Long staple Egyptian Cotton  
Jute  
Rye  
Animal, vegetable and fish oils.  
Wool  
Wine  
Zinc.

I need not remind you that rubber and tin come only in part from British sources and that we can only count on receiving a corresponding part of the proceeds. It seems to me that wool offers the best immediate possibilities from every point of view.

Yours sincerely,

(Signed) F. Phillips

Mr. E. H. Cushman,  
United States Treasury,  
Washington.

687149



Notes on Conference in the  
Secretary's office, 4:35 P.M., Monday  
January 13, 1941.

Those present at this meeting were, Secretary Morgenthau, the Greek Minister, Admiral Towers, Lieutenant Anderson, and Philip Young.

Secretary Morgenthau opened the conference by stating that the needs of Greece had received earnest consideration and had been seriously discussed at the last Cabinet Meeting. In the course of that discussion it had developed that the Army had no planes which could be released for the aid of Greece, but Secretary of the Navy Knox had suggested the release of certain Navy planes which were being replaced by planes of a more modern type on United States naval aircraft carriers. Because of this suggestion made by Secretary Knox, Secretary Morgenthau had asked Admiral Towers, Chief of the Bureau of Aeronautics, Navy Department, to attend the present meeting and explain to the Greek Minister just what planes were available.

Admiral Towers explained that it had been the policy of the Navy before the present serious world situation arose to replace Navy planes in service with new planes every five years. The planes so released after their five-year service period were then utilized for training purposes. Admiral Towers stated that there were certain Navy planes which were currently being released after five years of service which might be made available to the Greeks; however, these planes were five years old and were based on designs seven years old.

At this point the Greek Minister inquired as to whether the planes in question were hydroplanes or land planes. Admiral Towers replied that they were land planes which were now in service on naval aircraft carriers but about to be replaced by new planes. He said they were in good material shape but that they were actually of an obsolete design. He added that the planes had a speed of 233 miles per hour and carried two machine guns, one .50 calibre and one .30 calibre. Admiral Towers expressed serious doubt as to whether they would serve the purpose of the Greeks.

The Greek Minister questioned Admiral Towers more specifically as to their use and age, and Admiral Towers replied that the planes had been in service for five years already and that the Navy was planning to use them for training purposes in the future. Secretary Morgenthau asked Admiral Towers as to whether these planes would be

the fighting planes which the Navy would use today if the United States were in a state of war. Admiral Towers replied that practically all of these planes had already been reserved from the aircraft carriers and sent to training fields or were in the process of being overhauled.

The Greek Minister asked Admiral Towers as to the placement of the guns, that is, as to whether they were mounted in the fuselages or in the wings, and, further, as to whether there was any protection for the pilots, specifically in the event of a rear attack. Admiral Towers responded that these planes had neither armor nor leak-proof tanks and could not be considered as up-to-date for fighting purposes. Admiral Towers further inquired of the Greek Minister as to whether there was an Air Attache at the Greek Legation who could talk over the technical specifications. The Greek Minister replied that he was sorry, but that he had a Military Attache who would go to see Admiral Towers.

In the meantime, it was the Minister's intention to cable Athens, and he added that, despite the great need of Greece for planes, it was his personal opinion that these particular Navy planes would not be desirable.

The Greek Minister stated that he had thought Secretary Morgenthau was going to speak to him about the offer of the British to furnish thirty P-35A planes and concerning which he had some additional information. Secretary Morgenthau asked him to explain the situation. The Greek Minister said that there had been considerable discussion about the release of thirty Defiants by the British, but that the Greek Government had advised him on the 21st of December that it was not interested.

Further, in conversations with the State Department, the Greek Minister had been advised that the United States was definitely going to fulfill its promise of making planes available to Greece. Shortly thereafter, the British Embassy had notified the Greek Minister that the British would release to the Greeks thirty P-35A's immediately from London or from Egypt. Only a few days ago, the Minister added, the State Department had been advised that the Greeks would accept this offer.

It appeared, however, that there were certain difficulties with respect to the transportation of the planes. Part of the deal was that the United States should replace the thirty P-35A planes released to the Greeks by giving the British thirty P-40D's which would be shipped on an American ship to Beirut. The Greek Minister



- 3 -

had been advised by the State Department that it was inadvisable for an American ship to transport these planes, so that the Minister, after proper consultation with his Government, had arranged for the planes to be shipped from the United States to Bessa on Greek ships.

Secretary Morgenthau asked the Greek Minister to give him an official letter, over the Greek Minister's signature, stating that Greece was entirely satisfied and happy to receive the thirty P-36A planes from Great Britain, and that the Greek Government did not look to the United States for anything. Further, Secretary Morgenthau suggested that the Greek Minister tell the President that he was happy about the deal and then let Secretary Morgenthau handle the British end of the transaction.

The Greek Minister replied that he did not feel free to make such a statement as the State Department had given some indication in the past that sixty rather than thirty planes would be furnished the Greeks. Secretary Morgenthau pointed out that Admiral Towers had just been offering the Greeks thirty additional planes from the Navy. At this point Admiral Towers reminded the Greek Minister that the thirty Navy planes were at least a full 100 miles per hour slower than the P-36A's which might be released by the British.

The Greek Minister said that he would cable Athens immediately, but that he would like to know how the thirty Navy planes would be shipped. Secretary Morgenthau replied that they would be sent to New York where they could be loaded on Greek ships.

P.Y.

ooOoo



Notes on Conference in the  
Secretary's office, 5:00 P.M., Monday,  
January 13, 1941.

Those present at this meeting were, Secretary Magathon,  
The Greek Minister, and Philip Young.

H.M., Jr.: The President is greatly interested in helping  
Greece. Last year he was interested in Finland.  
At that time a play was brought to Washington for  
relief purposes. Why don't you bring a play here  
to Washington to be put on Sunday night, February  
16th. Who is your relief man in New York? I can't  
think of his name.

Minister: Harold Vanderbilt.

H.M., Jr.: Yes, he is the man. Now, besides, I have a par-  
ticular play called "Panama Hattie" which you can  
put on for Greek relief. You tell Mr. Vanderbilt  
about it. It is a musical comedy and both the  
President and Mrs. Roosevelt would come.

Minister: For war relief? That would be wonderful.

H.M., Jr.: Have Mr. Vanderbilt telephone me or Philip Young for  
details. Could be put on at the National Theatre.

Minister: Who would organize?

H.M., Jr.: Vanderbilt would have to do it all. No arrangements  
have been made. It would fill the Theatre as the  
President would be there.

Minister: The President would be there — is that right?

H.M., Jr.: Yes, the President would go. Maybe you could raise  
\$5000 or \$10,000 but leave the details up to the Greek  
war relief. The President's being there would make it  
a success.

Minister: Please thank the President for me. My country and I  
greatly appreciate his interest and his help.

H.M., Jr.: Make sure of the details first before you do anything.  
I can tell you though that the President would be pleased  
to come.

Minister: Is everything ready?

H.M., Jr.: No, no one knows anything about it. You have to make  
all the arrangements.

Minister: I understand.

January 13, 1941  
5:21 p.m.

H.M.Jr: Hello.

Operator: Leon Henderson:

Leon Henderson: Hello, Henry.

H.M.Jr: Leon, they asked me about prices of inflation, and I said some very nice things about you which they didn't run, and I'm sending you over a stenographic report of what I said. Hello?

H: Yeah.

H.M.Jr: Where are you, so that it can get to you?

H: I'm over at the S.R.C.

H.M.Jr: I'll have it there within fifteen or twenty minutes. Will you be there?

H: Yes, I'll wait for it.

H.M.Jr: What?

H: I'll wait for it.

H.M.Jr: Because I said, I think, some quite complimentary things.

H: Well, I can stand those after .....

H.M.Jr: Well, what I said, as best I remember, I said, Mr. Henderson is doing a very excellent job under very difficult circumstances.

H: Well, that's very good.

H.M.Jr: That's as near as I can remember what I said.

H: Now, on another matter. Did you notice what they did with Palmer?

H.M.Jr: Yeah, I see that they put him in charge.

- 2 -

- H: That thing, and I think friend Mac was responsible for that. We, specifically, in the Commission discussed that, decided we didn't want an Executive Order of that kind, and had a specific understanding with Mac that it would not be done, no proposal of that kind would ever be made to the President without us being advised, and they chased it up to Hyde Park and got it signed.
- H.M.Jr: Well, the first I knew about it was when I saw it in the paper this morning.
- H: Well, wouldn't you fire a fellow that did that to you?
- H.M.Jr: Well, I wouldn't feel kindly to him.
- H: Well, I'm telling you that's your boy Mac - one of the boys that did it.
- H.M.Jr: Well, he didn't act like that when he worked for me.
- H: I guess maybe we don't treat him right, but you might ask him about it when you get a chance.
- H.M.Jr: Well, I never see him anymore. I never see him. But I'll send you over the whole thing because quite a lot of it had to do with S.E.C. I'll send over the whole thing, I'd like to have you see what I said about you.
- H: All right, fine, Henry.
- H.M.Jr: Good-bye.



CONFIDENTIALTO KEEP YOU POSTED

January 13, 1941

To: The Secretary

From: Mr. Young

Re: Navy Planes for the Greeks.

I received your message concerning the possible release of thirty Navy Grumman planes from the "Wasp" to the Greeks. I tried to get in touch with Secretary Knox to find out what the situation was, but he was unavailable. I contacted Under Secretary Forrestal, but he had no information as to details of the situation.

With Mr. Forrestal's permission I called Admiral Towers who advised me that he knew nothing about it but that he was seeing Secretary Knox and would let me know what the situation was.

Subsequently, on Saturday afternoon Admiral Towers called me back to say that Secretary Knox had promised thirty of the old Grumman off the "Wasp", which were currently being replaced by new ships. Towers went on to say, however, that he thought only about seventeen of those planes were any good and that even those needed a thorough overhauling. Further, Towers had grave doubt as to their usefulness inasmuch as each plane carried only one .50 and one .30 calibre gun.

Admiral Towers advised me that he was making a thorough study of the situation over the week-end.

D.Y.

CONFIDENTIALTO KEEP YOU POSTED

January 13, 1941

To: The Secretary

From: Mr. Young

Re: Purchase of War Supplies  
by South America.

In line with the President's letter of January 4th to you suggesting the formation of a committee to handle policy matters for South America, I have been attempting to find out just what agencies and groups are interested in this question.

In this connection I talked with Mr. McReynolds and advised him that it was my feeling the Liaison Committee should call together all parties interested in the South American situation in order to find out just what each does. Mr. McReynolds thought this to be a good idea and agreed with me that the formation of any new committee should be temporarily held up pending this survey.

I have called a meeting of parties interested in this problem for 3 o'clock today.

Is there any objection to forwarding copies of the President's letter to Mr. McReynolds and Colonel Maxwell?

go ahead  
 M  
 ↓  
 message given  
 to Mr. Young  
 1/15/41

R.Y.

CONFIDENTIAL

TO KEEP YOU POSTED

January 13, 1941

To: The Secretary

From: Mr. Young

Re: Availability of Navy Funds

I was advised this morning by Mr. Wise of Secretary Knox' office that the Navy had no money available for taking up the bid on merchant ships which was the subject of my memorandum to you of January 10th.

However, Mr. Wise stated that the Navy had a considerable amount of money which could be expended for both ordnance items and aircraft. I gather that this amount may total up to 200 million dollars.

P.Y.



CONFIDENTIAL

NO COPY TO BE POSTED

January 13, 1941

To: The Secretary

From: Mr. Young

Re: Chinese P-40 Planes.

In line with the instructions which you gave me by telephone early Saturday morning, I got in touch with Burdette Wright at Buffalo, and Bill Goulding, Vice President of Curtiss Wright, in New York. Guy Vaughan could not be reached by telephone. I explained to both Wright and Goulding the urgency of the situation and that delivery had to start on the planes immediately regardless of the negotiations between the parties or the paper work involved.

Burdette Wright explained that actual physical delivery of the planes could not be made under the Neutrality Act until payment had been secured. However, it was his opinion that delivery of the planes could not be made anyway for a few days as there had to be certain minor changes.

Mr. Goulding also emphasized the difficulties of working out the paper part of the transaction and stated that he did not even know what the price of the engines was going to be or what changes the Chinese wished in the planes. I told Goulding that Universal Trading knew both the price for the engines and that no changes were required in the planes other than the removal of the British insignia. Goulding said that he would check with Universal in New York to get the latest word.

In the meantime I had Archie Lockheed call Mr. Ben of Universal, who in turn called Goulding and straightened out the mechanics of the situation. Subsequently, Goulding called me from New York stating that he had talked with Mr. Ben and that it was all straightened out with respect to the physical delivery.

- 2 -

Delivery of the planes would start next Wednesday, January 15th, and Curtiss would arrange it so that the Chinese would get ten by the end of the week just as if the two per day rate had started on Monday. The Chinese were to take the planes without any change except the removal of the British insignia. Also the Chinese were to buy engines direct from Allison at a price of \$19,477.10 each. (This compares with the price of \$17,500 each quoted to Universal by Allison on the so-called "rejects").

In the meantime, Universal and Curtiss Wright are to get together either in Washington or New York to work out the details of the transaction.

FDY.

CONFIDENTIALTO KEEP YOU POSTED

January 13, 1941

To: The Secretary

From: Mr. Young

Re: British Orders Placed Since  
December 19th.

At your press conference on December 19th, it was stated that the British were told to go ahead with negotiations on all future orders up to the point of signing contracts with the exception of the 87 million dollar contract for the sixty ships.

Since that date, and excluding a ship contract, the British have signed other contracts with a value of \$10,600,000 which involves an additional amount for capital assistance of \$700,000 or a total of \$11,300,000. The major part of these additional contracts cover iron and steel orders and the balance is made up principally of machine tool orders.

Attached herewith is a list of these contracts, but you will note that the two contracts covering the sixty ships with Todd are included in the totals.

J.Y.

Speak

to me  
 ↓  
 message given  
 to Mr. Young 1/13/41  
 J.Y.



Orders Placed by the British Government  
Through the British Purchasing Commission after  
December 19, 1940

As Reported up to December 28, 1940 1/

No. of Order	Contractor	Description	Quantity	Value of order		
				Protest	Capital	Total
Dec. 20	Todd-Bath Shipbuilding Corp., South Portland, Maine	Steel-hulled cargo steamers, approx. 9,500 tons deadweight	30	\$ 24,742,000.00	\$ 4,094,000.00	\$ 28,836,000.00
Dec. 20	Todd-California Shipbuilding Corp., Oakland, Calif.	Steel-hulled cargo steamers, approx. 9,500 tons deadweight	30	43,045,000.00	4,105,000.00	47,150,000.00
Dec. 20	Gray Motor Co., Detroit, Mich.	Four cylinder Diesel engine completely equipped	68	308,953.89		308,953.89
Dec. 20	Kearney & Trecker Corp., Milwaukee, Wis.	200 milling machines, extra equipment and wiring	39	78,825.00		78,825.00
Dec. 20	Pratt & Whitney Div. of Niles-Bement-Pond Corp., New York, N. Y.	Two-spindle reaming machines	10	60,467.00		60,467.00
Dec. 20	The Thompson Grinder Co., Springfield, Ohio	Surface grinding machines	7	70,989.85		70,989.85
Dec. 20	E. W. Bliss Co., Brooklyn, N. Y.	Capital assistance to Remington Arms Co. for production of .50 caliber ammunition			387,449.90	387,449.90
Dec. 27	Smith Barford Co., Hingham, Conn.	Primacord instantaneous detonating fuses	15 all. lb.	525,000.00		525,000.00
Dec. 28	Ferrocute Machine Co., Bridgeton, N. J.	Capital assistance to Western Cartridge Co.			291,000.00	291,000.00
Dec. 28		Iron and steel ordered by the British Iron & Steel Corp.				
				Gross tons		
		Pig iron	40,000	1,200,000.00		1,200,000.00
		Strip steel & iron	1,717	34,340.00		34,340.00
		Commercial carbon steel	79,132	3,956,800.00		3,956,800.00
		Alloy and special purpose steel	9,019	1,578,325.00		1,578,325.00
Dec. 28	Linn Locomotive Works, Inc., Lima, Ohio	Drag shovel units, dragline mechanisms, and dragline buckets	10	67,652.43		67,652.43
		Chain crowd shovel attachments and clamshell grab	4			
		#E-428 Suda engine complete with all accessories	1			
Dec. 21	E. I. duPont de Nemours & Co., Arlington, N.J.	Methyl Methacrylate resin sheets	3,039	60,575.58		60,575.58
Dec. 20	Pratt & Whitney Div. of Niles-Bement-Pond Co., West Hartford, Conn.	Jig borers, including additional equipment	10	111,840.30		111,840.30
Dec. 26	Kernath Mfg. Co., Detroit, Mich.	Kernath 225 h.p. "Sea Wolf" engines	140	238,000.00		238,000.00
Dec. 21	Pratt & Whitney Div. of Niles-Bement-Pond Co., West Hartford, Conn.	Jig borers, including additional equipment	18	128,686.05		128,686.05
Dec. 26	Cincinnati Milling Mah. & Cincinnati Grinders, Inc., Cincinnati, Ohio	Vertical high speed dial type milling machines and equipment	22	151,371.00		151,371.00
Dec. 27	Production Machine Co., Greenfield, Mass.	Hand screw machines with electrical and other additional equipment	150	290,325.00		290,325.00
Dec. 20	Automatic Machinery Mfg. Corp., Bridgeport, Conn.	Hydraulic dual milling machines, complete with equipment	25	123,750.00		123,750.00
Dec. 20	Pratt & Whitney Div. of Niles-Bement-Pond Co., West Hartford, Conn.	Jig borers, including equipment	7	112,545.09		112,545.09
Dec. 26	International Machine Tool Co., Indianapolis, Ind.	Turret lathes and extra equipment	60	299,700.00		299,700.00
Dec. 23	Porter McLeod Machine Tool Co., Inc., Hatfield, Mass.	Porter McLeod 6" cold metal sewing machines	25	75,552.03		75,552.03
Dec. 23	Simmons Machine Tool Corp., New York, N. Y.	Micro-speed drive lathes	14	95,430.00		95,430.00
Dec. 21	General Machinery Corp., Niles Tool Works Div., Hamilton, Ohio	Time saver lathes, rests and equipment	25	440,825.00		440,825.00
Combined total of orders for less than \$50,000.00						
95 contracts				601,861.73	61,005.90	662,867.63
Grand Total:				117 contracts 2/	\$98,342,534.75	\$8,961,118.40 \$107,353,653.15

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

January 10, 1941

- 1/ Excludes orders placed during the week December 16 - 21 by the British Iron and Steel Corporation aggregating \$1,462,250.00.  
2/ Excludes an indeterminate number of contracts of the British Iron and Steel Corporation, the dollar values of which have been included in the above statement.

CONFIDENTIALTO KEEP YOU POSTED

January 13, 1941

*message given  
to Mr. Young  
1/10/41*

To: The Secretary

From: Mr. Young

Re: Leak-proof Tanks for the British  
Boeing B-17.

In accordance with your instructions, I got in touch with Bob Lovett Saturday afternoon and asked him about the delay which would be caused in the delivery of the B-17's to the British due to the fact that leak-proof tanks could not be procured. Lovett said that he was talking with Mr. Johnson, President of Boeing, and that he would call me back as soon as he had the complete story.

Subsequently, Lovett called back to say that the British had asked for a number of changes in the B-17 and that it was these changes which were delaying the delivery rather than the lack of leak-proof tanks. He went on to say that the original idea was for the British to take the planes as quickly as possible, and that the first plane was ready to fly on Saturday, January 11th. About a week ago, however, the British advised Boeing that they wanted fourteen changes made in the planes as follows:

- (1) Camouflage — Boeing advised the British they could not do camouflage work in the Seattle plant.
- (2) Identification Markings — Agreed to by Boeing.
- (3) Special Oxygen Equipment — Agreed to by Boeing.
- (4) Change in Flare Installation — Agreed to by Boeing.
- (5) Pilot Harness Installation — Agreed to by Boeing.
- (6) Very Pistol Anchorage — Agreed to by Boeing.

- (7) Change in Radio Receiver — Agreed to by Boeing.
- (8) Special Camera Mounting — Agreed to by Boeing.
- (9) Installation of British Type Bomb Doors — British agreed to use the U.S. bomb racks as they were getting some U.S. bombs; Boeing agreed to supply drawings for the alteration of the bomb racks to fit British bombs.
- (10) Throttle and Mixture Controls — Agreed to by Boeing.
- (11) Collapsible Seats and Special Flares — Agreed to by Boeing.
- (12) Top and Bottom Identification Lights — Agreed to by Boeing.
- (13) Special Armor Plate for the Pilot — Agreed to by Boeing.
- (14) Leak-proof Tanks — On this point Boeing advised Lovett that the installation of leak-proof tanks in the British B-17's could not be made without delaying the B-17's to be delivered to the Army by March. If tank changes were made, the production line would be slowed up so that the British would not get the B-17's until March 22nd instead of March 1st. In this connection Lovett emphasized the desperate need of the Air Corps for these planes and the fact that the War Department was not sympathetic to any delay inasmuch as twenty planes had been given up to the British and as the British has then insisted upon the changes noted above.

Lovett went on to point out that evidently there had been a good deal of chagrin on the part of the British Air Commission, and that there had been some differences of opinion between Fairley and the British technical people as to what should be done. In fact it was not until a week ago that there had been any agreement on these particular changes and this agreement was not actually signed until Saturday, January 11th.

With respect to the leak-proof tanks, Lovett did not seem to think that it was worth-while to delay the production of Boeing to make the change, first, because of the demand on the part of the Air Corps for these planes, and, secondly, because the leak-proof tanks are only in the wings and would not cover the reserve tanks.

Ry.



JT

PLAIN

LONDON

Dated January 13, 1941

Rec'd 5:10 p.m.

Secretary of State,  
Washington.

132, thirteenth.

FOR TREASURY:

(1) Another vesting order covering over 100 American securities is announced today. The list is made up largely of preferred stocks and bonds including about 30 United States Treasury bonds. Payment will be on February 24 and may be made in 2½ percent war bonds, 3 percent savings bonds "baby" defence bonds, or in cash. Full list of issues are being mailed.

(2) Today's FINANCIAL TIMES under Washington dateline quotes the Associated Press as stating that "highly-placed federal officials declare that Britain may be asked to put up \$2,000,000,000 of British assets in the United States as collateral for war materials supplied under the British aid bill" and mentions direct investments in addition to the \$500,000,000 of securities noted in the report cited in the Embassy's No. 110 of January 10.

JOHNSON

EPL

Banking

Dated January 13, 1941

Rec'd 2:14 p.m.

Secretary of State

Washington

15. January 13, 6 p.m.

The local Chinese press published a report from the "Central Reserve Bank" that during its first week of operation it issued notes of one dollar and upwards to the value of five million six hundred thousand dollars and subsidiary notes to the value of almost eight hundred and fourteen thousand dollars. The identical total is significantly given as the bank's current cash reserve.

Sent to the Department, repeated to Chungking, Peiping and Shanghai, by mail to Tokyo.

PLAIN

VSB

eh:copy

RECEIVED  
 JAN 15 1941  
 DEPARTMENT OF STATE

JAN 15 1941

RECEIVED  
 JAN 15 1941

DEPARTMENT OF STATE  
Washington, D. C. . . . .

In reply refer to  
No. 551.5151/2560/2569

January 13, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses two copies of paraphrases of each of the following telegrams, regarding recent action taken by the German authorities to examine safety deposit boxes in occupied France.

1. To Vichy, December 23, 1940, no. 875.
2. From Vichy, January 8, 1941, no. 38.

Enclosures:

Paraphrases of  
two telegrams, as  
listed.

CGT:leg



## PARAPHRASE OF TELEGRAM SENT

TO: AMERICAN EMBASSY, VICHY.

DATE: December 23, 1940, 2 p.m.

NO.: 875

You are requested to inform the Embassy at Paris that we want it to take all appropriate and feasible steps toward the protection of the American property in the safety deposit boxes in the occupied territory. Request it to make a full report on the matter. You should also repeat these instructions to the consulates in the occupied territory.

HULL

Rn:LC:RIC

RA:MSG.

10 THE RECEIVED  
 12/23/40 10:15 AM  
 OFFICE OF THE

DEC 23 1940

RECEIVED  
 RECEIVED

COPY:lap

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Vichy (Paris).

DATE: January 8, 1941.

NO.: 38

FROM PARIS.

This matter was discussed by one of our staff yesterday with Kambartel (the Director of the Divisionschutz Kommando). Kambartel said that the German officials' decision of Dec. 9th, which was communicated to the banks much later, related to safety deposit boxes located in the occupied territory and belonging to people who are actually in this country. Under the provisions of the decision, after the 10th of January, 1941, safety deposits will be opened by force if their owners have not presented themselves for the opening. Steps have been taken by American banks here to notify their clients in both the unoccupied and occupied territory of the procedure they should take in this regard.

It was definitely stated by Kambartel that the German officials do not contemplate opening forcibly the safety deposit boxes belonging to neutral persons who are not in France — or even if they are in France, providing force majeure prevents them from presenting themselves before the 10th of January. Assurance was given by Kambartel that the Embassy would be notified if decision is made to open the deposit boxes of neutrals who are absent; he also gave assurance that the Germans would allow the absent neutrals

-2-

a "reasonable" amount of time in which to transmit their keys and appoint a deputy.

Apparently the position taken by the German authorities which I have just outlined has also been communicated by them verbally to American and other banks here, but I think in a less categorical way. I have been informed that the National City Bank has taken the precaution of requesting its N. Y. office to suggest to persons in the United States who own safety deposit boxes over here that they authorize the bank's lawyer to represent them here. It appears that similar precautions have been taken by Morgan & Company and the Chase Bank.

No ~~steps~~ steps in this regard have been taken by the Guaranty Trust Company yet, nor has the Company provided this Embassy with a list of Americans owning deposit boxes. This is likewise contrary to the statement made in the last paragraph of telegram no. 1144 of Dec. 15, 5 p.m., from Vichy.

These safety deposit boxes are being examined by the German authorities for the purpose of withdrawing from them gold (in the form of coins and bars), unset precious stones, foreign bank notes and foreign securities, and placing them in a blocked account in the owner's name and with the bank of the ~~box~~ box holders. There can be no withdrawals from such a blocked account unless the German authorities grant authorization.

BARNES

EA:ESG

LEAHY



(Handed by Sir Frederick Phillips to Mr. Cochran in the Treasury at 12:35 p.m., January 13, 1941.)

THE UNITED KINGDOM DEFICIT WITH CANADA

Canada helps us as much as she can, by repatriating British-held obligations and by allowing her sterling balances to rise; the amount of her help is only limited by her ability to raise funds internally. Up to date, in this way, she has furnished us with between Can. \$350 and \$400 millions since the beginning of the war.

Canada undertook in the same way to supply our deficit of Canadian dollars for the first half of the second war year to the extent of Can. \$150 millions (say U.S. \$130 millions). She had already provided this amount early in December, and we had to start paying her gold again. In view of our critical position, we asked her to give us further help, and the Canadian Government undertook to furnish a further Can. \$50 millions. But they could not add to their total help without endangering their own financial structure, and this was an anticipation of the help which they would give us during the second half of the second war year. This amount is now exhausted, and once again we have asked them for further help, in order to avoid having to pay them more gold at present.

This situation has two aspects of importance:-

(a) We are straining the Canadian economy by asking them to help us at so rapid a pace. If, for example, we were to ask them to see us through till the end of February, it would mean that they would have furnished us with a further Can. \$75 millions: i.e. Can. \$275 millions in all, against their original

- 2 -

promise of Can. \$150 millions. We do not believe that we can ask them for so much, and though they may be able to give us further help, we must almost certainly pay them some gold in February.

(b) As already noted, Canada cannot take more than a certain total of sterling and securities in exchange for Canadian dollars in the year. The extra help she has given us in December, 1940, and any further immediate help she may give, can therefore only take the form of anticipating the help she might give us in the remainder of the second war year. Thus during the remaining months of that year we must count on less help, and the drain on our gold and U. S. dollar reserves will be correspondingly increased.

British Embassy, Washington  
12th January, 1941

COPY:Lap

**STRICTLY CONFIDENTIAL**

**ANNOUNCED DELIVERIES SUMMARY**  
**Deliveries of Airplane Engines**

Actual Deliveries : Estimated Deliveries  
Deliveries : on existing orders

1940

January.....	10
May 1 - June 1.....	15
June 2 - 29.....	31
June 30 - July 27.....	30
July 28 - August 31.....	51
September 1 - 28.....	221
September 29 - October 5.....	49
October 6 - 12.....	73
October 13 - 19.....	81
October 20 - 26.....	88
October 27 - November 2.....	80
November 3 - 9.....	44
November 10 - 16.....	45
November 17 - 23.....	19
November 24 - 30.....	36
December 1 - 7.....	30
December 8 - 14.....	26
December 15 - 21.....	78
December 22 - 28.....	2
December 29 - January 4.....	12

1941

January 5 - 11.....	5
January 12 - 31.....	
February.....	
March.....	
April.....	
May.....	
June.....	
July.....	
August.....	
September.....	
October.....	
November.....	
December.....	

1942

January.....	
February.....	
March.....	
April.....	
May.....	
June.....	

RECEIVED  
FEBRUARY 1941  
RECEIVED  
FEBRUARY 1941



## STRICTLY CONFIDENTIAL

## ALLISON SHIPMENTS

	Nov.: 1-16:	Nov.: 17-23:	Nov.: 24-30:	Dec.: 1-7:	Dec.: 8-14:	Dec.: 15-21:	Dec.: 22-28:	Dec. 29: Jan.: 4-5-11:	Total	
	49	15	53	29	82	60	46	8	83	426
	-	3	3	1	4	18	6	4	2	41
	49	19	56	30	86	78	52	12	85	467

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

January 13, 1941.

January 13, 1941

My dear Mr. President:

I am sending you herewith a memorandum from George Haas on the prices of German municipal dollar bonds.

There has been no great variation in their prices. Evidently, the newspaper story that you read was not based on very accurate facts.

Yours sincerely,

(Signed) H. Hoagwood, Jr.

The President,  
The White House.

Inclosure. ✓

By Hoagwood 2 45





Secretary Morgenthau

Mr. Egan

Subject: Prices of German Municipal Bonds.

The attached table has been prepared in accordance with your request for an analysis of the recent price movements of German municipal bonds. It shows weekly since the beginning of November and daily for the past two weeks, the prices of 6 dollar bonds of German municipalities listed on the New York Stock Exchange. These bonds are the only ones so listed which have exhibited even a moderate degree of activity during the period under consideration.

The bonds of the different municipalities have shown no consistent trend. Their prices are in general about the same as at the end of October — four being slightly higher, and two slightly lower. Only the Berlin and Frankfurt bonds have shown substantial intermediate fluctuations — each of these declining by about 6 points and then recovering this loss in the period covered by the table.

HCM/AFL:ma  
1/11/41

Prices of Selected Series Municipal Dollar Bonds  
Traded on the New York Stock Exchange

Description	Last quotation during week ended																			Closing price		
	1950																			1951		
	Dec. 2	Dec. 3	Dec. 10	Dec. 17	Dec. 24	Dec. 31	Jan. 7	Jan. 14	Jan. 21	Jan. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29	Jan. 5	Jan. 12	
Buffalo City 5% of 1950	26-1/2	26-1/2	26-1/2	26-3/4	26-1/2	25-1/2	26-1/2	26-3/4	26-1/2	25-1/2	25-1/2	25-1/2	25-1/2	-	26	-	-	-	26-1/2	26-3/4	-	-
Chicago 5% of 1950	26-1/2	-	-	27	27	26	-	-	-	25-1/2	25-1/2	-	-	-	-	-	-	-	26-1/2	26-3/4	-	-
Philadelphia 5% of 1950	27	-	26-1/2	26-3/4	26-1/2	25-1/2	26-1/4	25-1/2	25-1/2	26	25-1/2	25-1/2	-	-	-	-	-	-	27	26-3/4	-	-
Washington 5% of 1950	26	-	26-1/2	27	-	-	26	-	-	26	-	25-1/2	-	26	-	-	-	-	27	-	-	-
Los Angeles 7% of 1947	27	26-1/2	-	27	26-1/2	-	-	-	-	25	25	-	-	-	-	-	-	-	26-1/2	-	-	-
Memphis 5% of 1950	26	26-1/2	26-3/4	26-1/2	-	-	27	-	-	26	-	-	-	26	-	-	-	-	27	-	-	-

Bureau Department, Division of Research and Statistics.

January 11, 1951.

January 13, 1941

My dear Mr. President:

I am inclosing a memorandum from Herbert Gaston, which is self-explanatory.

Where do we go from here?

Sincerely yours,

(Signed) H. Morganthau, Jr.

The President,  
The White House.

Inclosure. ✓

By Messenger 5-35-



January 13, 1941

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Where do we go from here?

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(Signed) H. Maguethan, Jr.

The President,  
The White House.

Inclosure.

January 13, 1941.

MEMORANDUM

To: Mrs. Klots

From: Mr. Gaston

The Secretary called me from the farm at 10:10 p.m. Saturday, January 11. He asked if it was true that a Coast Guard cutter was transporting some escaped French convicts who were being deported to Martinique. I told him yes and in response to his questions said that the matter had been arranged as a result of request by the Department of Justice supported by the State Department, and that the cutter UNALGA had picked up some of the men at Miami and was proceeding to San Juan, Puerto Rico, where she would get the others and go on to Martinique with them. The Secretary said he had just had a call from Mrs. Roosevelt who spoke for the President and asked that we have the ship returned and not go to Martinique with the prisoners until further orders were received. I told the Secretary that the UNALGA was either near or at San Juan, Puerto Rico, and that we could hold her there. He asked me to have it done immediately and added that it was not necessary to call him back unless I found it was impossible to stop the cutter.

I immediately called the duty officer at Coast Guard, Lieutenant Hillington, and gave him the message, suggesting that he check the form of the message with Captain Chalber and report back to me. A few minutes later he telephoned back the form of the message as drafted by Captain Chalber:

To UNALGA: "Proceed to San Juan and await further orders before completing voyage to Martinique Acknowledge"

He explained that the UNALGA had arrived at San Juan at 6:50 a.m. Saturday and that Headquarters had received a routine message requiring reply which was not sent urgent indicating that the cutter was not to leave San Juan immediately but that the form of the message as drafted by Chalber would cover the situation if the UNALGA had already left. Hillington called me Sunday morning to advise me that the skipper of the UNALGA had acknowledged receipt of the message.

RM:as

*Attached file returned to Gaston 1/14/41*

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE January 13, 1941

TO Secretary of the Treasury

FROM Mr. Foley

There was a 3-1/2 hour meeting at Attorney General Jackson's office attended by the following: Messrs. Jackson, Arnold, Shea and L.M.C. Smith of Justice, Mr. Berle, Mr. David Ginsberg, Counsel to Leon Henderson and Foley and Bernstein for the Treasury. The entire meeting was devoted to discussing the Treasury's proposed Executive Order.

Thurman Arnold read a memorandum which he had written describing the setting up of three or four committees to coordinate and pass on the policy questions in the three or four fields relating to economic defense. The subcommittees would take matters up with the Cabinet only when there was a conflict.

Mr. Jackson and Mr. Berle then proceeded to state their objection to the extension of the freezing control, saying that such an Order would have tremendously unfavorable repercussions in this country. Mr. Jackson felt that the public would not understand the granting of general licenses to areas such as the British Empire, Latin America, Japan and Russia, and would assume that all foreign assets were being controlled, with consequent widespread confusion in this country on the part of those dealing with foreign funds. Mr. Jackson also felt that as a result thereof people would seek to attack the validity of the Orders and the regulatory system and the informal method employed in carrying out the regulations would result in considerable support being given to the passage of the Logan-Walter Bill, which he fears will come up again this session. Mr. Jackson also felt there were a limited number of things that the Administration should attempt to do by Executive Order without specific congressional ratification, and he was inclined to feel that even though there was broad enough legal power to obtain complete reporting of all foreign assets, nevertheless we should ask for congressional approval.

Mr. Berle, in indicating his views, expressed agreement with Mr. Jackson and also felt that foreign relations might be seriously imperiled. Mr. Berle also claimed that if we extended the Order to Germany, Germany would immediately seize all American owned assets in Germany and perhaps in German occupied countries.

We pointed out at length how the extended Order could be administered in such a way as to be completely in accord with the Government's foreign policy, and at the same time providing a very flexible instrument for imposing controls and pressures in directions where we wished to do so. We discussed at length the method of administering the Order and pointed out that as a result of the issuance of the general licenses, the Order was in effect nothing more than extending freezing control to continental Europe, except Russia, and obtaining reports for the whole world.



Mr. Jackson said that if the Order were simply applied to continental Europe he would have no objection to it. Mr. Jackson was also willing to have the control applied to those nationals of whatever country that the Secretary found were acting in behalf of a country or national thereof specifically covered by the Order. Mr. Berle felt, however, that the Secretary of State would have to decide whether such action would be consistent with our welfare. Mr. Berle suggested as an alternative giving the Secretary of the Treasury authority to bring specific persons or classes of persons under the Order upon determining that such persons were engaging in activities adverse to the national defense. Mr. Foley pointed out the impracticability of such a proposal from the administrative point of view, and in addition indicated that it would impose such a responsibility upon the Secretary of the Treasury that he would recommend should not be assumed by the Secretary. These difficulties were readily recognized by the others, particularly by the Department of Justice officials. Another alternative suggestion was simply to prevent the withdrawal from the United States of assets belonging to continental Europe. He pointed out that so long as the property could be dealt with freely in this country, the property could be readily withdrawn from the country by smuggling or through the diplomatic pouch or used in this country for improper purposes.

In connection with the discussion of Title III of the Order, Berle seemed to feel that the provisions relative to the liaison work in connection with foreign buying involved impinging on some of Jesse Jones' activities. Berle indicated that he had discussed this matter with Jones last night. Mr. Foley pointed out that this provision of the Order merely formalizes the liaison activities which the Treasury at the present time is exercising pursuant to authority from the President, and in no way impinges on Mr. Jones' activities in purchasing in foreign countries. Justice had no objection to the transfer to this Department of Colonel Maxwell's export activities. Mr. Berle did not commit himself explicitly on this point. Mr. Ginsberg stated that Henderson was all in favor of the administrative powers being vested in the Treasury, but felt that Army and Navy ought not be on the Board and Justice ought be on the Board.

It was decided at the end of the meeting that the Treasury should draft another Order limited exclusively to reporting of all foreign assets here, and that Berle would take up with the State Department the advisability of extending the freezing control to continental Europe. At the next meeting to be held on Wednesday these problems would be discussed, as well as further discussion of the problems of coordination.

3.11.76.

JAN 13 1941

Dear Cordell:

For your convenience I am enclosing some confidential tables of British foreign exchange assets and requirements which were presented to representatives of Departments of War and Navy, Defense Council and State Department in my office on December 10.

Most of the information was supplied to us by the British and Canadian Governments and is, of course, to be treated as confidential material.

If there is any other information that you would care to have with reference to British expenditures and receipts, I shall be happy to send you whatever we have.

Sincerely,

(Signed) H. Morganthau, Jr.

Secretary of the Treasury.

The Honorable Cordell Hall,

Secretary of State.

Enclosures.

Delivered by Merle Cochran

MM:dlm  
1/8/41

*MM*

**FILE COPY**

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HW:dlm  
1/13/41



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The Honorable Cordell Hall,

Secretary of State.

Enclosures.

Delivered by Merle Cochran

MM:dlm  
1/3/41

copy 11

Strictly Confidential

U.S. Treasury Department  
Division of Monetary Research  
December 16, 1940

SUMMARY ESTIMATE OF FOREIGN EXCHANGE

ASSETS OF CANADA

(Except where otherwise indicated, the figures below were obtained from the Canadian Government.)

(In millions of U.S. dollars)

I. Gold and Assets in U.S.

- 1. Gold, Dec. 9, 1940..... \$ 137
- 2. Official dollar balances, Dec. 9, 1940..... 190
- 3. Private dollar balances, Sept. 30, 1940..... 30

This excludes some \$140 million of private deposits Canada regards as necessary for the conduct of business.

- 4. U.S. securities, Dec. 9, 1940..... 340
- Estimated at market value - mostly listed stocks.

- 5. Direct investments in U.S...... 7
- Nominal value, Dec. 31, 1938 - \$328 million
- Total (at least) \$ 697

II. Long-Term Investments of Canada Outside U.S.

The values indicated below should not be totalled because they are not reduced to a comparable basis; some are nominal value, some book value and some market value.

1. Latin America

- Securities, market value as of Dec. 1, 1940 \$ 6
- Direct investments, nominal, Dec. 31, 1938 176

- 2 -

(In millions of U.S. \$)

.....		
2.	<u>Australasia</u>	
	Government bonds (par value).....	\$ 6
	Direct investments (book value).....	12
3.	<u>Africa</u>	
	Government bonds (par value).....	0.5
	Direct investments (book value).....	5.0
4.	<u>British Asia</u>	
	Government bonds (par value).....	0.5
	Direct investments (book value).....	5.0
5.	<u>Other Asia</u>	
	Government bonds (par value).....	1.2
	Direct investments (book value).....	0.4
6.	<u>United Kingdom</u>	
	Government bonds (par value).....	15
	Corporation securities.....	13
	Direct investments.....	14
7.	<u>Europe outside U.K.</u>	
	Government bonds (par value).....	5
	Stocks (estimated).....	4
	Direct investments.....	7



A SUMMARIZED STATEMENT OF THE ESTIMATED  
TOTAL OF U. K. DOLLAR DEFICITS

113

(The figures below are estimates of the British Government.)

This is a preliminary report and will be revised as further information becomes available to us.

(In billions)

Total (at least)..... \$8.5

Of which,

Amount due on British Government orders.....\$8.3

Deficit accruing on all other items to

Sept. 1, 1941......2

1. Deficit accruing to Sept. 1, 1941:

Amount due on British Government orders.....\$2.5

All other sterling area expenditures

requiring dollars.....1.3

Total.....\$3.8

Sterling area receipts in dollars to

Sept. 1, 1941.....1.1

Deficit accruing to Sept. 1, 1941,

to be met by sale of assets.....\$2.7

2. Deficit accruing after Sept. 1, 1941:

Balance due on Government orders.....\$5.8

Net deficit on all other sterling area

dollar expenditures after Sept. 1, 1941

(estimated at \$15 million a month on the assumption of continued net payments by the U. K. to Canada of \$50 million a month).....-

Total (at least).....\$5.8

- 2 -

(In billions)

3. Therefore U. K. must finance:

Deficit accruing by Sept. 1, 1941.....	\$2.7
Due after Sept. 1, 1941 on British Government orders from U. S. placed and proposed.....	5.8
Deficit after Sept. 1, 1941 on sterling area transactions other than B.F.C. orders from the U. S. (\$15 million per month).....	<u>        </u>
Total (at least).....	\$8.5

To meet this \$8.5 billion deficit (plus the monthly current deficit) the U. K. has assets as shown in the accompanying table.

SUMMARY ESTIMATES OF FOREIGN EXCHANGE ASSETS THAT  
CAN BE MADE AVAILABLE TO U. K. FOR DOLLAR EXPENDITURES

(Except where otherwise indicated, the figures below were obtained from the British Government.)

This is a preliminary report and will be revised as further information becomes available to us.

(In millions)

1. Gold held by U.K., Dec. 6, 1940..... \$ 460
2. U.K. Official Dollar Balances..... 124  
    Bank of England balances on Dec. 4.....\$64  
    Dollar balances of authorized agents..... 60

The British feel that a minimum balance of gold and official dollar balances of \$600 million is desirable, but in the absence of other cash items these are being drawn down and will be exhausted within 3 months.

3. U.K. Private Dollar Balances, Nov. 27, 1940... 240

The above item is from U.S. Treasury data. It excludes \$60 million held by British authorized agents which amount was included above under official dollar balances. The British will furnish their data on this matter.

The British state that these private funds consist of (a) funds in transit, and (b) funds of business and financial enterprises held under authority of the British Exchange Control and deemed essential to the conduct of business.



- 2 -

(In millions)

4. American securities held by U.K. which are readily marketable, Dec. 6, 1940..... \$ 660
5. Diverse securities held by U.K. -- dollar and optional dollar -- Dec. 6, 1940..... 140

The British state these are not easily marketable.

6. U.K. direct and other investments in the United States..... ---

The United States Department of Commerce estimates these items at over \$1 billion at book value.

The British estimate of this item which is now being compiled is expected by them to be lower. The British are of the opinion that the value of these investments depends especially upon finding willing buyers. They wish to point out furthermore that a portion of the value of these investments is due to the relationship of the particular firm to the British parent company.

7. U.K. Investments in Canada.....
- Canadian dollar securities -- Market value as of Sept. 1940..... \$427

These are being liquidated at the rate of one-quarter billion a year to help meet U.K.'s adverse balance of payments with Canada.

Canadian sterling securities.....

British are awaiting data on this item.

Direct investments in Canada.....

- 3 -

(In millions)

The British are making inquiries with respect to these three items. The United States Treasury tentative estimates based on official Canadian studies are in the neighborhood of \$2 billion.

8. Gold reserves of the Allies held in United States and British Empire.....\$ 1,088

Holland

In the United States.....	364
In the British Empire.....	100

Belgium

In the United States.....	168
In the British Empire.....	348

Czechoslovakia

In the United States.....	0
In the British Empire.....	30

Poland

In the United States.....	2
In the British Empire.....	1

Norway

In the United States.....	34
In the British Empire.....	42

The figures of gold on earmark in the United States are as reported by the Federal Reserve Bank of New York.

- 4 -

(In millions)

With respect to the gold holdings of the Allies, the British Government has not yet been able to obtain more than an offer of a temporary loan — three to six months — from some of them, e.g. Belgium.

9. French gold in Canada or the United Kingdom... \$ 650

In addition France had \$502 million of gold on earmark in the United States on December 4, 1940.

\$370 million of this \$650 million must be dealt with under Canadian policy and law, and the remaining \$280 million under United Kingdom policy and law.

10. Dollar Balances of British Allies

<u>Official, Dec. 4, 1940.....</u>		20
Netherlands.....	8	
Belgium.....	1	
Norway.....	12	
Czechoslovakia.....	-	
Poland.....	1	
<u>Private, Nov. 27, 1940.....</u>		350
Netherlands.....	161	
Belgium.....	145	
Norway.....	38	
Czechoslovakia.....	-	
Poland.....	2	

The above items are from U.S. Treasury data.

The Polish private balances are for the New York



(In millions)

Federal Reserve District only and are as of Sept. 25, 1940, the latest date for which information is available.

No statement has been made by the British Government with respect to the status of these balances. On November 27, French official balances in the United States totalled \$347 million, of which \$97.5 million are held in the account of the Bank of Canada, and French private dollar balances to \$249 million.

#### 11. U.S. investments in Latin America

Argentine railways, nominal value -- British estimate..... \$ 1,000

The British are at present in the process of establishing the price which they would accept from Argentina for these assets.

Other Latin American securities, nominal value, British estimate..... 1,800

The British estimate the value of the quoted portion (over 90 percent) of these securities at \$635 million.

These are almost all sterling securities and for most of them, in the opinion of the British, it would be very difficult to find buyers outside the sterling area. Some of them, for example Argentine Public Utilities, may be salable for

(In millions)

dollars. The British state that they would be glad to sell any of their Latin American investments except some special and minor items, for example the Bank of London and South America. In some cases, a transfer of ownership out of present hands may encounter local political opposition.

12. U.K. investments outside the Western Hemisphere

The British Government is now making a study of these investments.

13. Long-term investments in the United States held by British Allies..... 1,000

Holland .....	767
Belgium.....	203
Norway.....	32

These figures are the holdings of the United States securities and direct investments in the United States, as reported to the Treasury on form TFR-100 as of the date of the freezing of their assets. It is not known how large a portion of these investments are accessible to England and the Allied Governments.

Long-term investments of France in the United States total \$443 million as of June 17, 1940.

Strictly Confidential

- 7 -

FOREIGN EXCHANGE ASSETS OF OTHER BRITISH EMPIRE COUNTRIES  
WHICH MAY NOT YET BE AVAILABLE TO THE UNITED KINGDOM FOR  
DOLLAR EXPENDITURES

Whether or not any of the assets listed below would be available to meet United Kingdom requirements depends, according to the British, on the governments of the respective dominions and India. The data are from U.S. Government reports unless otherwise indicated.

(In Millions)

1. <u>Gold</u> .....	\$745
Canada.....	137
Union of South Africa.....	314
New Zealand.....	23
British India.....	274

These figures are for various dates and except for Canada are the latest published in the Federal Reserve Bulletin. The Canadian holdings are as of December 9, 1940 and were reported to us by the Canadian Government.

The gold holdings consist in part of monetary reserves required by the law of the countries.

2. <u>Official Dollar Balances, Dec. 4, 1940</u> .....	190
Canada.....	180

This excludes \$97 million held by the Bank of Canada for French account.

Other.....	10
------------	----

A portion of these balances will probably be needed to conduct current business.



(In Millions)

3. <u>Private dollar balances</u> .....	\$ 300
Canada, Nov. 27, 1940.....	170
Hong Kong, Nov. 27, 1940.....	92
Other.....	37

These figures, the latest reported, are for N.Y.F.R. District only and are as of Sept. 25 or Oct. 11.

A substantial portion of the above private dollar balances are doubtless needed in the conduct of business.

4. <u>American securities</u> .....	350
Canada.....	340

This is the Canadian estimate of market value. Department of Commerce estimate adjusted for net sale is \$500 million. Some part of the Canadian holdings of American securities will probably be needed to help Canada meet its own payments to the U.S.

Other.....	40
------------	----

This is the Department of Commerce estimate.

5. <u>Direct investments in the United States</u> .....	465
Canada.....	460
Other.....	5

These are Department of Commerce estimates of book value. The Canadian estimate of nominal value of Canadian direct investments in the United States as of December 31, 1938, is \$326 million.

DOLLAR EXPENDITURES AND RECEIPTS OF CANADA FROM DECEMBER 1, 1940 TO SEPTEMBER 1, 1941

(In Millions of U. S. Dollars)

Dollar Expenditures of Canada

A. Payments to be made to U. S.	
To be paid by Canadian Government to U. S. agencies between December 1, 1940 and September 1, 1941 for government purchases from the U. S.	\$250
In addition, Canada is expected to spend \$297 million on government purchases after September 1, 1940.	
Merchandise imports from the United States	350
To be paid December 1, 1940 - September 1, 1941, on interest and service account	225
This is comprised of the following items:	
Interest	\$ 64
Dividends	106
Tourist travel	17
Freight and miscellaneous services	37
To be paid to retire Canadian dollar obligations maturing before September 1, 1941	45
Total payments to be made by Canada to U. S.	870
B. Payments, requiring gold or U. S. dollars, to be made to areas outside the United States	
Commodity imports	32
Invisible items	*
Total payments outside the U. S. requiring dollars	40
<b>GRAND TOTAL</b>	
Dollar requirements of Canada for all transactions	<u>910</u>

Dollar Receipts of Canada

A. Dollar receipts by Canada from U. S.	
1. Canadian exports of merchandise to U. S. (including silver)	\$305
2. Receipts by Canada from U. S. on invisible items	115
Interest and dividends	\$ 20
Tourist travel	95
3. Canadian newly-mined gold to be exported to U. S.	145
Total	\$565
B. U. S. dollar receipts by Canada from countries other than U. S. and U. K.	
1. Commodity exports	35
2. Invisible items	10
Total	45
C. Receipts of gold and U. S. dollars by Canada from U. K. due, according to British figures supplied us, on balance with sterling area	465
Total receipts of U. S. dollars	1,075
D. Surplus of U. S. dollars received by Canada	165

**GRAND TOTAL**  
Dollar receipts minus surplus accruing from December 1, 1940 to Sept. 1, 1941 910

**DOLLAR EXPENDITURES AND RECEIPTS OF STERLING AREA FROM DECEMBER 1, 1940 TO SEPTEMBER 1, 1941**

(In Millions of U.S. Dollars)

Dollar Expenditures of Sterling Area

A. U.L. payments to be made on total purchases from the U.S.	
1. Payments to be made between December 1, 1940 and Sept. 1, 1941 on orders already placed.....	\$1,035
(In addition, \$200 million is expected to fall due after Sept. 1, 1941)	
2. Payments to be paid in next nine months on additional orders now under negotiation.....	541
(In addition, \$204 million is expected to fall due on this program after Sept. 1, 1941)	
3. Payments to be paid by Sept. 1, 1941 on contemplated "Y" program.....	950
(In addition, \$1,100 million will be payable on this program after Sept. 1, 1941)	
4. Reports from U.S. not purchased through the British Purchasing Commission.....	210
Total payments to be made on U.K. purchases from U.S.....	
	\$2,745
Items 2 and 3 above do not include \$700 million of capital assistance. Whatever part of this is to be paid before Sept. 1941 must be added to this total.	
B. U.L. purchases from areas outside the U.S. requiring gold or dollars	
1. Purchases by sterling area (mostly U.K.) outside the U.S. and Canada requiring dollars.....	196
2. Payments by sterling area (mostly U.K.) to Canada and Newfoundland.....	600
Total U.L. payments outside U.S. requiring dollars...	
	846
C. Purchases by sterling area (excluding U.K.) from U.S. (Oct. 1940 to Sept. 1941)	
1. Commodity exports.....	250
2. Invisible items.....	3
Total payments to U.S. by sterling area (excluding U.K.).....	
	253
D. U.L. requirements of sterling area for all operations.....	
	\$3,844

Dollar Receipts of Sterling Area

A. Dollar receipts by U.K. from U.S.	
1. U.K. exports of merchandise to U.S....	\$123
2. Net balance from U.S. to U.K. on invisible items.....	12
Total.....	\$ 135
B. Dollar receipts by sterling area from U.S.	
1. Commodity exports.....	420
2. Australian gold exports to U.S.....	56
3. South African exports of gold.....	360
Total.....	836
C. Canadian assistance to U.K.....	
	195
Total dollar receipts of U.K. and sterling area.....	
	\$1,166
Total dollar deficit of sterling area with U.S.....	
	2,213
Total dollar deficit of sterling area with Canada (in U.S. dollars).	
	405
Total U.S. and Canadian dollar deficit of sterling area.....	
	2,678
GRAND TOTAL	
Total receipts and deficit on operation from Dec. 1, 1940 to Sept. 1, 1941.....	
	\$3,844

Special Note

In addition to the deficit expected to accrue before Sept. 1, 1941, there will be payable after Sept. 1, 1941 (on orders indicated in A 1 - 2 - 3 in opposite column) a total of \$2,762 million. This does not include any deficit accruing from additional orders expected to be placed by the British but not yet decided upon.

Anticipated deficit prior to Sept. 1, 1941  
Minimum deficit after Sept. 1, 1941.....

\$2,678  
2,762

Minimum total deficit

\$5,440

U.S. Department of the Treasury, Division of Monetary Research



REPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL  
FROM THE UNITED STATES TO JAPAN, HONGKONG, CHINA, AND GREAT BRITAIN  
AS SHOWN BY IMMEDIATE EXPORTS

Week ended January 11, 1941

:" JAPAN " HONGKONG " CHINA " GREAT BRITAIN

PETROLEUM PRODUCTS

Coal and Gas Oil (including Diesel Oil) 467,400 Bbls. — 22,300 Bbls. 112,253 Bbls.

Crude -

Blended or California

High Octane Crude\*

84,000 Bbls.

ALL Other Crude

Gasoline -

Gasoline A\*\*

148,177 Bbls.

Gasoline B\*

ALL Other Gasoline

10 Bbls.

120,146 Bbls.

7,295 Bbls.

Lubricating Oil -

Aviation Lubricating Oil\*\*\*

ALL Other Lubricating Oil

147,400 Bbls.

11,255 Bbls.

36,220 Bbls.

Tetramethyl Lead\*\*\*

"Boosters", such as Iso-  
Octane, Iso-Hexane, or  
Neo-Pentane

SCRAP IRON AND SCRAP STEEL

Number 1 Heavy Melting Scrap

ALL Other Scrap

800 Tons

3,450 Tons

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

January 13, 1941.

Source: Office of Merchant Ship Control, Treasury Department.

\* Any material from which by commercial distillation there can be separated more than 3 percent of aviation motor fuel, kerosene or kerosene mixture - President's regulations of July 26, 1940.

\*\* Aviation Gasoline.

\*\*\* As defined in the President's regulations of July 26, 1940.

**COUNCIL OF NATIONAL DEFENSE**  
**COORDINATOR OF COMMERCIAL AND CULTURAL RELATIONS**  
**BETWEEN THE AMERICAN REPUBLICS**

(-13-4)

You will find, herewith, for your confidential information a copy of our weekly digest of the current activities of the various departments and agencies handling matters on inter-American concern.

Attachment

CONFIDENTIAL

2560

**COUNCIL OF NATIONAL DEFENSE**  
**COORDINATOR OF COMMERCIAL AND CULTURAL RELATIONS**  
**BETWEEN THE AMERICAN REPUBLICS**

STATE DEPARTMENT BUILDING  
 WASHINGTON, D. C.

January 13, 1941

WEEKLY PROGRESS REPORT

ON ACTIVITIES IN RELATION TO THE OTHER AMERICAN REPUBLICS

COMMERCIAL

United States Firms with Non-American Agents

A sufficient number of U.S. exporting firms to cause concern from the point of view of defense, are represented in Central and South America by agents with non-American connections. This was disclosed in a press statement made last Wednesday by the Coordinator concerning the findings of the mission sent by this office, in cooperation with State and interested agencies. The statement emphasized that in many cases these firms have been unaware of their agents' connections with anti-American activities.

The mission was headed by Percy L. Douglas, on leave of absence from the Otis Elevator Company, and included John Lockwood of the New York law firm, Milbank, Tweed, and Hope, and George H. Butler of State, as well as a group of technical assistants. It undertook its study of these practices shortly after the establishment of the Coordinator's office in August, and returned in December, after visits to eighteen of the twenty American Republics.

The work of correlating the findings on a hemisphere basis is nearing completion. Examination of the country by country reports discloses the following facts:

1. That United States business is frequently represented in Central and South America by firms and individuals now known to support objectives contrary to the best interests of the American Republics;
2. That these representatives often use advertising appropriations of United States business firms to force newspapers and in some instances radio stations to adopt anti-American editorial policies;
3. That many employees of United States companies or their affiliates in Central and South America are known members of local anti-American organizations;
4. That many anti-American firms, which formerly sold only European products, have now succeeded in obtaining agencies for United States business. These new connections are keeping them alive, and enabling them to maintain their trade contacts. In many instances, they openly declare they will return to their former lines at the expiration of the war;
5. That many of these agents who now represent United States firms are obtaining through this medium confidential trade information which is made available to anti-American powers;



Page 2  
January 13, 1941

6. That profits thus derived from representation of United States firms are being used to finance operations of propaganda agencies in Central and South America;
7. That many of the firms representing United States companies also serve as centers for distribution of anti-American literature and propaganda;
8. Many of the larger anti-American firms have established their own purchasing agents in the United States and with the goods obtained in this market remain in business;
9. Officers and employees of a number of firms, representing United States businesses, are officials of anti-American powers.

Many United States companies have already taken steps to remedy the situation by cooperating with the Nationals in the countries in which they operate to appoint agents friendly to inter-American solidarity. It is confidently anticipated that our exporting firms as a whole will cooperate as soon as they are apprised of the situation as it relates to their interests.

#### Knudsen Sympathetic on Priorities

The Coordinator has given a list of U.S. exports to Latin America in 1938 to Mr. Knudsen (Defense Commission), who has indicated that most of these materials can still be furnished to Latin America without difficulty. While there are certain notable exceptions such as aircraft, he had indicated that the Priorities Board will give sympathetic consideration to any difficulties brought to its attention.

Although shipment of certain goods, such as maintenance parts for aeroplanes, have been held up, Merrill C. Meigs (Defense - Director, Aeronautical Section of the Production Division) has helped expedite Army and Navy clearances of necessary supplies and has appointed an assistant on Latin American materials.

#### Commodity Developments

Industrial Diamonds: Leith (Defense) anticipates action on industrial diamond purchases from Brazil and Venezuela this week.

Zinc: A solution of the labor difficulties at the Rosita smelter in Mexico seems imminent. The opening of the smelter may solve the acute shortage of synthetic zinc.

Tungsten and Antimony: Coordinator's office is investigating the possibility of purchases of tungsten and antimony from Bolivia and Argentina.

Cotton: Since all agencies are substantially in agreement that there should be an increase of long-staple cotton importations from Peru, an early agreement is expected.

Sugar: The Executive committee of the Export-Import Bank has approved a recommendation for the financing of an extraordinary Spanish quota of 400,000 long tons of sugar from Cuba.

Coffee: The President sent the Inter-American Coffee Agreement to the Senate on Thursday.

Page 3  
January 13, 1941

### Country by Country Studies

Four of the agencies working on the first country by country study, Colombia, have indicated that their preliminary reports will be ready in a few days. These studies are designed to give overall economic pictures of the other American Republics.

### Index of Prices

The Coordinator's office is arranging an index of prices for the principal goods shipped to Latin America by this country which will cover the period from 1938 and will be kept up month by month so that any increase in our prices to Latin America will be noticeable.

### Agriculture Makes Annual Report

The report of Leslie Wheeler (Director, Foreign Agricultural Relations) stresses the advisability of developing complementary products in Latin America such as rubber, abaca, cinchona, numerous agricultural plants yielding tropical vegetable oils, drugs, herbs, perfumes, flavoring extracts, tea, tropical fruits, and hardwoods. Although U.S. imports of crude rubber, cinchona, abaca, kapok, rotenone-bearing plants, crude and refined camphor, tea, and cocoa approximated \$235,000,000 in 1939, Latin America, which can produce all of them, supplied only \$15,000,000 of the total, according to the report.

He points out that a large part of agricultural production comes at present from three of the twenty other Republics lying wholly or in part in the Temperate Zone since tropical and semi-tropical regions are undeveloped. Of this production which makes up as much as ninety per cent of imports from that region, about one-half is supplementary; i.e., composed of products also produced in U.S.

Concerning the important agricultural commodities now produced within the Americas in quantities far in excess of existing hemisphere requirements, Wheeler suggests two approaches:

1. "Through an increase in the consumption of such products within the hemisphere, possibly through the inauguration of intensive inter-American relief distribution similar to that which already exists in the U.S. and some of the other American Republics";
2. "Through international commodity arrangements, the object of which would be to reduce the supply of these products more nearly to the level of existing demands." He cites the coffee arrangement as an example.

Agriculture also reports that the IAA has sent a representative, Guy Bush, on a two months' trip into Brazil and Argentina (and possibly Chile) to make a survey of agricultural industries in those countries with special reference to the agricultural situation in corn, cotton, wheat, and livestock. The Department has also selected personnel for the proposed survey party to make any studies needed in connection with the proposed loan to Cuba for agricultural development. The party will include Dr. Wilson Popehoe of the United Fruit Company, as well as members of the Department.

Weekly Progress Report No. 16



## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 13, 1941.

TO Secretary *Margenthau*  
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£45,000
Purchased from commercial concerns	£ 5,000

Open market sterling remained at  $\frac{1}{16}$  -  $\frac{3}{16}$ . Transactions of the reporting banks were:

Sold to commercial concerns	£ 7,000
Purchased from commercial concerns	£ 4,000

The Cuban peso discount widened further to  $\frac{5}{16}$ , as compared with  $\frac{1}{16}$  on Saturday.

As for the other currencies, the only appreciable movements took place in the Canadian dollar and Swiss franc rates, which declined slightly. Closing quotations were:

Canadian dollar	$\frac{1}{16}$ - $\frac{1}{8}$ Discount
Swiss franc	$\frac{1}{16}$
Swedish krona	$\frac{1}{16}$
Reichsmark	$\frac{1}{16}$
Lira	$\frac{1}{16}$
Argentine peso (free)	$\frac{1}{16}$
Brazilian milreis (free)	$\frac{1}{16}$
Mexican peso	$\frac{1}{16}$
Chinese yuan	$\frac{1}{16}$ - $\frac{1}{8}$

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$1,820,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office. A shipment of gold and silver, with a combined value of \$596,000, was also reported as having been sent from Peru by the Central Reserve Bank of Peru for its own account. The disposition of the Peruvian shipment, which is consigned to the Federal, is at present unknown.

The Bombay gold price was unchanged at the equivalent of \$33.91. Silver was  $\frac{1}{16}$  higher at the equivalent of \$4.11.



- 2 -

The prices fixed in London for spot and forward silver were both unchanged, at 23-5/16d and 23-1/4d respectively. The dollar equivalents were 42.33¢ and 42.21¢.

Goody 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 450,000 ounces under the Silver Purchase Act, all of which consisted of new production from foreign countries, for forward delivery.

**CONFIDENTIAL**

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE January 13, 1941

TO Secretary Morgenthau

FROM Mr. Klaus

FBI reports:

January 8. A report on Japanese naval construction says, among other things, that two capital ships of 42,000 tons each, 30 knots, and 10 heavy gun armament are under construction. Seven million dollars of asbestos is imported annually from Africa, and there is a shortage of shoe leather, matches and rubber in Japan.

January 8. Walter P. Reuther of the Automobile Workers Union is shown to have been definitely a Communist, at least as late as 1937; in 1934 he and a brother Victor went to Russia and worked two years in a factory there; FBI has obtained one of several letters written by Reuther from Russia in which the Soviet system is praised and reference is made to carrying on "the fight for Soviet America." He is also said to have run for the Common Council in Detroit in 1937 on the Communist Party ticket.

January 9. Russian balances in the Chase Bank as of December 11, 1940, were \$28,087,133.

January 10. With reference to the withdrawal by the Swiss of \$5,000,000 in currency on December 31 we are told (orally) that this may be for the purpose of satisfying a Swiss legal provision requiring assets to be in cash for certain purposes.

January 10. An intercepted letter dated November 23, 1940, from a member of the Vichy Ministry of Foreign Affairs to someone in Bogota, Colombia, states that "the very presence of the Germans" makes Paris "like a smouldering fire," riots having taken place culminating in a demonstration on November 11th when machine-gunning killed and wounded several people; in spite of the newspapers and the radio "everyone is more and more convinced that England will be able to stand up against Germany in the air."

January 11. On November 20, 1940, a letter was sent by the president of "Solidaridad Filipina," a Philippine civic association, to Sunder drawing the latter's attention "to the need of the new order of things" in the Philippines and of the desire of the members of "Solidaridad Filipina" and all the youth of the Philippines to see a free government established under the protection of "our Mother, the great and immortal Spain."

January 11. Between May 17, 1940, and November 22, 1940, the Norwegian Legation withdrew \$650,000 in \$1,000 bills; this is apart from the \$105,000 item reported January 9. (This has been reported to Mr. Pahlis by me.)

October 25. Special Agent's report on Russian funds, New York, shows, among other items, a payment on October 8 of \$1,250 to Mrs. Ruth Baker Pratt out of the account of the New York Soviet Consulate General.

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE January 13, 1941

TO Secretary Morgenthau  
FROM Mr. Haas *HA*

The attached tables and chart show an increase of 2,000 persons in Work Projects Administration employment for the week ended January 1, 1941. The number of persons employed during that week was 1,880,000, compared with 1,878,000 during the week ended December 25, 1940.

Attachments



WORK PROJECTS ADMINISTRATION  
 Number of Workers Employed - Weekly  
 United States

Week ending	Number of Workers (In thousands)
1940	2,059
May 1	2,009
May 8	1,970
May 15	1,945
May 22	1,926
May 29	
June 5	1,858
June 12	1,785
June 19	1,714
June 26	1,665
July 3	1,608
July 10	1,620
July 17	1,659
July 24	1,690
July 31	1,701
August 7	1,709
August 14	1,708
August 21	1,698
August 28	1,691
September 4	1,690
September 11	1,687
September 18	1,689
September 25	1,704
October 2	1,747
October 9	1,762
October 16	1,768
October 23	1,776
October 30	1,779
November 6	1,783
November 13	1,785
November 20	1,806
November 27	1,820
December 4	1,832
December 11	1,855
December 18	1,872
December 25	1,878
January 1	1,880

Source: Work Projects Administration

WORK PROJECTS ADMINISTRATION  
 Number of Workers Employed - Monthly  
 United States

	Number of Workers (In thousands)
1938	3,053
July	3,171
August	3,228
September	3,346
October	3,287
November	3,094
December	
1939	2,986
January	3,043
February	2,980
March	2,751
April	2,600
May	2,551
June	2,200
July	1,842
August	1,790
September	1,902
October	2,024
November	2,152
December	
1940	2,266
January	2,324
February	2,288
March	2,092
April	1,926
May	1,665
June	1,701
July	1,691
August	1,704
September	1,779
October	1,820
November	1,878
December	

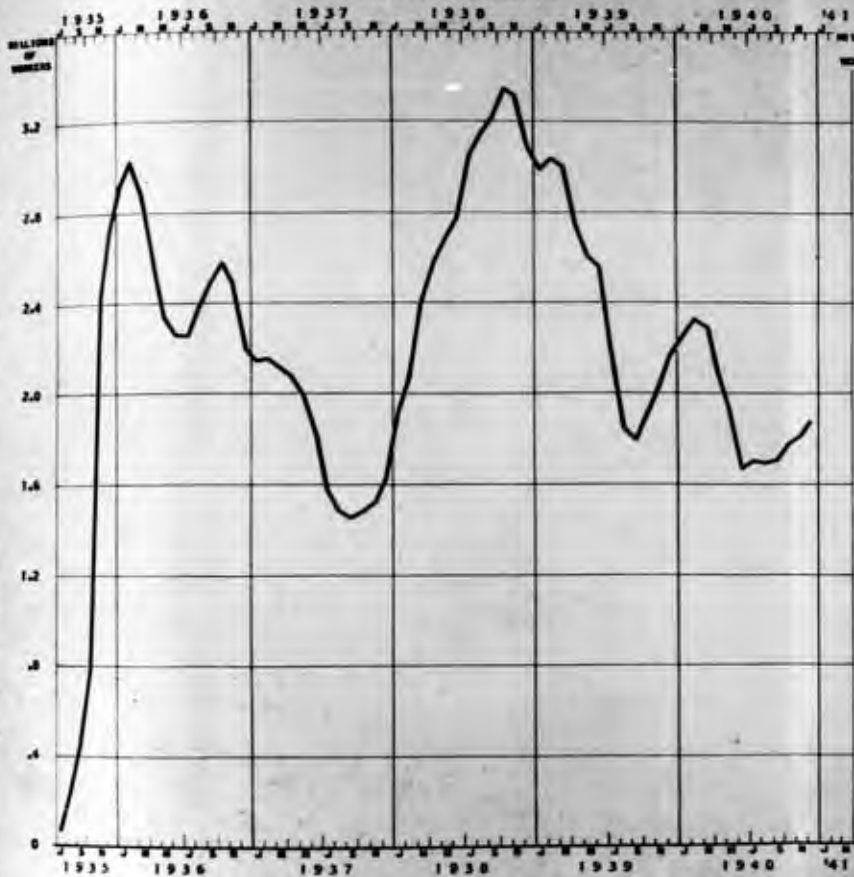
Source: Work Projects Administration

Monthly figures are weekly figures for the latest week of the month.

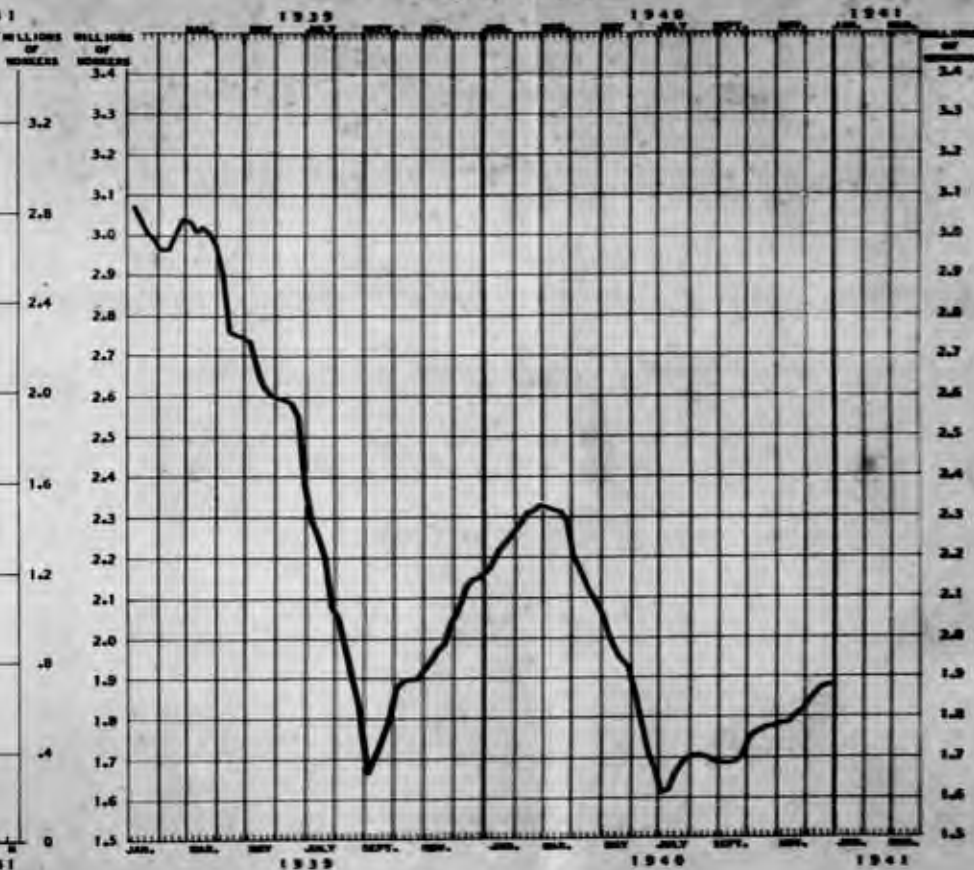
They include certified and noncertified workers.

**WORK PROJECTS ADMINISTRATION**  
 Number of Workers Employed  
 United States

Monthly W.P.A. Employment



Weekly W.P.A. Employment



SOURCE: WORK PROJECTS ADMINISTRATION



TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE January 13, 1941.

Mr. Miss Chauncey  
Secretary Morgenthau

FROM Mr. Cochran

**STRICTLY CONFIDENTIAL**

The Federal Reserve Bank of New York reported the following transaction in the account of the Central Corporation of Banking Companies, Budapest, maintained with the Guaranty Trust Company of New York.

<u>Date</u>	<u>Amount Credited</u>	<u>Received From</u>
January 10	\$98,700	National City Bank by order of National Bank of Hungary

*B. M. R.*

## TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

CONFIDENTIAL

DATE January 13, 1941

TO Secretary Morgenthau  
FROM Mr. Haas  
Subject: The Business Situation,  
Week ending January 11, 1941.

Summary

(1) The commodity markets show clearer evidence that a renewed price rise is getting under way. Prices of basic foodstuffs last week approached the peak of last April, while prices of industrial raw materials reached a new high since January. Greatest advances during the week were in paint materials, fats and oils, and coffee.

(2) Speculative interest in commodities appears to be increasing somewhat, motivated in part by the uncertain outlook for speculative profits in the security markets. Interest currently is centered in the fats and oils, a group considered in some quarters as likely to be relatively free from Government control. The development of widespread speculative buying would increase the difficulties of stabilizing commodity prices.

(3) The steel industry in December fell still further behind in its attempts to keep up with the volume of orders. New orders of the U. S. Steel Corporation in that month continued far above shipments, and unfilled orders have accordingly shown a further sharp increase.

(4) Our new orders index rose during the New Year's holiday week, despite a reduction in steel orders. The turn of the year has initiated a heavy spring buying movement in cotton goods. Sales of print cloth last week rose to about three times the current weekly production, which is already at a record level.

(5) The New York Times index, which has been basically revised, continues to indicate an expansion in industrial activity. In the first week of January, the index rose 1.9 points to a record high of 123.0.

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### Renewed rise in commodity prices

A further advance in commodity prices last week provides clearer evidence that a renewed price rise is under way, following a period in which prices levelled out for several weeks. (See Chart 1, upper section.) By the end of last week the Foodstuffs Index had approached last April's high, while the Industrial materials group reached a new high since January. In the entire group of 28 basic commodities, only 2 declines were reported, while 16 items showed increases. The most pronounced gains were in fats and oils, coffee, and paint materials. (Lower section of chart.)

Speculative interest in the commodity markets seems to be increasing somewhat, although trading in the futures markets has not yet reached the November volume. Some opinion in the trade attributes a part of last week's rise to speculative influences rather than to trade demand. Reduced opportunities for speculative profit in stock trading have caused a certain amount of speculative interest to shift to commodity markets, according to this view, especially markets such as lard and cottonseed oil, where there is believed to be relatively less chance of Government intervention in the way of price control. A widespread speculative buying movement, of course, would increase the difficulties of stabilizing commodity prices.

### Price increases affect many commodities

Factors in the fats and oils market last week included reports that the Finnish Government expects shortly to buy certain quantities of provisions, including 1 $\frac{1}{2}$  million pounds of lard. An expected reduction of 1 $\frac{1}{2}$  per cent in spring hog farrowing remains a bullish influence, particularly for lard prices, and recent reports of heavy Russian and Japanese buying of various fats and oils contributes to a bullish background for this commodity group.

The second group of items showing substantial increases were the paint materials. Shellac prices increased despite recent trade reports that buyers in this country had purchased most of their 1941 needs in November. The increase in flaxseed prices continues to reflect a shortage of shipping space from Argentina, combined with unfavorable crop reports from that country. Judging by the longer list of paint materials in the broader BLS index, latest data for which cover the week ended January 4, increases in prices of paint materials have been general.



Coffee prices rose last week in response to two successive increases by Colombia in minimum export prices, which makes four increases since November. According to unconfirmed rumors, Brazil is also contemplating the establishment of minimum export prices.

#### Consumption of copper and zinc sharply increased

A sharp increase in deliveries of copper in December widened the discrepancy between production and offtake of this metal. Deliveries of copper of domestic origin increased in December to a new monthly high of 112,671 tons, representing a gain of 10,188 tons over November. Even with so strong an impetus, production of refined copper increased to only 97,035 tons in December from 96,283 in November. According to trade sources, the needs for nearby months, including defense needs, are substantially in excess of amounts available, so that manufacturers may request releases of good-sized tonnages from the 100,000 tons of Latin American copper purchased by the Metal Reserves Company. This copper is scheduled to begin arriving in the United States in March and will continue through September at the monthly rate of about 14,300 tons.

Shipments of domestic zinc increased to 65,385 tons in December, from 62,295 tons in the previous month. While the production of zinc has strongly expanded in recent months, it is still substantially below the volume of shipments, and stocks have declined to extremely low levels. Production reached 59,885 tons in December, having made successive gains since August when 51,010 tons were produced. While the quoted spot price of zinc remains unchanged at 7.25 cents a pound, St. Louis, this price is purely nominal and no metal is currently available at that price. January futures for zinc are now quoted at 8.65 cents, with practically no trading.

The American Smelting and Refining Company is planning to erect a large electrolytic zinc refining plant in Texas. When completed, probably in early 1942, the plant will add from 24,000 to 30,000 tons to the annual capacity of the United States. In addition to this new plant, other plans for expansion by rehabilitating old retorts are expected to raise total capacity to about 900,000 tons a year. Recent estimates by the zinc industry of the amount of zinc required for domestic and foreign purposes in 1941 put the total at about 880,000 tons, an estimate which is now considered by some in the trade to have been too low.

### Moderate gains in broader commodity index

The BLS all-commodity index, which is now available for the week ended January 4, shows an increase of 4.3 per cent above its 1940 low, as compared with the 3.6 per cent increase shown in the week ended December 21. Chart 2 shows those sub-group indexes which have risen further above their respective 1940 lows than the rise in the all-commodity index. The percentage increase from 1940 lows to the week ended January 4 is indicated for each commodity.

The two group indexes which had increased most on December 21 — hides and skins, and lumber — declined slightly over the next two weeks. A sharp rise occurred in the livestock price index, and also in the indexes for meats, grains, and oils and fats. Dairy products showed the widest decline, primarily because of a drop in butter prices, and prices of certain fruits and vegetables were sharply lower.

### Cut in steel scrap price requested

In contrast with the rising tendency noted in the prices of numerous other commodities during the past week, a halt occurred in the rise in steel scrap prices. This resulted from the issuance of a statement by the Price Stabilization Division of the National Defense Commission on January 7 requesting a reduction in steel scrap prices, with the ultimate objective of bringing the price for No. 1 heavy melting scrap at Pittsburgh down to not more than \$20 per ton. Prior to the date mentioned, scrap prices had been rising and had reached \$23.50 to \$24 for the No. 1 heavy melting grade at Pittsburgh.

On January 9, dealers in the New York district are reported to have cut prices \$1 a ton; on January 10, it was reported that brokers in the Chicago district were offering No. 1 heavy melting steel scrap at about \$1 under previous levels; and on January 11 brokers in Pittsburgh quoted a reduction of \$1.50 per ton. No actual purchases by mills were reported, however, at any of these quotations.

### New steel production records

The tonnage output of steel ingots last week again reached a new high record, with a gain of 1.3 points in the operating rate to 97.2 per cent of capacity. Although an



- 5 -

even higher operating rate was reached in 1929, the tonnage produced was less, because of the smaller capacity of the industry at that time. Reference to Chart 3 will show that practically all districts continue to operate virtually at capacity levels. Steel output in the current week is scheduled at a still further increase, with the operating rate 1.7 points higher at 98.5 per cent of capacity.

Nevertheless, the steel industry continues to fall behind in its efforts to handle the incoming volume of orders, judging from current trade reports and from reported data of the U. S. Steel Corporation. While shipments of finished steel by the U. S. Steel Corporation in December rose 8 per cent above the previous month, thus attaining the highest December volume in the corporation's history, the corporation's estimated backlog of unfilled orders showed a further substantial increase by the end of the month. (See Chart 4.) The company's incoming business fell to a little below capacity during New Year's week, but in view of the tenor of current trade reports, a rebound to around pre-holiday levels is now probably taking place.

#### Defense activity boosts construction

Although bookings of construction steel in the first week in January slipped off somewhat from the high levels of the latter part of December, they were no less than 146 per cent above the corresponding week of 1940. Further heavy bookings of structural steel will develop as a result of a new spurt in heavy construction indicated by the engineering contracts awarded in the week ended January 9, as reported by the Engineering News Record. The total for the week mentioned reached \$158,000,000, the third highest weekly total reported since the defense program got under way. Four large awards made by the War Department for plants to be operated by private companies accounted for 46 per cent of the total. These awards covered 2 powder and explosives plants amounting to \$23,000,000 each, together with an ammunition loading plant and an ammonia plant costing \$15,000,000 and \$11,000,000 respectively.

Further evidence of booming construction activity is given by the F. W. Dodge Corporation's figures of contract awards for December, which rose to the highest level since June 1931. The monthly total of \$456,000,000 was 10 per cent above the previous 1940 peak reached last August. It was estimated that defense construction awards in December amounted to \$125,000,000 or 36 per cent of the total.



- 6 -

### Textile orders sharply increased

Our new orders index for the holiday week ended January 2 increased to 162.8, compared with 144.5 in the preceding week, largely because of increases in textile orders. (See Chart 5.) New orders for steel were lower, and the total excluding steel and textiles was practically unchanged.

The increase in textile orders apparently marks the beginning of the seasonal spring buying movement, in which textiles are usually the leader. Sales of print cloth and related items last week were estimated at over 60 million yards, three times the current weekly output of mills, although the output in December reached a new record level.

### New York Times business index revised

In addition to the usual annual revision of seasonal factors, the New York Times has recently made other revisions of a more fundamental nature in its weekly index of business activity. The revisions have been carried back to the beginning of 1938, and the results on a revised basis have been reported currently for the first time during the past week. The net result of the revision has been to raise the level of the combined index, as will be seen on Chart 6, which shows the index on the revised and on the old bases. While the revised index has shown a greater rise since the beginning of 1938, its general pattern is essentially similar to that of the old index.

The most important change in the revision has been the inclusion of a new component, paperboard production. The addition of this item, with a fairly heavy weight, has necessitated revisions in the weights assigned to the other items. The weight given to electric power production has been cut substantially. In addition, the estimated normal levels for miscellaneous freight car loadings and lumber have been lowered noticeably, with the result that both of these indexes now stand at higher levels.

During the week ended January 4, most of the components of the Times index showed gains, raising the combined index from 121.1 in the previous week to a new high at 123.0. The principal factor was a sharp rise in the adjusted index of lumber production, although good gains were also shown by the adjusted indexes of electric power, steel ingot, and paperboard production. The adjusted index of miscellaneous freight car

- 7 -

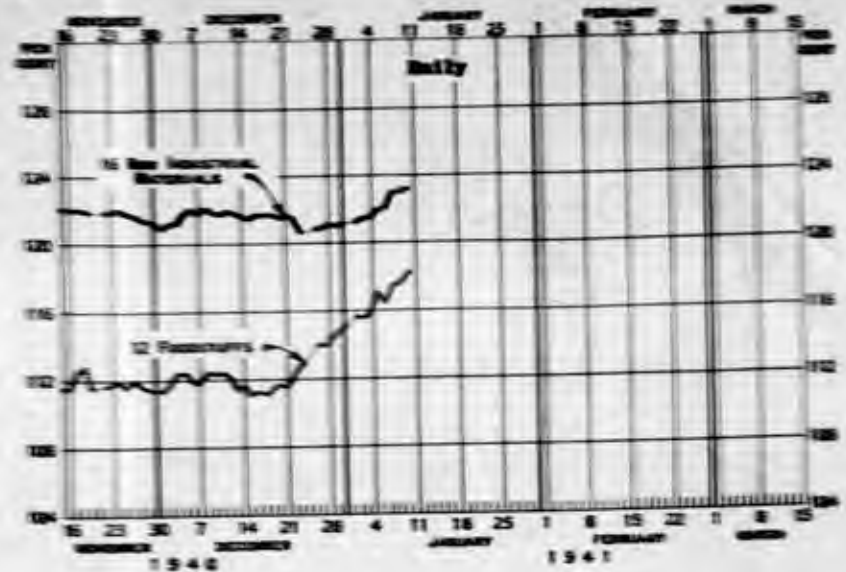
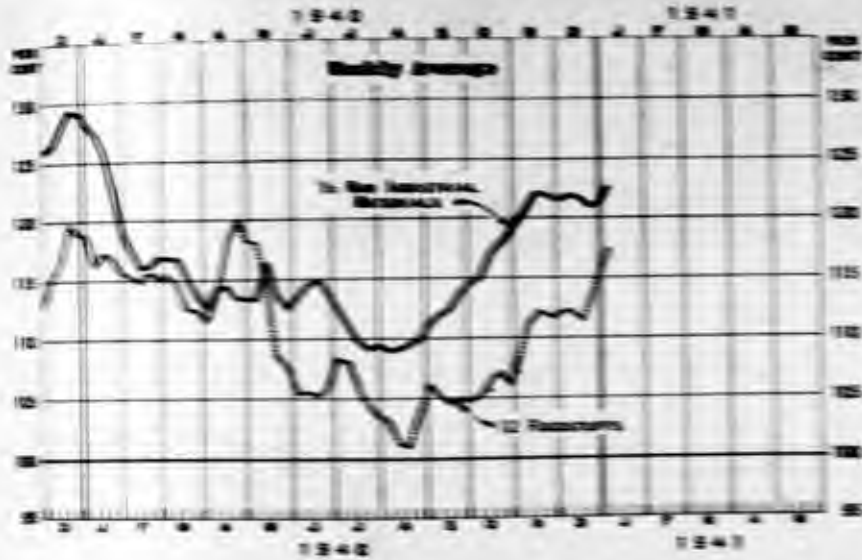
loadings rose fractionally but the index of "all other" carloadings declined rather sharply, largely as a result of a lag in coal shipments. In addition, the adjusted indexes of cotton mill activity and automobile production showed minor declines.

Barron's index of business activity for the week ended January 4 rose at a slower pace than the Times index, advancing only fractionally to 125.6 from 125.4 in the previous week.

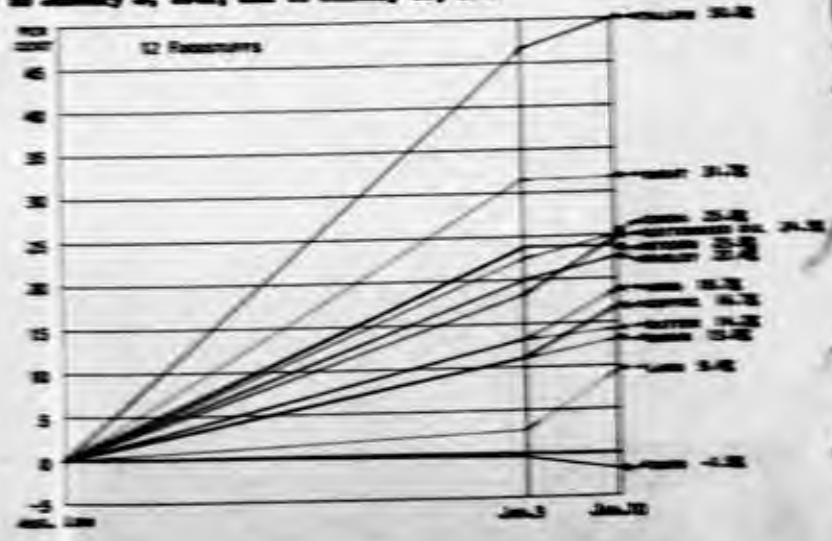
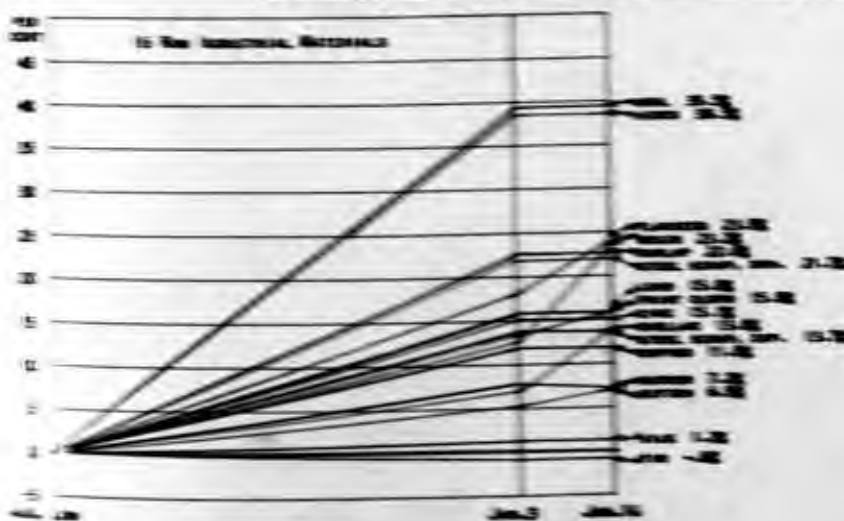
Preliminary data for the week ended January 11 reveal a slightly less than seasonal gain in steel ingot production, and a substantially greater than seasonal rise in automobile production. The week's automobile production of 116,000 units was the highest January weekly output on record.

MOVEMENT OF BASIC COMMODITY PRICES

Index 1913=100



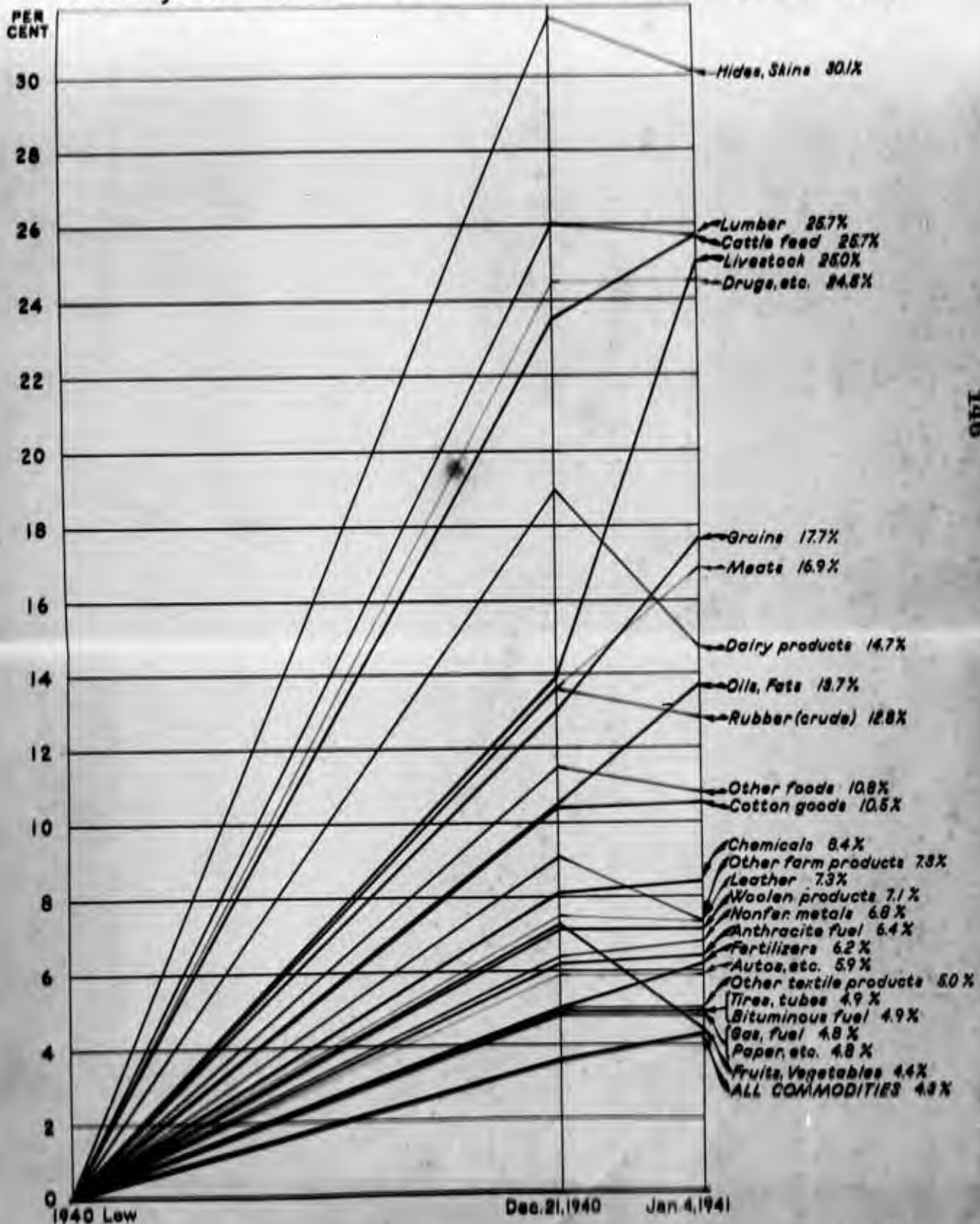
Percentage Change for Individual Commodities, August 1st to January 3, 1941, and to January 16, 1941





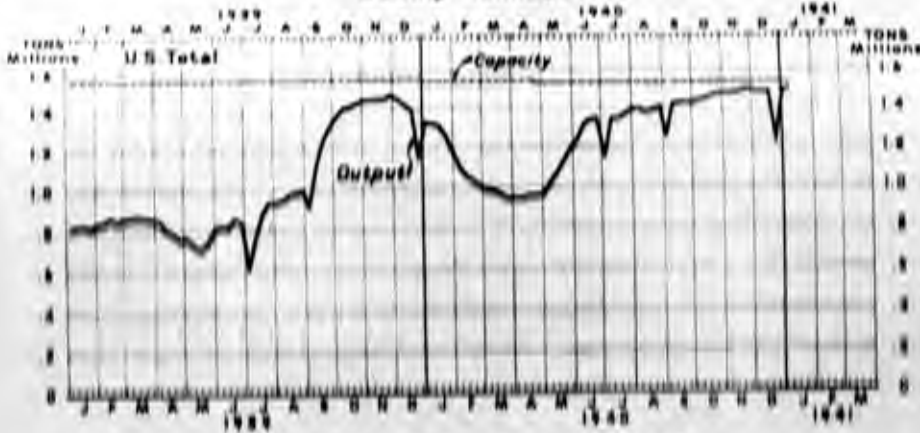
# SUBGROUPS OF B.L.S. ALL COMMODITY INDEX SHOWING GREATER PRICE INCREASES THAN COMBINED AVERAGE

Percentage Increase From 1940 Low To Dec. 21, 1940 and to Jan. 4, 1941

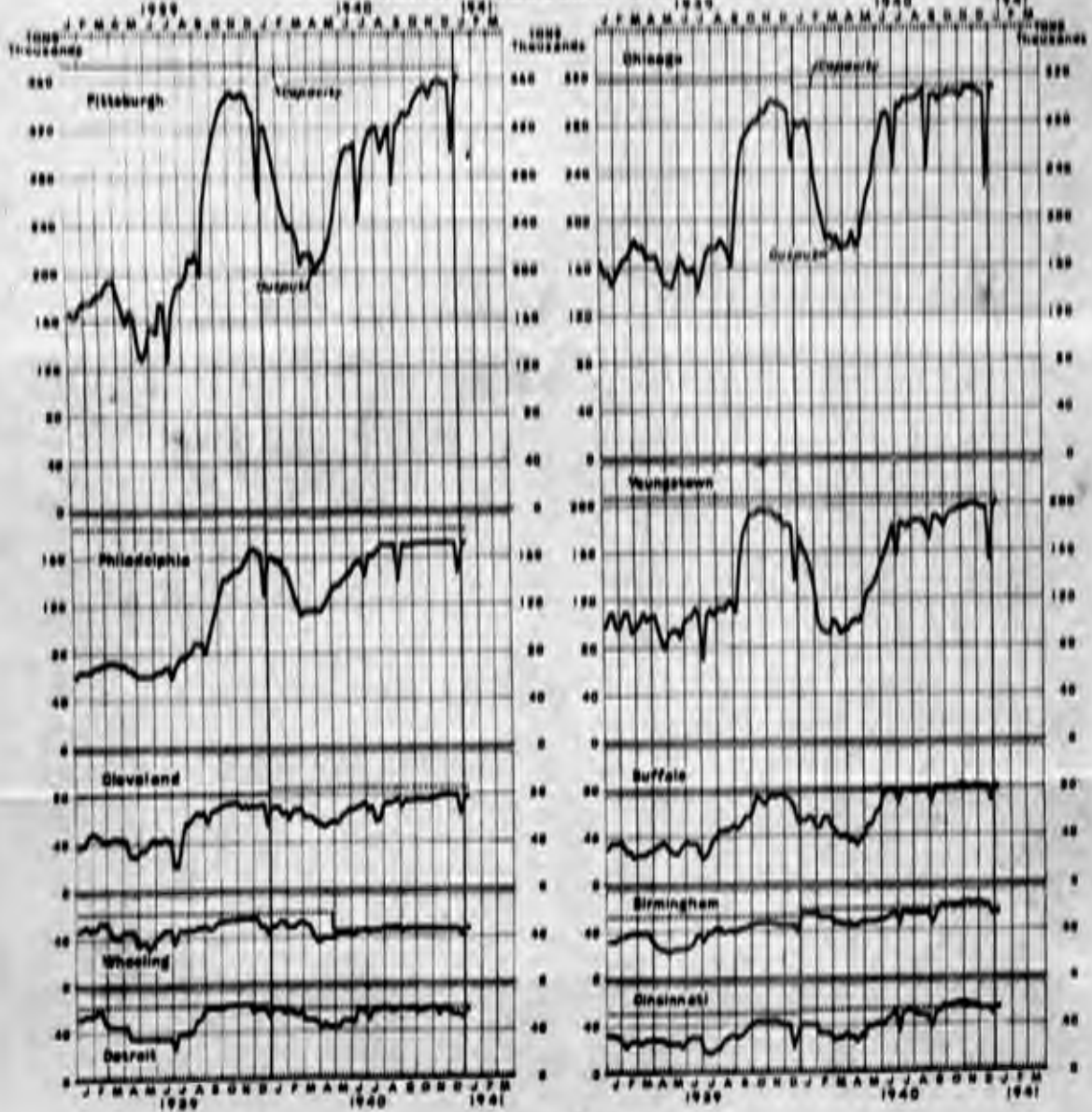


Source: Bureau of Labor Statistics

# STEEL OUTPUT AND RATED CAPACITY\* Weekly Tonnage



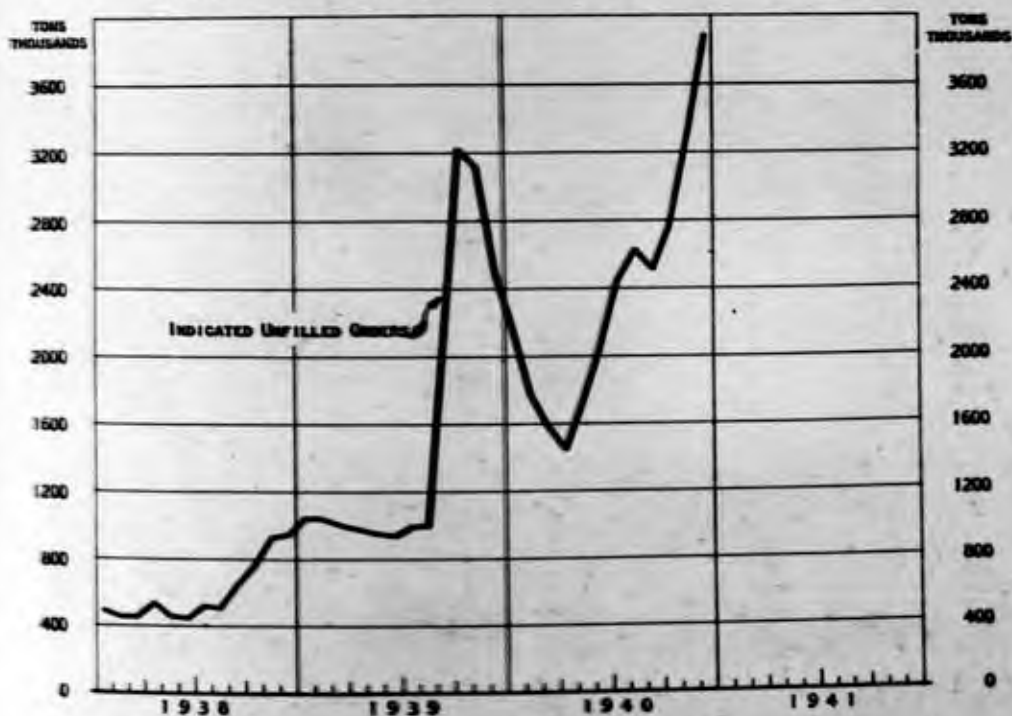
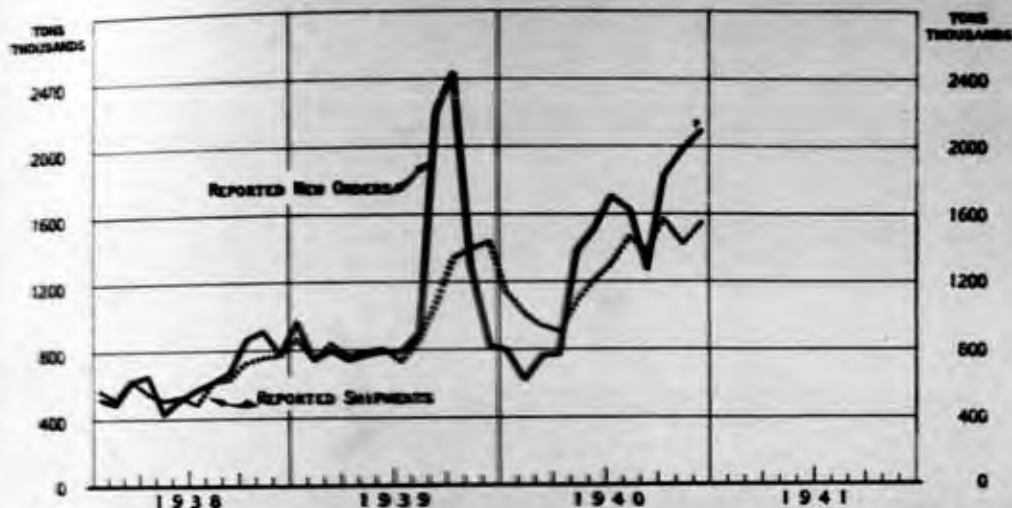
## PRINCIPAL PRODUCING DISTRICTS



147

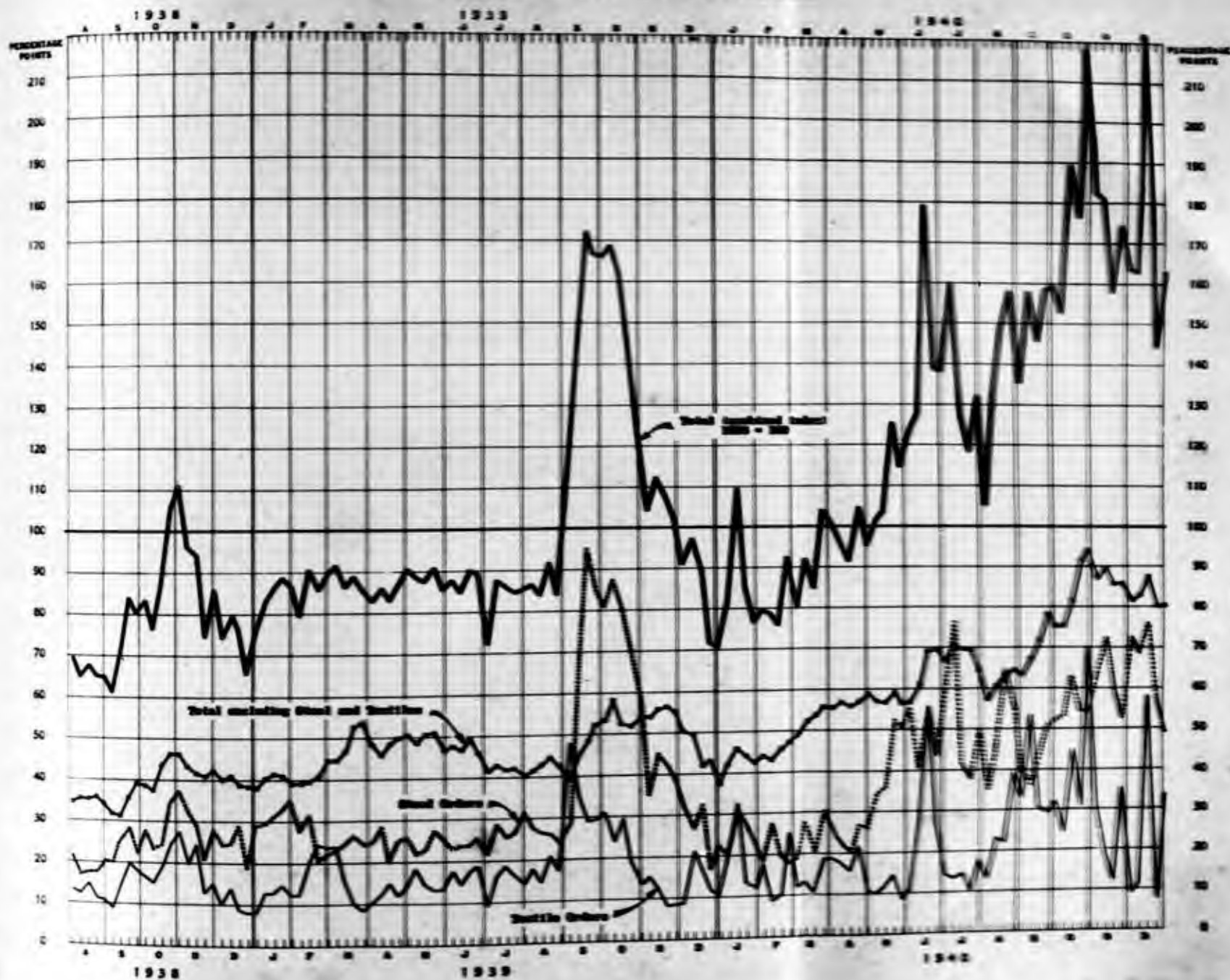


REPORTED NEW ORDERS, SHIPMENTS, AND INDICATED UNFILLED ORDERS OF THE U.S. STEEL CORPORATION



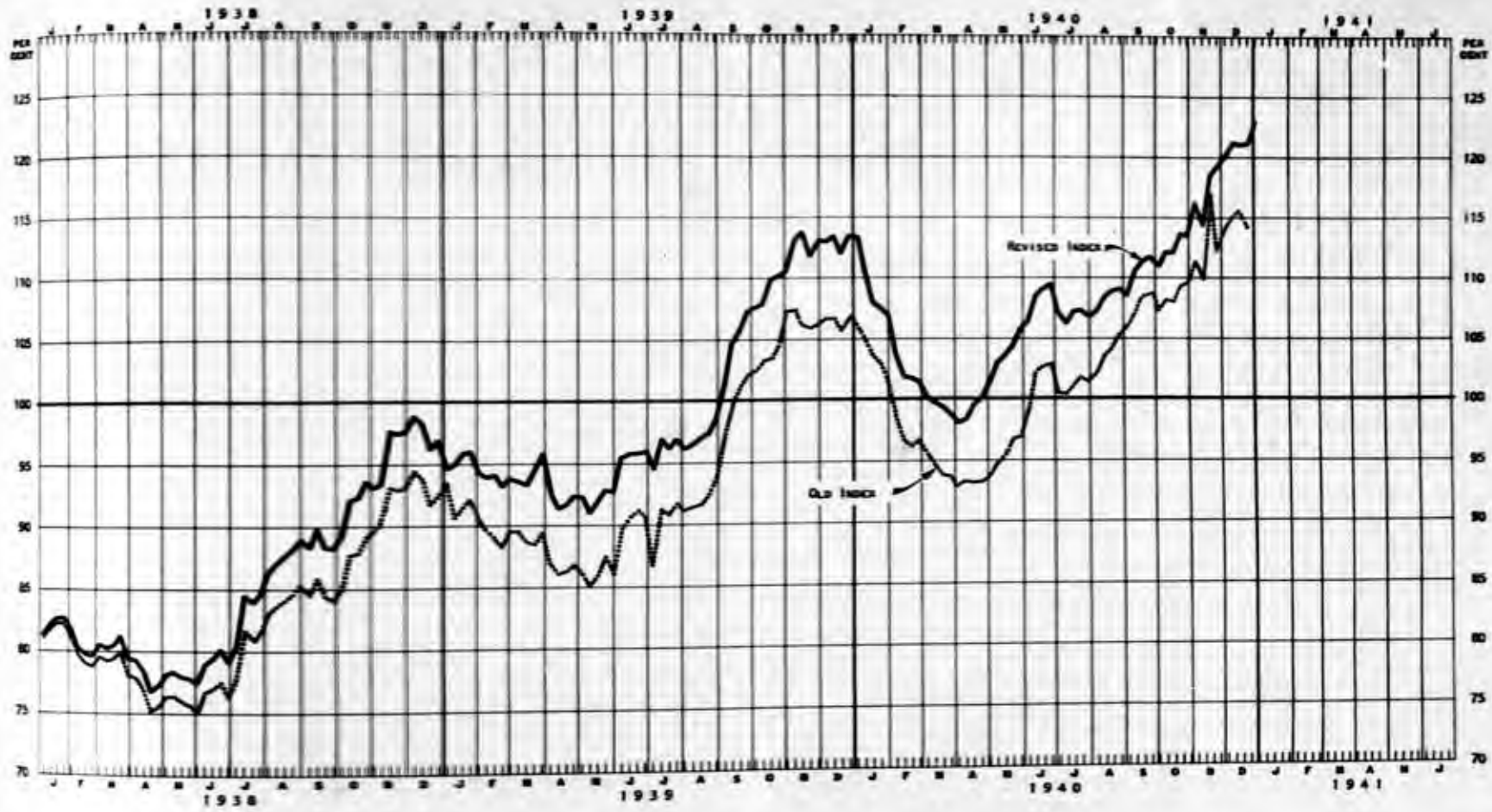


INDICES OF NEW ORDERS  
Combined Index of New Orders and Related Categories



### REVISED NEW YORK TIMES INDEX COMPARED WITH OLD INDEX

ESTIMATED NORMAL = 100



TO:

1/17/41

Mr. Foley

Room 268

**151**

Mr. White sent the attached letter of January 13th from Harriner Eccles to the Secretary in to you for you to read.

Mc

MR. FOLEY



O. R. Kelly  
152

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON



OFFICE OF THE CHAIRMAN

January 15, 1941.

Dear Henry:

At our conference on December 4 it was agreed that there should be full cooperation between the Treasury and the Federal Reserve Board in all matters of mutual interest. Since then two matters have arisen which sharply raise the question of how that cooperation can be brought about. The first relates to banking legislation. Certainly it would seem that banking legislation sponsored or supported by either agency affecting the other would come within the scope of what I believed to be our understanding.

In the Wall Street Journal of January 3 there was an article, under a Washington dateline, stating that "the Treasury Department is preparing a new bank holding company bill", that "much of the preliminary work on the bank holding company legislation has been done", and that "there have been conferences between Secretary Morgenthau and Senator Glass." The article also stated that "Secretary Morgenthau is represented as favoring legislation which would force a break-up of existing bank holding company systems", and that "yesterday Comptroller of the Currency Preston Delano and Treasury General Counsel Edward Foley discussed the holding company legislation with Senator Glass ..."

Assuming that this report is correct, it is the first knowledge that we had that the Treasury was seeking new legislation at this time dealing with this subject. As I think you are aware, the Board is specifically charged under the law with the various legal responsibilities applying to bank holding companies.

We are advised that the initiation of this bill did not come from Senator Glass, but from yourself. We had recognized the need for a change in existing legislation and had prepared legislation to deal with it, and had it been thought desirable to have banking legislation at this time, this subject certainly should be included. However, it was our understanding that the Administration desired to avoid piecemeal legislation and, accordingly, we have not undertaken to push this particular measure, feeling that it was far preferable that the subject be taken up and dealt with as part of the program contemplated by the proposed hearings under the Wagner Resolution.

- 2 -

The second instance, which I want to mention to you in all frankness, relates to the special report of the Federal Reserve System which was submitted to Congress after you had had an opportunity to consider it for a period of some ten days. We, of course, did not ask you to assume responsibility either for objecting to or approving of the report. However, had you desired to do so, you could have assumed that responsibility and either approved it or made known the objections you had to it. You advised me that you considered the report our responsibility and that you reserved the right later on either to approve or disapprove all or any portion of it.

Immediately after our conference in your office on December 30 you stated at your press conference that we had been discussing Federal Reserve matters and that I would have an important statement to make. As a result, even before I had had an opportunity to get back to my desk, my office was besieged by newspaper inquiries. I was obliged to tell the press that I had no statement to make that night and did not know whether I would have any statement to make. I was especially embarrassed because I was acting in this matter not only for the Board but for the Federal Advisory Council and the presidents of the Reserve Banks.

I felt, as did Harry White and Lauchlin Currie, that the President should be advised that a statement was to be issued, though I did not want to take his time to discuss the many technical matters involved, unless he wanted me to do so. It was too late that night, but the next morning I took a copy of the report over to Mr. Early personally, together with a brief explanatory letter for the President. Mr. Early advised me that afternoon that he had taken it to the President and that the President had no objection to our releasing the report. Mr. Early felt that we should give it out without further delay, inasmuch as your statement that an important "move" was to be made was in all of the papers of that morning. Mr. Early advised making the report for release in afternoon papers of the following day, that is, Wednesday afternoon.

Accordingly, I called a press conference in my office for five o'clock on the evening of December 31, and I was at great pains to avoid either committing the President or yourself to the report or, on the other hand, to give any indication that there might or might not be opposition to it. As you know, this was a compromise report which prevented the Advisory Council from issuing one that they had previously adopted which was highly critical of Administration policy.



- 3 -

At his press conference on the day following publication of the report, Mr. Early did his utmost to correct erroneous impressions given by some of the headlines indicating that there might be an Administration fight on the program. He stated that the report had been issued with the full knowledge of the President, that the President regarded it as "something for Congress to study", and that it was being studied meanwhile at the White House and at the Treasury. He stated further, "Despite the headlines I don't think you are going to find any fight between the Treasury, the Board and the White House." Mr. Early's statement seemed to me to leave the matter in correct focus, committing neither the White House nor the Treasury to the report, but indicating that it would be fairly considered and discussed before the appropriate committees of Congress.

On Thursday, January 9, however, at your press conference you went out of your way, as it seemed to me, to belittle the report and to take pot-shots at me personally. Subsequently the press has uniformly interpreted this to mean that you propose to fight the program, assuming that Congress takes it "seriously".

Now, Henry, in all fairness, if this is playing ball, then I just don't understand the rules of the game. All of us have naturally been greatly disturbed by your attitude as it was volunteered at this press conference. Strongly tempted though I was to make public a statement in self-defense, I have refrained from doing so, though I think the position attributed to you at this press conference is highly vulnerable.

I am equally convinced that if there are parts of this program to which you have serious objection -- though you did not state objections when you had an opportunity to do so in our discussions -- a basis of compromise can be found which will be satisfactory to both of us and will enable us to present a united front instead of the division that is now proclaimed to exist between us. I earnestly wish to get together and I do not want to be forced to debate a matter as important as this publicly or through press conferences. Accordingly, I am writing this personally to you in an effort to bring about that cooperation which you have said you desired, but which certainly has not brought satisfactory results in either of these two instances.

Sincerely yours,



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



G-2/2267-115

WAR DEPARTMENT  
 WAR DEPARTMENT GENERAL STAFF  
 MILITARY INTELLIGENCE DIVISION G-2  
 WASHINGTON  
 I.B. 11

January 13, 1941

## MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

Subject: British, Allied and Neutral  
 War Shipping Losses.

The following is a tabulation of British, Allied and neutral shipping losses for the weeks ending on the dates indicated:

	December 29, 1940		January 5, 1941*	
	Number	Gross Tons	Number	Gross Tons
British	3	18,208	?	54,875
Allied	4	19,348	?	(41,042
Neutral	0	—		(
TOTAL	7	37,556		95,917

\* Unofficial tabulation subject to correction.

*Sherman Miles*

SHERMAN MILES,  
 Brigadier General, U. S. Army,  
 Acting Assistant Chief of Staff, G-2.

3-2/2267-115

I.B. 11

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SHERMAN HILES,  
Brigadier General, U. S. Army,  
Acting Assistant Chief of Staff, G-2.

# Capital Parade

By Joseph Alsop and Robert Kintner

## Jockeying For Trade Power

OF THE THREE most pressing British needs—for cash, shipping and planes and other war materials—this country can most easily meet the need for cash. Essentially, the President's lend-lease plan of aid to Britain is a device to meet this need in a limited way, by giving American products to the British without requiring cash payments.

A government is already afloat in the Government to meet the British need for cash abroad as well as in this country, by supplementing the British effort of economic warfare with an effort of our own. And that is why the behind-the-scenes jockeying for control of the lend-lease program may prove to have great future significance.

To deal first with the current aspect of the problem, the prize for which the various agencies and departments are competing is the power to settle what kind of goods the British must offer us for our loaned or leased products. The decision as to what the British are to get, and what we are to retain, is naturally to be left to the President and the chiefs of the Army and Navy. But the bargaining power is anybody's for the taking.

THE NATURAL competitors are the Commerce Department, the Treasury and the office of the Administrator of Export Control. Rather different views are held by each. Secretary of Commerce Jesse H. Jones, the best trader in the Government, regards the lend-lease program as a business proposition, places great emphasis on the opportunity to improve America's economic position at Britain's expense. Such at least is the impression of Jones' friends at the Capitol, where his influence is so great that the President's plan may well be altered to place the bargaining job squarely in Jones' hands.

The Treasury, under Secretary Henry Morgenthau, Jr., has always thought first of the broader aspects of the President's foreign policy. Morgenthau hates to be taken in, and has never been soft with the British, but his strongest emphasis is on quick aid to Britain. While even more opposition of British direct investments in this country, and insisting that the lend-lease program bring us adequate credits of such vital raw materials as rubber and tin, he would not follow Jones in urging the war effort to take Britain's last wooden nickel.

AS FOR THE OFFICE of Export Control, its administrator, Col. Russell Maxwell, has proved himself a remarkably efficient executive, who would approach the problem with considerations of American military and naval strategy primarily in mind. Since Congress, last July, strengthened the governmental authority over important exports, Col. Maxwell has worked directly under the President. While Secretary Jones has the edge on the Hill, Secretary Morgenthau and Col. Maxwell have equally good chances of White House support.

Since they are different aspects of the same problem, the agency which has charge of the bargaining under the lend-lease program is also likely to direct the American effort of economic warfare, if such an effort is made. It strikes close to the White House the wisdom of participating in economic warfare against the Axis powers has long been discussed. The President has shown a lively interest. And it seems reasonable

certain that the matter will be put up to Congress if the lend-lease program goes through without too much opposition.

An American effort of economic warfare is both feasible and urgently required. The British are running short not only of dollar exchange, but also of all kinds of cash resources. With insufficient cash reserves, they cannot back up their naval blockade of Germany with a simultaneous economic blockade. This country has the cash reserves, now needs the same raw materials that Britain cannot keep out of the hands of the Axis powers, and is well equipped to handle the situation. So far, little has been done. Even in South America, where we are lending huge sums, we have seldom asked for economic concessions favorable to ourselves and harmful to the Axis as part payment for our loans.

ALTHOUGH no practical steps have been taken, much thought has been given to the subject, chiefly in the same agencies now in competition for the bargaining power under the lend-lease program. At the Commerce Department, Undersecretary Wayne Chetfield Taylor has evolved a strikingly interesting over-all program, including both economic warfare and concurrent preparation for postwar reconstruction. At the Treasury there are thoughts of a liaison committee, with representatives of all the interested Government agencies, and an executive chairman. And at the of-



JESSE JONES

"The Best Trader..."

Age of Export Control plans are already laid for practical action if and when the time comes.

It will of course be very costly to embark on economic warfare. Curbing the world copper supply, for example, is not a cheap thing to do. None of the estimates of annual outlay thus far prepared are under the billion mark. But before becoming too deeply alarmed about additional spending, those who consider the problem should remember two things. By its very nature, money spent in economic warfare is not a dead loss. In the last war, indeed, the allied efforts came near, in the end, to showing a profit. And if the American policy of aid to Britain short of war means anything, it ought to mean American help in the economic field. Meeting Britain's needs for war materials and shipping may be difficult. Economic aid, however, is both simple and readily effective.



January 16, 1941  
 8:30 p.m.  
 (At Secretary's Home)

CALL TO BRITAIN

Q: Mr. Stewart  
 A: Yes  
 Q: Mr. Young  
 A: Yes  
 Q: Mr. Cochran  
 A: Yes  
 Q: Mr. Kahn  
 A: Yes  
 Q: Mr. Hall  
 A: Yes  
 Q: Mr. White  
 A: Yes  
 Q: Mr. Foley  
 A: Yes  
 Q: Mr. Cox  
 A: Yes  
 Q: Mr. Vincent  
 A: Yes  
 Q: Mr. Morgenthau

Q: Mr. Phillips have any suggestions on how I should testify?

A: He is very worried and blue about the whole business.

Q: Is he really?

A: Yes, he was worried about Landon, Landon's statement against the bill.

Q: Is he really blue?

A: He just stood there and seemed awfully blue, looking out toward the White House, and I tried to soothe him and cheer him up about it.

Q: When he is in with me, he is rather cheerful.

- 2 -

- Mrs. Morg: Maybe he thinks that is good.
- H.M.Jr: He is very pleasant when he is in there. Purvis said he actually chuckled the other day.
- (Mr. Young entered the conference)
- H.M.Jr: Come in, Philip. This is one occasion where you can use your brain tonight. (Laughter)
- On the discussion with the Greeks, we offered them 30 five year old planes. Philip said he thought that was an insult. I said, "Philip, this is a Cabinet decision, and you are not supposed to think." He said, "If I had only known that before, look at all the time I would have saved," and I said he was boasting. (Laughter) I thought I had the Greek for a minute, but not on your life. What a man!
- Young: Why?
- H.M.Jr: I thought he would be satisfied when he heard he was going to get 30 good planes, but he wanted 60.
- Young: It didn't take him long to get back to that, did it? The minute he said 30, he said, "Oh, but the State Department promised us 60."
- Cochran: He raised you 30.
- Young: Merle probably opened all the windows.
- Mrs. Morg: Does he know that they are five years old?
- H.M.Jr: Say, leave that out. Admiral Towers said they were designed seven years ago and not constructed until five years ago. He said, "Not that I am saying that they are rusty." (Laughter) He says, "They can fly." But I really think it is silly.

- 3 -

Young: They just go four hundred miles an our slower.

H.M.Jr: Yes. Can we start without Professor Foley?

Kuhn: Harry White is coming, isn't he?

H.M.Jr: Has anybody got a document for me?

Kuhn: Lots.

Cochran: I didn't give you that Canadian stuff, did I?

H.M.Jr: No.

Cochran: I will give you that as my contribution.

H.M.Jr: Did you get to see Mr. Hull?

Cochran: Yes. He had a group in his office, and he had stepped out to a little anti-chamber to talk to Douglas, and then when he got rid of Douglas I went in.

H.M.Jr: Lew Douglas?

Cochran: Yes.

H.M.Jr: And you gave him that?

Cochran: Yes. I told him that you had told me of your conversation with him this morning, and that you wanted to get the data in his hands in regard to what the people had, and so on, and so I told him that there was this book plus a letter, and I drew his notice to the fact that you would give him anything he would be interested in. He said, "I am sure this will be enough. The technical end of it, I have to leave to Secretary Morgenthau. I want to do my part on the other." And I said, "The Secretary in turn would be much interested in having anything that you may have received in the past or made while



- 4 -

those negotiations were going on that would be pertinent to the problem, that may come down or to the British." And he said, "I understand."

- H.M.Jr: Well, that was good to get in to see him.
- Cochran: Oh, yes. He was very nice. He talked to me for sometime.
- (Mr. Foley entered the conference)
- H.M.Jr: Hello, professor.
- Cochran: They were working on a statement. They had the idea this was coming off tomorrow. I wasn't sure.
- H.M.Jr: I don't know. Foley arranged it. What did you tell Charley to do?
- Foley: Wednesday, I told him we wouldn't be ready tomorrow, and we wanted to do it tomorrow afternoon.
- H.M.Jr: The State Department will be a little in advance, then.
- H.M.Jr: Now, who has got something for me? Ferdie?
- Kahn: This is really Oscar's. He wrote it.
- H.M.Jr: Well, I can't read it unless Ed initials it. (Laughter) Read it out loud.
- Bell: What is the matter, isn't anybody willing to claim it?
- H.M.Jr: Somebody read it.
- Foley: I think Ferdie ought to read it. He wrote it.

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Bell: Get some young fellow with good eyes.

Eahn: This is just the bare bones - it is an introduction, and then a whole lot of questions which we are trying to get the answers for and then a concluding passage again. Shall I read it?

E.H.Jr: If you please.

Eahn: (See Attachment 1)

"I think it may be helpful to the Committee if I report at the outset, as frankly and fully as I can, what I know of the British position in its relation to the bill now before Congress.

"As Secretary of the Treasury, I have been in touch with this position in two ways. The first is the obvious one, that the Secretary of the Treasury is the chief fiscal officer of the United States Government and is thus directly concerned with government financing. The second is that ever since the fall of 1936, the Treasury has been the exclusive connecting link between foreign purchasers and the United States Government.

"Every foreign government wishing to place orders here has had to go through the State Department to the Treasury. The Treasury has then consulted other government departments as to the availability of the goods needed, the prices to be paid, and the priorities as among the purchasers themselves, and between the purchasers and the United States.

"This has placed upon me a direct and continuing responsibility to American manufacturers."

E.H.Jr: May I interrupt you there? My first reaction, it is a little bit - well, it gives me a little

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bit too much credit or whatever the word is. I mean, it is a little bit bolder than I am accustomed to being.

Kahn: All I was trying to do was to account for the fact that you were testifying.

H.M. Jr: Well, I just wanted to give you my first reaction.

Cochran: Leave out that word "exclusive" and going through the State Department.

H.M. Jr: No, going through the State Department is all right, if it does, but I just gave you my first blush.

(Mr. White entered the conference)

H.M. Jr: Hello, Harry.

White: Good evening.

H.M. Jr: You can come over here and sit next to Professor Foley.

Foley: I was late too, Harry. Come on over here.

White: Sure.

H.M. Jr: I hear you kept the train waiting the other day at Poughkeepsie.

White: Well, I had a good reason.

H.M. Jr: You made it all right?

White: Oh, yes.

H.M. Jr: One minute, was it?

White: I made it.



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E. J. Jr: Has White heard this?

Edna: Yes. You (White) saw that introduction this morning.

White: Did you change it since I saw it?

Edna: Yes. I put your things into it.

White: Then I didn't hear what you have got. (Laughter)

Edna: I am just coming to that.

E. J. Jr: I am surprised Harry didn't say, "Then it is improved."

Edna: "This has placed upon me a direct and continuing responsibility to American manufacturers. It has been my responsibility to see that no orders are sanctioned by the Treasury unless there are ample liquid funds available to meet them. In all the two years of this work of coordinating foreign purchases, I have kept this responsibility in mind in every transaction.

"Having been placed in such a direct relationship with foreign purchasers, particularly the French and British, I have also had to keep myself informed continually about their position and their prospects in the war. The British have made it clear to me that they are still in danger in spite of the wonders they have performed in their self defense. They expect that within the next three months they may be subjected to the most intense strain of the entire war, perhaps by invasion, perhaps by a ferocious air attack, perhaps by both. They believe that they will come through these three months if we do our very utmost to send them all the material help that we can. They are confident that they will survive and stand to win in the end, if we really make ourselves

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the arsenal of the democracies, as this bill would have us do.

"The British say that their immediate needs are merchant ships, long-range bombers, and long-range seaplanes for patrolling the sea routes. We shall have to scrape our cupboards to cover these three critical months for them. Beyond this three-month period, they tell me that they will need weapons and materials of all descriptions, in quantities beyond all our previous conceptions, if they are to win.

"But the British have told me repeatedly that they have another need fully as urgent, fully as desperate as their need for the weapons of war. This is the assurance that they can get the flow of future supplies without which they cannot continue this war.

"I can tell you gentlemen, quite deliverately and quite solemnly, that unless the British can have such assurance, they will have to make peace. And if they make peace - a "dictated peace" as they President has called it -- they will lose the war and we shall be faced with dangers we have never yet faced in our history as a nation.

"I have come here today to put this problem before you with Treasury figures which will, I think, help you to see the problem in its true proportions. Up to now, no such accurate figures have been available. I am going to put before you everything which is in our possession so that you can see the situation for yourselves."

Now, from that point on we have an outline of all kinds of questions which you may, or may not, want to answer.

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H.M.Jr: Just a minute. Do you want to say anything now?

Mrs. Morg: No.

H.M.Jr: Well, let me say this. I don't know who is the author, so I don't - it is a fresh approach. It is well done, but it isn't me. But I am perfectly willing to have somebody else argue why I should say that. Do you want to say anything, Walter?

Stewart: Not for the moment, I don't think. I think you are right, that it has to be you. I mean, it has to be your method and your approach and your mood and all the rest of it.

H.M.Jr: I mean, it is extremely well written.

White: Well, there are some things in there that I don't think you ought to say, but as far as a starter is concerned, I suppose you can easily make it your style by just going over it here and there, but I am a little bit troubled by your stepping outside the immediate problem of this is what the British owe, this is what they have, this is what they say they will need. I would leave the rest to the State Department, the Army, and the Navy, it seems to me, and Congress. They will be able to think of all those arguments.

H.M.Jr: Well, there are two ways to approach this thing. There is a way to do the written thing. Bell was the only person that heard me in New York on this very subject, and there was another way of doing this thing, the way I did this thing in New York. I can simply say, "Gentlemen, I have come up here to put before you any information that you may want pertaining to the British finances that we have in our possession. I have got to impress upon you the importance of the secrecy, because the information which



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I am going to give you now is information which the British people do not have and any leaks at this time might do them a great, great injury, which I am sure you don't want to be a part of."

Bellevue: They are planning on public hearings. The press will be there.

Bellevue: Or Wednesday, Ed?

Bellevue: That is what Sol said today.

Bellevue: Well, we will talk about that in a minute. Just hold it a minute.

"Now, gentlemen, anything that you want to ask me, just go ahead and ask me."

Well, you (Stewart) were there at New York, what the heck. And then you know what happened.

Bellevue: I think that would be a thousand times the best way.

Bellevue: You (Stewart) saw me before and you (Bell) saw me before.

Stewart: It went very well, I think.

Bellevue: Well, I am not asking, but that was certainly an intelligent and certainly a far more intelligent - because they were only financial people.

Bellevue: That certainly is the way I would approach it. I think that is the way to do it, and I would leave all the pleading, all the argument - either in answer to a question, if they ask what is your opinion, you can express whatever you wish to express, but I think that will go further toward giving them the contribution which you can make, which is to show the state of their finances and why they need help, and

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I think there will be plenty of others who will point out the necessity for keeping them fighting, et cetera.

H.M.Jr: What do you think, Dan?

Bell: I think that is all right if it is going to be an executive session, but if it is going to be an executive session, then I think you ought to have that statement. But there is one thing in that statement that I don't know whether you want to say and that is that you have watched these finances from the beginning and you have always been able to say - I don't know whether these are the words - that they have had the funds with which to pay for the contracts. They haven't got the funds now, have they, with which to pay their commitments?

H.M.Jr: Yes, they have.

Bell: Without going into their direct investments?

H.M.Jr: Oh, no, but I am figuring on those. I figured this thing two ways. What is the figure of the contracts that they have on hand? Is it a billion three?

Young: A billion three - it is about fifty-fifty either way, a billion three paid out and a billion three due to come.

H.M.Jr: But I mean yet to pay for.

Young: A billion three, both. It is just out half and half now.

H.M.Jr: Well, the figure of a billion three is all right?

Young: Yes.

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- H.L.Jr: Well, this is to show what I have got in my mind. They have 6 hundred million of securities, 9 hundred thousand direct investments, is a billion and a half, and there is a total of cash in all accounts, private and everything of the English, of about 8 hundred million, which is not available but is there, do you see, in this country.
- Call: That seems high.
- White: What is that?
- H.L.Jr: About 8 hundred million dollars worth of dollars.
- White: That is the Empire?
- H.L.Jr: Yes.
- White: British Empire.
- Dochran: But that is not immediately available to them.
- H.L.Jr: No, but it is there. They could borrow it if they have to. But they have got a billion and a half worth of direct investments and securities against a billion three, which I would say is enough to pay out their - that doesn't take in things like the wool we were talking about today, does it, or the tin and rubber, and the various things?
- White: No, nor the French gold or the Belgian gold.
- H.L.Jr: There is plenty there.
- Call: Well, you can't take in things of that kind.
- H.L.Jr: No, but there is plenty there.
- White: Can't take them in if you don't want to.



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- Bell: Well, I wouldn't say it unless you had to.
- H.M.Jr: Well, there is a billion and a half dollars worth of investments in the United States against a billion three of orders, so I would say they are amply covered. After all, those orders run at least for 12 months, don't they?
- Young: Oh, yes, all indefinite periods, but certainly the majority of them do.
- H.M.Jr: There are a couple of things I want to clear up in my mind that I asked you (White) for, to see whether you have been able to do your home work, Mr. White. What was the date - I asked you this in the country - that the English took over the French contracts?
- White: Well, it was between June - it was in June, between June 1 and July 1.
- Young: It was the Fourth of July weekend, wasn't it?
- H.M.Jr: What was it?
- Young: I thought it was the Fourth of July weekend.
- H.M.Jr: Well, will somebody make notes of the things that I want to answer tomorrow? I want to know what that date was. And then the thing that I want to ask is, what did it amount to, how much did the French contracts amount to in dollars?
- White: I think it was about five hundred million dollars.
- H.M.Jr: The point I am making is, you see, when these contracts were let, we were doing business with France and England.

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Bell: That is right.

H.M.Jr: And while they have contracts today of a billion three, so many were French and we were counting at that time on the French assets and gold, so there was ample reason to believe that there was plenty of security.

White: (See Attachment 2)

Five hundred and sixty million dollars of French Government orders.

H.M.Jr: On July 4?

White: June. The June commitments which were allocated in June included - you see, the commitments at the end of May were 397 million. They jumped to a billion 87. That billion 87 included 560 million of orders assumed from the French Government.

H.M.Jr: Check that as of July third or fourth.

Young: Yes.

H.M.Jr: I want to memorize these things.

White: Now, actually they didn't give us records of payments made on that. I mean, they didn't give George's men - until they stretched over several months, but they is why they were assumed.

Young: They didn't assume all of the French contracts either.

White: No, but we allocated to them.

H.M.Jr: Purvis would know.

Young: They are still working out those figures.

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- White: There is still about 20 or 30 million.
- E.M.Jr: Give me a figure.
- White: Five hundred and sixty million. You can say 600 if you want to round it off.
- E.M.Jr: Well, I would rather be on the short side. A half a billion dollars, would that be safe?
- White: Over half.
- E.M.Jr: The interesting this is, just to tell you a minute, I told - I served final notice on October 29 to General Marshall that from that time on the English should only be permitted to buy standard American stuff, which I think is important in view of the way the thing has gone.
- White: October what?
- E.M.Jr: Twenty-nine.
- White: Well, on October 29 they had unpaid commitments, including the French we talked about, of a billion three. Their assets, of course, were higher than what they are now. They had a billion three.
- E.M.Jr: Well, that was the date I served notice on him--
- White: You served notice on them when they had unpaid commitments of a billion three and assets of at least a billion and a half?
- E.M.Jr: Well, now, let's just talk a minute. If this thing is going to be a public thing, I don't see how I can testify.
- White: There may be certain figures that the British Government may want kept confidential. Since



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their own ambassador said they would be running out of funds before June - of course, that is several months away - they may not mind your giving most of the figures, and I certainly think that they will come out one way or another and they will come out in a distorted way, and distorted the wrong way. The only figure that they might mind - that they might be very reluctant to permit the public learning is the amount of gold and the official dollar balances. The private dollar balances are known anyway. We have published them. The various assets and their investments in the United States and elsewhere are contained in numerous publications.

- Bell: It is going to be quite a shock, isn't it, Harry, to the British public to find out that their gold is exhausted?
- White: I say that one figure they might not want known. It would be a shock.
- Bell: I should think so.
- White: There are a lot of people who won't believe it.
- Euhm: They are issuing a statement soon on the fact that their gold is being depleted so fast that they are going to have to get to their direct investments.
- White: Yes. Oh, they made a public statement?
- Euhm: They are going to.
- H.M. Jr: That their gold has depleted so fast?
- Euhm: That their gold and American securities have depleted.
- White: They haven't said anything like that yet. All

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the comments have usually been in the direction that they have still got quite a little gold. But they may object to that figure, and that figure, when you come to that, you might say you can only give that confidentially.

H.M.Jr:

Well, what I told Phillips today, I said, "Now look, Phillips, just so we understand each other, I am going to do everything I can to protect your interest when I go up and testify," but I said, "When the wolves attack me, I don't know what I am going to do. I will just do the best I can." His answer was, "Mr. Morgenthau, if you had seen the cable that I have sent to England, they know what you have done and whatever you do is all right with us," and that was about what he said.

White:

Well, they are going to press you for information. They will hold you much more than any one else who will come before them, not responsible, exactly, but they will expect to know from you what their financial status is, and I don't see how you can withhold anything from them except at the express request of the British Government that you give certain figures that are available only to the committee in an executive session or clear the room, as they do many times.

H.M.Jr:

Well, there is one trouble. I learned my lesson from Senator Couzens. Whenever he said it was executive session, he always left the room. He wouldn't participate in an executive session. You saw, Dan, what happened to me the last time in an executive session before the committee in the House. Within 15 minutes after I left it was on the ticker. So in one way - if I am going to give it, I would rather let the newspaper men get it from me than third hand.

White:

Wouldn't it help their case if the public knew this?

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- E.H.Jr: That is the purpose of this meeting tonight.
- White: I can see where the British public would be disturbed, and I can see where the Germans would make capital of it, but if assistance is going to be given, then this would help. If assistance is not going to be given, it is just too bad.
- E.H.Jr: Just a second, Harry, hold your horses a minute. I couldn't tell which way you (Stewart) were going.
- Stewart: I would have thought it was impossible to say to any committee what the facts in the case are. As we understand the facts, this is the middle of January. At the end of January they have got no cash at all, and you have got to do some interim financing by one form or another to carry them on through this period, so to me it is a question of degree as to what you say and what you don't say.
- E.H.Jr: Well, I never dreamed of saying that to them.
- Stewart: But if you don't say that, which I agree you can't say, then you come finally to some sort of statement which carries conviction but does not give detailed figures in which you assure them that from day to day you have followed the position and you have kept yourself informed, you have talked to them and they wouldn't expect you to go into the detailed account of what the position of the British Government is.
- White: But what is the general statement that he would make, then, that they will be in need of funds by the end of January?
- Stewart: That they are now urgently in need of funds, but he doesn't go into the fact that they are bankrupt.



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- White: That will never satisfy the committee.
- Hall: I don't believe you can get by with that.
- White: I don't see why Congress should take the Secretary's word on a matter of that importance unless he can say the British Government has given him these figures in confidence, and if he says that, they are coming here for money, and I don't see why they should keep it confidential.
- Stewart: I would testify by a private transaction, or I would take a war case and have a country not informed as to its country's desperate need and have it show up in the London newspapers the next day as to what the position actually was.
- Hall: Keeping the public in the dark won't set very well with our Congress.
- Foley: No, that is why--
- Stewart: They wouldn't be in the dark. It is just a question of how much twilight you give them. They are going to be in the dark because you are going to give them some facts anyway.
- Kuhn: Aren't there a lot of facts that can be told publicly, how much they spent on private plant expansions and so forth?
- Stewart: Yes, that can be told.
- White: But supposing you were on the committee, Kuhn, and the problem was that they need cash. Now wouldn't the very first question which you would ask be, "How much have they got now?" Now, if the answer to that is, "I can't tell you, but you will have to take my word that they are in urgent need," the friends will be all right,

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but I am thinking of those who are not friendly.

Stewart: My guess is that only the friends are going to be all right anyway.

H.C.Jr: Well, now, let's just - I mean, after all, Harry keeps saying they are coming here for cash, which they are not, I don't think he means that.

Bell: He means it is equivalent to cash.

Witte: What?

Bell: You mean its equivalent, don't you?

H.C.Jr: They are not coming for cash. After all--

Witte: Call it by any other name.

H.C.Jr: You either give an accurate balance sheet or you don't, and I don't see how there is any two ways, you know what I mean. You either say, "Well, gentlemen, here is their position, these are their assets as they have shown them to us, and so forth." Of course, my own inclination is, I think that if you paint the picture as bad as it is, nobody is going to believe it. I have done that on the Hill before. You (Bell) have seen me do it on the Hill before. I have told them what the deficit was going to be and things like that, and they said, "Oh, Morgen-than, he is so blue. He always says it is much worse. It can't be that bad." You have seen that before.

Bell: Yes.

H.C.Jr: And just thinking out loud, if they are going to press me, I would much rather trot out this December 1 statement which I take it is the latest

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we have, isn't it, Harry?

White: Well, we brought it up to January 1.

H.M.Jr: Have you got that?

White: Yes. The January numbers are in red, if you want it re-done.

H.M.Jr: I will just take this statement and say, "Here, gentlemen, here it is."

White: Of course that doesn't involve telling them what they have.

H.M.Jr: Let me just look at this (White's statement) a minute and see whether this is it. U.K. payments made total purchases in the United States, a billion 100 million, sums to be paid in the next nine months, 296. Sums to be paid by September 1, 1941, as contemplated in the "X" program, that wouldn't have to go in at this time. I mean, imports from U.S. not purchased through the British Purchasing Commission, 187, and U.K. purchases from areas outside the U.S. requiring gold. Purchases by the sterling area. Payments by the sterling area to Canada and Newfoundland. Do you think that would have to go in?

White: No, you can trim very - just two or three items out of that for your purpose.

H.M.Jr: I don't see what good it would be. Purchases by sterling area from U.S. 22. Commodity imports. Invisible items. Grand total. And dollar receipts, net balance, dollar receipts sterling area, commodity exports, Australian gold exports, South African, Canadian assistance to U.K. I don't see why we can't leave the Canadian thing out entirely. Don't you think so, Walter?



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- Stewart: I think so.
- H.M.Jr: I don't think they would be smart enough to ask for that, do you, Dan? I think you could lift the Canadian thing right out of here.
- Bell: It will probably cause a lot of questions if it is in there.
- H.M.Jr: Why?
- Bell: The committee would ask you why you bring it in and so forth.
- White: The trouble is if you don't bring it in they have more money and--
- H.M.Jr: My suggestion is to leave it out.
- White: Well, if you leave it out, then their income will be larger than it is there, their net income. You can say they also owe sums to Canada without specifying it.
- H.M.Jr: That is all right. What can you see, Merle, that in those figures that they could object to? I mean, we are going to take the Canadian figures out and take out that "X" program thing, Harry.
- White: Oh, I think I wouldn't refer to it that way, but I think you might make your case - I don't know whether you want to indicate--
- H.M.Jr: I'll tell you what. One thing the President is very definite on, and I am ready to go along with him on that, he doesn't want to say whether it is one billion or eight billion.
- White: Well, in that case, I think the only commitments I would leave in were those orders which have already been placed, take the others out entirely.

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- H.M.Jr: That is right. That is what I am trying to say.
- White: There are two, the "X" program and the orders under negotiation.
- H.M.Jr: I would take them all out, just what is on hand.
- Cochran: I think you could dress this up by sort of smoothing it over and making - give them a balance sheet. I agree with one or two of the men that it is wrong in an open hearing to give the exact status of their gold and dollar balances. I don't think we ought to do that.
- H.M.Jr: Well, what I am going to ask is that the Canadian thing be taken out. Who works on this for you, Harry?
- White: There are a couple of them.
- H.M.Jr: If you got to the office at nine tomorrow morning, how long would it take you before you could have a statement for me?
- White: Typed?
- H.M.Jr: No, no, in pencil.
- White: Oh, it wouldn't take long, depending upon what you want. At the most a half hour.
- H.M.Jr: I mean by the time I get back from Hull's, it will be 10:15 until I can get settled down.
- White: We will have it done any time you want it. If you want it for Hull, we will get there a little earlier and do it, that is all. It will be done any time you specify.
- H.M.Jr: I don't want it at Hull's. I want it when I come back from Hull's.

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- White: I thought you were going to tell Hull what you were going to do. I thought that was what you said over the phone.
- H.C.Jr: Oh, yes, but I am not going to - it is the whole argument - it is over with him, whether I should recommend that they put up collateral.
- White: Of course, giving them that, Mr. Secretary - they will be interested in it and it will be helpful for your purpose in order to show what they will have and what they will need, but it doesn't touch on the question which they will follow that with, how much have they got now?
- H.C.Jr: All right, now, let's do one thing at a time. Supposing we do that and we meet again tomorrow. I mean, anybody talk up. Can anybody see why that wouldn't be all right? Dan?
- Bell: Has that got the gold and the cash in it?
- Cochran: Income.
- White: It has income. It has the gold they get from Australia.
- Bell: But it doesn't have their present gold.
- H.C.Jr: No.
- Bell: No, I certainly don't see any objection to it. I am not so sure before it is over with you haven't got to give a complete statement.
- Toley: I think, Dan, that that is absolutely true, and I don't agree with Walter Stewart. You just aren't going to get this bill through unless you come clean, and you can't do it in executive session, either, because these figures are going to be out and these fellows have got to use this on



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the floor. The only thing that Martin said to Rayburn today was, "I will withdraw my opposition to having this thing put into a fight as to committee jurisdiction if you will assure me that there will be full and ample opportunities afforded to the minority members of the committee to cross-examine Mr. Morgenthau and Mr. Knox and Mr. Stimson and Mr. Hull, and if there is that opportunity--"

H.M.Jr:

In that order?

Foley:

Well, I don't know about the order. But if there is that opportunity, I am willing to withdraw. And Sam gave him that assurance, and that is what happened. Now, the one thing they want to know is, are we being soft-headed about this? are we being played for suckers? and they have got to know what the condition of that treasury is over there before they are going to be willing to underwrite what it costs to carry on this war. Now, I don't see why the fact that these figures haven't been made available in England makes any difference. How long has it been necessary to have cash to carry on a war? Germany started this war without any cash. Cash isn't necessary. And if they have access to us and if we are willing to give them material aid and if we are willing to back up what the President has said, that is all they need. Their morale is all right, and it isn't going to be helpful to the Germans to know that they haven't got any money. They have unlimited access to the resources of the United States, which are practically boundless. I don't see as it is--

Bell:

Well, you may have to do that to get the bill through, but it is going to be disheartening to the British public.

Foley:

But you have thrown it out on the table, and there

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it is and it has got to go through, it can't fail.

- Cochran: How long do you figure, Ed, it will take to get it through both Houses?
- Foley: I think they can pass it in the House this week.
- Cochran: And then an appropriation is to take care of the finances of it.
- Foley: Altogether I think it will take from a month to six weeks.
- Cochran: But it will take that long?
- Foley: Yes, because I think the debate in the Senate is going to be longer.
- Cochran: This will all reveal that we have to do something in the interim.
- White: I definitely and categorically disagree that we don't have to do anything in the interim.
- Cochran: I mean they have got to liquidate some of these things.
- White: But we don't have to do it.
- Foley: I think--
- H.M.Jr: Wait a minute, I want to make that plain to Mrs. Morgenthau. The point - there is a difference here. You see, Harry takes the position, and I largely agree with him, let them do their own sweating as to how they are going to raise the money, and I shouldn't worry too much about it, that they can sell some wool here and some tin here and securities there and so forth during the next six weeks, you see, and that I

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shouldn't let myself get down the way they keep working on me all the time, Purvis and the others, as to how they are going to get tomorrow's money, you see. I want to explain - isn't that what you mean, Harry?

White:

Yes. I think that is their problem. I am positive they have got adequate assets which they can liquidate. They knew what they were getting into a long time ago. They must be amply prepared. If they are really up against it, they can borrow from their dominions, from Canada, they can dicker with the Belgians and borrow from them, they can do a lot of things to cover the amount which they have, which is really small, and I think, speaking quite frankly, I think it is inexcusable of them to put that in your lap, and I think it would be - I don't see on what grounds you should give yourself one moment's concern as to how they raise the money that is necessary in the next six or eight weeks. It is the British Empire after all.

E.K.Jr:

On the other hand, Harry, if I hadn't done what I did last week we wouldn't have gotten to the point today that for the first time at 2:30 they tell me they are ready to sell their direct investments. If I didn't get an investment trust group together here, there wouldn't be anybody to buy it. As I told the President today in no uncertain terms, once I have introduced them to the investment group, how they do the business is their business. But it was only today that I understood from Purvis that they - that the message they got last night, the treasury turned them down and they only got a telephone confirmation at 11 this morning. There is great, great pressure, you see, just as I have been explaining over the weekend, to hang on to these things.



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White: Do you think that the Secretary can divulge that information which they have given him without the British Government's permission?

Foley: No, but he has got to tell the British that he can't go down there and expect success there unless he is able to make complete disclosure.

H.M.Jr: I did this morning.

Foley: He has got to have his hands untied when he goes down. He has got to be able to use it as he sees fit and as the situation develops down there, all or a part of the information they have given to him.

H.M.Jr: Ed, I served notice on Sir Frederick Phillips today that I can not go down there unless I am prepared to tell all. I am going to do the best I can.

White: You have that permission?

H.M.Jr: No, I have done it and he simply said, "Well, you have done so much for us," or words to that effect, "that we have just got to leave it to you."

White: I would be inclined to get their express permission to divulge this information because I am a little in disagreement with Ed. I feel that the repercussions of this - the British public is going to - the statement that they are going to be all out of funds, that they practically have no cash now, no gold left - I don't know what the moral effect of that would be. It might be quite dispiriting with this new group demanding an end to the war on the left and on the right wanting to appease them - it is a certain responsibility that I should think I would be inclined to be a little reluctant to take without their express permission.

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- Bell: I think we ought to get up statements to go along with your prepared statement and the British ought to approve them.
- Foley: I do too.
- Cochran: Fix up a statement to go with this first balance sheet, have his introduction and this first balance sheet, then have this other statement such as we worked up two or three days ago showing the exact situation at the end of February and get the British approval to submitting that, if necessary.
- H.K. Jr: Well, Foley is right, I think. There are two ways to do this thing. If the Committee feels they have to draw it out of me inch by inch, that makes a bad impression, but if I go up there and simply say, "Now, gentlemen, there isn't anything that you can ask me that I am not prepared to tell you - now, I am here, realizing the seriousness of this thing, and am authorized by the British Government to tell you everything -- now, don't hesitate;" but if I say, "Gentlemen, I don't know about that one, and I don't think I can answer this one, and wait a minute, I have got to ask my lawyer about that one -- Danny, what do you think about this one" - they would say, "Good God, what is the matter with Morgenthau." You know, if you fellows think before I get through, I am going to have to do it, then I might as well do it and do it--
- Foley: Come clean.
- White: I don't see how a Congressman or a Senator is going to let you get away without answering his question as to how much cash they have got.
- Bell: If you don't do it here, you certainly are going

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to have to do it in the Senate.

H.M.Jr: Then you know how the House will feel?

Bell: That is right.

H.M.Jr: And then when the thing goes back, after they have changed it for concurrence in the House, they will give it to us there. The whole purpose here is to give me a chance to think, and I think the thing to do is to get up the facts and say, "Gentlemen, this is what I am going to do. I want you to initial it."

Cochran: If you are going to give a straight statement of what they have, I hope you will stick to what they had in this statement the other day and not go on to what they might get from Canada. They sent a man to Canada and got a very negative reply. This thing of getting gold from India would cause a revolution out there if they tried that and so on.

H.M.Jr: I am with you on that. What I did Saturday at the House, when they have the 650 million gold and the Belgian gold and the Dutch gold, what they have got outside of that, I don't see any reason why we have to go into that. If we show their cash position and show that they haven't got cash enough to run out the month without selling these securities, and then, as I say, all the rest of the stuff, I don't see why I have to go in there.

White: Isn't there a half-way position? I quite agree with you that if you can indicate that the assets which you regard as available are adequate to cover the commitments which you knew before, from that point on I don't think you are called upon, unless you wish to, to state whether their assets you regard as available. That is a very dif-



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ferent thing, however, from stating, either in response to a question or, if you like, in properly prefaced statement, that they may or may not have access to the following assets, or these are the assets of their allies. These are the assets of their dominions. By so doing you don't say they are available, but you give them the facts rather than having somebody else give them to them.

Cochran: But you put the burden on other people trying to have them give them. You don't know the British are going to get those assets. But you put the burden on the British of trying to do it and you slow up the whole thing, I am afraid.

H.M.Jr: I don't follow you Merle.

Cochran: If you say, "This is what they have, but still they might approach the dominions for loans, they might get gold that is hoarded in India," I think you give a lead to them there which they would be prone to follow up.

H.M.Jr: I don't think that is necessary. I don't think it is necessary to say that they have so much gold in India and so much gold in Africa. What I had thought of saying is this: "To the best of our knowledge the total assets of the United Kingdom, outside of the United States, is in the neighborhood of 10 billion dollars, some of which they can realize on and some of which they can't."

White: Well, 10 billion nominal value. The actual value is very uncertain. Some depends upon the outcome of the war, and how long.

H.M.Jr: I know, but that is a rough figure.

White: I think it would probably be more nearly accurate,

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and certainly wiser, to say that that is the nominal value, not the market value.

- H.M.Jr: That is all right. You know what I was thinking, in order that they could get this message off to their Government tonight, what would you think of having - telephoning - I know that they have a dinner at the Embassy, but I could get hold of Playfair tonight and then he could give this message so they could get off a cable that I want authorization. Playfair is the man.
- White: Specific authorization to tell them whatever they have told you in regard to their assets. Then the responsibility is theirs for the effect of it and not yours.
- H.M.Jr: If I give it to Playfair, he can give it to Purvis.
- Cochran: He would get any approval he needed from his superiors here when he sent it off.
- H.M.Jr: He would give it to Purvis when he was through with the dinner tonight, wouldn't he?
- Philip, do you mind going to the phone and trying to locate Playfair and ask him to come to the house?
- Young: Yes.
- H.M.Jr: If they can't get Playfair, then Pinsent had better drop over.
- Young: Right.
- White: I don't think it is necessary to give them this information, but with your purpose, which you have stated and which I think is the way to approach this problem, they will ask you the questions. Now, if they don't ask you about

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the Empire holdings, you don't tell them. If somebody asks you, however, how much gold does India have, I don't see how you can say you don't know. You can say you will give it to them. If they ask you how much gold has France got in England, you will give it to them. You don't say at that point or at any point that that is available to them.

Bell: But you leave the inference.

H.M.Jr: My feeling is that any question that they ask me about the British Empire, I should say, "Gentlemen, I will give it to you."

Foley: That is right.

White: That is the point.

H.M.Jr: And I don't believe - if half the story is true about their morale, then the fact that they are busted I don't think is going to make them quit any more - if those fellows could go through Dunkirk and then face the Germans with nothing, the way they did for three to six months, I think they can go through this thing, only knowing that they are going to get it from here.

Foley: That is right, that is right, but the chips are down on that, Mr. Secretary, and they are sunk anyway, and if you try and you don't get this thing, they are through, but if we get it for them, they can keep on going and therefore it seems to me that the risk is only one of not getting this, and you can't afford not to be frank and not to be candid, irrespective of the effect it may have.

H.M.Jr: I told Purvis today in the office - after I said it, I said that was an exaggeration, but I said by the time that Halifax gets here, which they



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say is a month or six weeks, the war will be won or lost.

Cos:

That is true.

E.M.Jr:

I say it is a slight exaggeration, but it will be won or lost by the time he gets here. They don't think he will be here for a month or six weeks now. What do you think?

Mrs. Morg:

Well, I think it is much more important as to what effect you think this is going to have on Congress than what effect it is going to have on England, because, after all, your whole point is to get this thing from Congress. The English can take care of themselves, and they can interpret it to suit their own public opinion, but for that reason I think you ought to have a very strong first statement if not the one that Ferdie Kuhn read, something in your own language, and then a very full statement of facts so that they can't pull out questions piece meal from you, because so often testimony looks so bad because they will ask one thing and you will have a lot of unfriendly questions - I mean the people who will ask the question are the unfriendly ones who will try to jockey your answers into being unfavorable; and, therefore, I think it is much more important for you to have a very full statement.

E.M.Jr:

But you wouldn't give that one?

Mrs. Morg:

I wouldn't, for instance, give your views on peace or war, I mean, I don't think that is your business, but I would give a pretty clear statement, and I would give a very full statement of all the facts that you want to get over to them before they ask you, because I think when they ask you, they will ask you in such a way that your answers may look very unfavorable.

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White:

Mrs. Morgenthau, nine times out of ten that, I think, would be the correct approach, but I will tell you why I think this is a separate case, because I believe that the Secretary should confine himself in his whole testimony to what may go under the name of facts, whereas, ordinarily, he is jockeyed into a position with regard to opinions, in this case he can give them all the facts and no matter what questions they can ask him, if they bear at all on England's position, he has the answer. Either the answer such as they have given to him, and he will clearly distinguish between the information which they have and the information which is available everywhere, but I think that in every case the questions will be of that character except of a different category of questions entirely in which they might ask him, even if he read that or if he didn't, "Do you approve of this bill?" "Do you think that that is all they have?" and things of that character, which they will ask him anyhow, which the statement won't avoid, whereas if he attempts to give them a full statement, he meets with the difficult problem: "What shall he include in the British assets?" "Shall he include their investments elsewhere?" "Shall he include what their allies have?" "Shall he include what the dominions have?" and by his very inclusion or exclusion, he is taking a position which makes the most for the Congressmen or the Senators to harp away. They will say, "Why didn't you include this and why didn't you include that?"

Mrs. Morg:

I wouldn't give any of their assets over here. Let those be given through questions, because they might not ask you.

Sen:

Don't you think there is a point to what Mrs. Morgenthau says, that you get a connected picture of the facts if you put them in your own state-



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ment and those facts - I mean the point to the facts is that they are persuasive without being humanitarian. If you leave it to terms of disjointed questions, you are going to get one question on facts and the next question on opinion, and you are going to have a completely mixed up picture where you are going to have to do quite a construction job to get a connected picture.

White:

Supposing he were to say, "I am here to give you any facts that you want, and I have prepared for you a statement of what their outstanding orders are, of what their anticipated expenditures are, and of what their anticipated income is. I also have prepared here another statement of their dollar cash position and their investments in the United States. I have those prepared, and give them. Now, gentlemen, if there are any other questions relating to the British financial position, I will be glad to give you the answers if I have them." And I think I would strenuously avoid speaking for the importance of it. The facts speak for themselves. Strenuously avoid taking the position that we have got to help England maintain herself. That is so obvious that other speakers will stress that. I think in that way, any question they ask - if they ask him how about the British investments in Latin America, all right, we have those. The question of their market ability is a very dubious one, but here they are, a nominal value, and he can have something prepared on that. If they ask him about anything else, he can approach it that way, and he is expressing no matter of opinion at all. He is not expressing any judgment which makes it vulnerable to pressure. Now, they may ask him, "Don't you think that the British ought to first borrow from the dominions rather than us?" Well, he can answer that as he would like, but I am inclined to think that in



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this particular situation, it is better for him to have that small amount of material and answer any questions they like, and then he is not in any position of either defending the British Empire or of being either hard-boiled or not. He is stating the facts as they are. That is the situation. And he is making his plea, and I think that is where we might - he might have a prepared statement. Pointing out, when he takes this table, the first statement, and he distributes it and says, "Gentlemen, I want to call your attention to the fact that the commitments on the outstanding orders were on January 1<sup>st</sup> - or he can refer back to December 1, which I think would be better, "were one billion three. At that point I called attention of the various Cabinet members to the situation because, in my judgment, their liquid assets were not much more than that and it was necessary to - that I - my first responsibility is the protection of the American manufacturer and to see that they had sufficient foreign exchange to protect that." I mean a prepared statement on that. That is his responsibility. And beyond that - the character of these questions that were laid to the British financial situation I think are very different than the tax program or a budget program or any of those questions which they can push him around on.

Mr. Morg:

You assume that they will only ask him questions that are purely financial? I mean, after all, the reason for putting through a bill and lending money to a country which is financially at rock bottom - you must justify it by the reason that - why you think it is a good policy to continue giving to that country. Therefore, I think you should have something of that kind in your introductory statement.

White:

Well, they will ask him that. I imagine the

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most effective answer to that can be very simple. "Gentlemen, unless you extend them aid, they can't keep fighting."

Mrs. Morg: That should go in first, though, I think, as to your reason, because this is going to go all around the country, isn't it? I mean, the Congressmen want support in getting this bill through from their own people at home. If you give them an awfully sort of jumbled thing which they can't piece together, I think it makes it that much harder for them.

Cochran: But Mr. Hull was undertaking to make that part of it, Mrs. Morgenthau.

Mrs. Morg: But they are not just going to leave Henry and not ask him the questions because they are going to try to embarrass him, the opposition. That is what I would think, listening to some of these radio debates between the senators.

Cochran: I heard that last night.

Edwin: But Mr. Hull won't deal with the financial reasons, and there are also financial aspects to the continuance of the war. That is, the continuance of the war is now dependent on the assurance.

White: In the presence of Secretary Hull and the Secretary of War and the Secretary of Navy, I don't think it is the Secretary's place to take any position as to whether it is necessary or not. Each one has a contribution to make. I think his contribution must be to make clear that this is what they need and this is what they have got, they haven't got enough money, and obviously they will need more money and beyond that I think the function to sell Congress or the committee, the other aspects should be left



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for the other members. That is their job. It is the Army and Navy's job to show how important it is to keep England fighting for our defense, et cetera, and it is Hull's job to show how important it is for our foreign policy, and the President has already made it clear and Congress will make it clear, and I think that nobody - you see, nobody can share the Secretary's responsibility on this matter, the financial aspect, and if he covers that, I think that is all he should do.

Kuhn:

But you just said before that somewhere in this statement ought to be the statement that we ought to have this in order to keep them fighting.

White:

Only in response to a question. His personal opinion - if they ask him why they need this money, it is very easy to answer. But why do you think we ought to extend them more aid? Well, the simple answer. It is a different matter when they ask him a question, you see, than when he makes a statement which goes a little bit out of his baliwick. It is not a matter of stabilization, it is not a monetary matter, it is not a fiscal matter, it is not a lending matter, the question as to whether England keeps fighting or not.

H.M. Jr:

There is one thing I want to introduce at this time, is the thing which - I mean, I may have said it to some of you, but I want to say it to all of you, the argument that Hull uses against my doing this, you see, that you can have it and you can argue about that a bit. He says if I go up and tell the facts the way we are talking about here, he says, "Then you are just proving that everything that Joe Kennedy said was so, that they are through, they are busted, and why throw good money



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after bad." I just want to give you his argument.

Whitaker: It can't be both.

H.M.D.: Wait a minute, Harry, just give somebody else a chance.

Kuhn: Kennedy said two things. He said, "They are busted and they are through," and the two are not synonymous.

Foley: I agree with that.

Kuhn: They can be busted and win the war, but Kennedy added, "They are through," which you don't agree with one second.

Whitaker: Well, they both can't have money and need it. If they need money from us, it is because they haven't got enough to carry on.

Kuhn: That is all right, but that doesn't mean they are through.

Bell: I think Kuhn has the answer, that they may be busted but they are not through.

H.M.D.: Of course the way I feel, we come back on it, to get this bill through, and that is this: I think you have got to shock the American people into the fact that England is busted financially, as far as cash goes, and then the Congress has got to decide, do we want to give them eight, ten, fifteen, or twenty million dollars worth of merchandise? I mean, give them the shock, not let it leak out, give them a shock, and then let the Congress decide, do we or don't we. I don't think there is any other two ways. If they drag it out of me, I think it is bad. I think they ought to get it

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in the first 10 minutes, and then they have got the shock, that is the way the President knew, that is what he knows, and that, gentlemen, is why he has taken this extraordinary action to ask for this thing.

Foley: Well, this Congress is defense minded, and this Congress realizes that the defense of Great Britain is vital to our defense, and I believe that if you show them the necessity for doing what we want them to do, they will provide means to do it, no matter what the costs.

H.M. Jr: I think so, but I may be crazy.

Cochran: How do you think, Ed? Do you think their enthusiasm would be chilled if during that period the British would suffer a terrific beating or attack from the Germans, after we had made known all this?

Foley: No, I don't think so. I think that would just rush it through.

Cochran: I mean if the thing may properly take six weeks to get through and in that six weeks you may have a terrific attack.

White: Well, I don't see why—

Foley: The Germans know this, Merle.

Cochran: Well, I am not sure they know just how low they are financially.

White: I don't think anybody would believe it. Moreover, I think we have got to distinguish between what they claim and what we know, because this is what they say. It is possible to check up. It does seem unusually low. There are several - there is anywhere from half a billion to a billion dollars you just can't account for, but I don't

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think the Germans know that is low either. What I don't see is why that should effect their - unless they feel that the British people would be so shocked by it--

Cochran: My question to Ed was whether it would chill the enthusiasm of Congress to give an all-out assistance.

Foley: I don't think so, Merle. You never can tell, but my judgment is that it wouldn't, and I think that if the attack - the all-out attack on Great Britain comes while this measure is on consideration, this will do more than anything else to hasten its passage. I think they would sit nights to put it through.

Isahn: I would like to ask you sometime, Mr. Secretary, about what figures ought to go in this statement, not only to satisfy the objectors in Congress, but also to help in putting your case across.

E.M. Jr: This is the thing where I disagree with the President and on the basis of all the truth and nothing but the truth, if they say to me, "Mr. Morgenthau, how many orders do they want to place here, what do they amount to?" I am going to tell them.

Don: Won't you have to add that it is a fast changing picture and by the time the legislation gets through, you won't know definitely?

White: It is a changing picture upward, and the President's reluctance to show the magnitude, so if he starts with the picture as he has it, and if you start in by saying it is a fast changing picture, it can only change one way and that is worse.



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- John: Isn't it also a selling point with the public to show what the British have put in here in cash, in orders, to expand plants, to give employment and so on and so forth?
- Wm. Jr: I think it is a dead turkey. I think it was all very good when the airplane industry employed a few thousand people, but I think today the thing has changed so fast - I used that for all it was worth two years ago, but I don't think they are interested today. I mean, they read every day, 80 million dollars for this plant and a hundred million dollars for this. I think it is past that.
- John: You don't think in Hartford, Connecticut, or Boston, or Buffalo that it would have any political effect to know that this or that plant, which employs five thousand people, has been helped by the British?
- Wm. Jr: I think what would happen, if Dallas thought they might get a plant and didn't and Fort Worth and Oklahoma got one, but if Dallas and Houston and New Orleans thought they were going to get them out of this, that might interest them, but not what was gone behind.
- John: It has never been told.
- White: About a half a billion dollars.
- Young: That might have some effect on a quantity basis rather than a dollar basis in the future, not what has been done.
- White: I don't think this bill can be sold on the basis of the economic aid it is going to do the United States.
- (Mr. Pinsent entered the conference.)

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H.M. Jr:

I thought I could tell you this and then you could tell it to them after they are through convincing these other gentlemen. After talking here with my advisors, we feel - whether I like it or I don't like it - that when I go up on the Hill, I am going to have to give them an accurate picture of what the English financial situation is. They feel - at least they have convinced me, that lacking that, we can't get the bill through, that I ought to do it willingly and not have it drawn out of me, but that is what they expect of me, and, as a matter of fact, they only got the bill - the minority leader Martin came to an agreement to have it go in that committee if he is given ample time to cross-examine. Now, we have figures which you have given us in confidence. As I say, this is only my judgment after listening and having thought about this thing for days and nights, that I ought to be prepared to go up and say that I am authorized by the British Government to say that these are the figures which they have furnished me, you see, and that means that anything that I have. Now, I am not thinking necessarily, unless I am asked, how much gold have you in India, how much in Canada, but if I am asked those questions, I want to be prepared to answer them. And I will volunteer to show what your cash position is, and when you are going to run out of cash and the whole thing because we don't think - I am talking for myself, having given days and nights to this thing - the only way to get this thing through is to convince these people, just the way I am trying to get Phillips to convince the others, that you haven't got the money, and if we can do that, then it becomes obvious why Mr. Roosevelt took such extraordinary steps as he did in recommending this legislation, but I want to be able to do this thing and not have it drag out, not have to run down and say, "Can I say this, can I say that," but do it openly as though this was something that I take it perfectly for granted that the Congress of the

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United States should know.

Yes, yes, I realized that we should be faced with this problem.

Well, now, I said this thing to Sir Frederick. I didn't put it quite - what I said to Sir Frederick is this: "I am telling you that when I go up on the Hill, I am going to be asked a lot of questions and you will have to trust me because I may have to say - give out the information that you have," and he was kind enough to say, "Well, you have been such a good friend, but our people here thought I ought to do it more formally."

I see what you mean. I think we have—

That I ought to do it more formally and get a formal answer from you saying that when I go up on Wednesday that the British Government is willing that I do this?

Yes. I think we have it from London. We have someone back already pointed out to them that it would be quite inevitable. In fact as I personally feel, it is quite up to us to put ourselves entirely in your hands and leave it to your discretion as to what you will have to give and what you are not obliged to give.

If it is left to me after tonight's talks, I am going to have a statement prepared which we will be glad to show and would like to show you. We will start on it early tomorrow morning. I am going to offer that because, as I say, I know I am repeating myself, but lacking complete frankness on my part, we don't think there is a chance to get this thing through.

Is the day fixed yet?



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- H.M.Jr: It is Wednesday, isn't it?
- Foley: That is the last I heard.
- H.M.Jr: Wednesday.
- Finsent: Well, I think I will get a cable off, Mr. Secretary. You feel that you would rather have that agreement rather than do this without it?
- H.M.Jr: Well, that is what the people here thought, that what I said this morning to Sir Frederick wasn't sufficiently formal and that I ought to get a formal release, you see, say, "Well, whatever we have given you is" - because what the repercussions will be on your own people, that you will have to decide. But as somebody said here tonight, my job is to get this bill through, and I am a thousand percent sure that I cannot get it through or can't contribute toward getting it through unless I tell what I know about the British government's financial position. Lacking that, I don't think there is a chance of getting this bill through.
- Finsent: Yes. The session will be closed--
- H.M.Jr: No. They are going to be open, and they had much better be open because then they will get my own interpretation from my lips and not get it second hand and distorted, because if I told this in closed session, somebody would leave the room and it would be on the wires before I got out.
- Finsent: Yes, sir, and in garbled form.
- H.M.Jr: No, they insist on an open session, and I understand that Mr. Hull is insisting on being heard in the open and I wouldn't talk these figures unless they are open because then at least the newspaper men are going to get it from me and

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not get it from an enemy of this bill.

Pincent:

Yes.

W.L.Jr:

So this is going to be open and 15 minutes after they start they are going to know what your financial position is, and this is such a major thing that I want your Government to know it. I am convinced that unless I go the whole way and have a free hand, I can't get this bill through. Now, we were saying here, if you people can do what you did after Dunkirk, I don't think that whether you do or don't have the cash, it will make any difference, knowing that it is coming from here, the munitions.

Pincent:

I feel absolutely, myself, Mr. Secretary, that we are in your hands. It is not for us to say what attitude you have to take.

W.L.Jr:

But you know how I have always guarded your secrets.

Pincent:

I know that very well, and it is my own feeling that it is for you to judge how far these things have to be treated as secrets or how far they have to be treated as necessary to be used in a situation like this. However, that is a question we must put to London quickly.

W.L.Jr:

I think so, and there ought to be an answer just as soon as possible.

Pincent:

Yes. Well, then, if I may, I will take that back to Sir Frederick.

W.L.Jr:

You are at dinner there, aren't you?

Pincent:

Oh, well, we were talking and were fully speaking - it won't take a very long telegram, I don't think.

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- Foley: You want specifically two things, don't you Mr. Secretary? You want the clearance of your formal statement by the British and also authority, formal authority, from the British Government, that the information that has been communicated to you in confidence you may use as you see fit before the committee.
- H.M.Jr: I didn't think I wanted the clearance of my statement.
- Pinsent: I should rather suggest treating that, if you want to consult Sir Frederick, treat that as a matter for local consultation between you and Sir Frederick, I mean--
- White: Well, it is the second one.
- H.M.Jr: I want formal word from the British Government saying, "Mr. Morgenthau, the information that we have given you is at your disposal in any way that you think is necessary in order to get this legislation through." Now, as to what I am preparing to say, why then when we get it in form, I would like you and Sir Frederick to come down and go over it and get your advice in the Treasury, but I don't expect London to pass on it.
- Pinsent: That would be impossible.
- H.M.Jr: But you can tell Sir Frederick that you will see my prepared statement before I give it.
- Pinsent: I almost feel easier for us if we didn't even tell London that because it will make it more difficult for us.
- H.M.Jr: That is all right. I don't want to put that. All I am asking is for a formal release.



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- Pinsent: Yes. I will go back straight and see Sir Frederick, Mr. Secretary. Can we still communicate with you for a short time if there should be any question.
- H.M.Jr: Well, everyone of these men - I am going to give them 20 minutes to drink this drink so they will be out of here at a quarter past 10. I am glad you asked me the question, you see. Fifteen minutes over time, you see. By a quarter past 10 the house will be dark.
- Pinsent: If there is any question, I will be back before then.
- H.M.Jr: Then we will give you a drink.
- Pinsent: Is that the best way, if I came back?
- H.M.Jr: Yes. And there will be a drink here for you.  
Have you a car?
- Pinsent: Yes, I drove my car.  
(Mr. Pinsent left the conference.)
- Foley: There shouldn't be any misunderstanding on a matter like that.
- H.M.Jr: I told it to him once. I, personally, don't think it is going to have a bad reaction.
- Kuhn: Over there?
- H.M.Jr: Yes.
- Kuhn: Only in the city, that is all, for a moment.
- H.M.Jr: And their market isn't open anyway, is it? They had better close it the day I testify.

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- Bell: Well, this gives them an opportunity to make a statement before hand.
- E.A.Jr: That is right, I thought of that, too. I dreamt that one, you know.
- Bell: So did I. I have been asleep too.
- Cochran: We have got competition here now.
- Bell: All these dreams that go around the Treasury are really something. (Laughter)
- Did you see the Federal Reserve had another article on this month's bulletin?
- E.A.Jr: Wait until you see the personal letter I got from Harriner Eccles tonight, three pages.
- Cochran: About the bond market?
- E.A.Jr: No, he doesn't think I have been cooperating with him. Somebody told him I said a nasty word about him.
- Foley: His conscience must bother him.
- E.A.Jr: And he brings you (Foley) and Lauch in, too. He had forgotten all about it was our suggestion. Not you, he went to see the President.
- Foley: I thought you said Dan Bell was in.
- E.A.Jr: Well, it will take a day to answer that one. He has got a couple of nice points in it, too.
- White: Is that where he brings us in?
- Bell: That is where he brings in White and Currie.
- E.A.Jr: I see by the Wall Street Journal, he says that

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you are thinking of putting in a bank holding bill, not that I know whether it is so, but we have something to do with bank holding legislation. Why didn't you consult me?

Foley: Carter Glass said he didn't want me to.

Kuhn: I hear you made the newspapers happy.

H.M.Jr: Somebody planted a story on me about inflation, and I said I would have told you this long ago but Harry White didn't want me to sound off. I got suspicious of who put a job up on me, too. I got that across, and then I said some nice things about Leon Henderson. I am serious, what a wonderful job he had done and under what difficult circumstances, and the UP ticker didn't have it so I called up Leon and sent the press conference to him.

He was home at 5:30.

Foley: He was home all day.

H.M.Jr: I sent it over. But I did say some nice things. I said Mr. Bell has a committee in the Treasury working on this.

Bell: That ought to go big too. More committees.

Cochran: Couldn't the Secretary address us sometime, Dan? He hasn't honored our committee.

Bell: I think he ought to quit. Inflation is already here.

Mrs. Morg: Young Henry happened to be making a record. He has the same kind of machine in Cleveland that we have here. He made a record and mailed it to



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us. He said he thought that if it worked well, it would save telephone conversations.

Tele: Save writing.

Mr. Pinsent returned and held conversation with the Secretary in the library.

Tele: That is what he said. He said that Phillips' answer unhesitatingly was yes, but he wanted me to realize that if we didn't get the legislation through, once having given the information to the public, that they were through.

Tele: They are through anyway.

Tele: So I said, "Well, I personally was absolutely confident that the legislation would pass and that -" then he said they were working on a statement for us, which was Purvis' idea to try to show, going back to the beginning of the war, how they got this way, would that be useful? And I said, "Yes."

Tele: But they were perfectly willing to have us use it?

Tele: Unhesitatingly.

Tele: They are wiring back home?

Tele: Yes, tonight. But he has said if they don't get it through--

Tele: They are through anyway, so don't let that bother you.

Tele: That is not bothering me.

Tele: Well, I wouldn't say they are through.

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- White: I wouldn't say they are through.
- Bell: They could go over to Canada or Australia and continue this war.
- White: The answer is, they will be through if they don't get it.
- H.M.Jr: Just as a matter of population, a matter of factories, you can't, on a little bit of an island, manufacture enough munitions to fight the area which is now covered by Germany.
- White: And certainly the people would not - the forces seeking for peace would unquestionably be able to--
- H.M.Jr: You can't do it. If their factories could be spread out, but concentrate all those factories in a little section with all the convoys having to go through between Belfast and Liverpool and down through that north channel, and these poor devils can't even take Ireland. Even if they had Ireland, it would be better.
- Mrs. Morg: Don't you think if you gave the statement, even though they give you complete permission, it is much better not to say that you are giving it with their permission?
- Cox: I should think so.
- Cochran: I think so.
- Mrs. Morg: Because that leaves them much freer at home for their own consumption to say what they want.
- H.M.Jr: I am not sure.
- White: I think you have got to do that for your own protection. There may be commentators in town, otherwise, who might criticize you for doing that,

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saying that you are exposing Great Britain to a situation in which the enemy knows what her assets are, so that I think that at sometime later you would be - have to say that you did it with their permission and why not say it to begin with.

Cox: You could say it was done with their authority.

White: Well, I mean if it is going to come out in any case, why not right at first.

Cox: I think the feeling is that after all the Secretary is a Government officer testifying in our own national interest and he ought to be able to do what he wants to with or without the authority of the British Government in terms of the really wide-spread aid that is going to be given to them.

H.M.Jr: There is this difference. This is their information I am peddling.

Cox: That is right, and given in confidence.

White: It is different if you are giving your statement of what they have got, but I take it what he is going to give them is what they have submitted to him and it is really of so important strategic nature that I think some where along in that either in response to a question or some where you have got to indicate--

H.M.Jr: Oh, this is a terrific responsibility. I realize that. I mean, here you are talking about the British Empire, the Rock of Gibraltar, and the Bank of England. I had the greatest difficulty in saying it to him in there, that what I am proposing to say is that they are busted. It is just - go back how many years with you (Stewart) sitting over there in the Bank of



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England. This isn't something that I do lightly, but as Mrs. Morgenthau said, "What is our objective?" Our objective is to get this bill through.

White:

England has parted with between two and a half and three billion dollars since the war has begun in dollar exchange and its equivalent. I don't think they are busted.

H.M.Jr:

Well, Bill Bullitt always told me that the day that England, as he put it, welshed on their debt to us was the day that they crossed the Rubicon. He always figured from that day on they lost prestige all over the world.

Kuhn:

There are two points that Professor Stewart raised. I wonder if I could ask him before the party breaks up whether it wouldn't be a good idea to remind the committee of the French holdings here which suddenly vanished as far as the British were concerned and caused them to find themselves in their present position, and the second is, don't you want to deal with the direct investments here so as to remind the committee that these investments which look so large are in reality not all marketable and that it wouldn't be desirable to have them all dumped at once?

H.M.Jr:

Good point.

Kuhn:

Now, Oscar has written a passage there which you might like to have him read. It is a short one on that very point.

H.M.Jr:

All right, go ahead, Oscar.

Stewart:

May I make those points just a little differently? What I was saying when you went out was this, that I think a committeeman might even feel as the American public does, how can it be that the British Empire has reached the point where it is

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as short of money as to require this bill and why did they get short of money so much earlier this time than they did last time? I think the answer is that you are not telling about the British Empire assets. You are dealing with dollars. Those dollars represent gold, foreign exchange and investments. The other is that the last time you did have an allied cause and you had it until June of last year. You were making orders, as you said, against a total asset, so if you are going to tell that story of the total, I would put the total assets there and have that just drop out of the picture the middle of last year, so that you are dealing with the thing as an increased burden with a diminished asset compared with the last war.

H.M.Jr: "An increased burden with a diminished asset."  
That is a good phrase.

Cochran: The British put it this way: "It should be borne strongly in mind that since the unexpected French collapse six months ago, the burden on the British of financing the war has been doubled and the resources halved."

H.M.Jr: I think that all of that, Ferdie, if you could take tomorrow morning, never mind about the balance sheets, and take what you have listed here and sit down over again and leaving it more, not I, but the Treasury, and we and so forth and a little bit more impersonal, see. I think if you could take what you have heard here tonight and try it once more in the morning.

Edna: Sure. I would like to hear this before we--

H.M.Jr: This is Oscar's swan song.

Cor: The difficulty with it is that it is opinion which is away from the fact.

(See Attachment 3)



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"Forced liquidation of all of the holdings of the British nationals in this country at this time would have serious disadvantages to us. Many of the holdings of these British citizens is in companies like Dunhill's and Jaeger's, whose main business is to distribute English goods in this country. They have primarily a going concern value. If they were forced into liquidation, their value would be nominal. If all of the other holdings were liquidated immediately, they would disrupt our securities and other markets and would drain the resources of the British so that they could not quickly acquire indispensable resources in other parts of the world, such as South America.

"At the same time, such an immediate and forced liquidation of all of the assets of British citizens would tend to weaken their will to resist the aggressors. If the United States required all of their assets now, some of the English whose property was being so used might feel that they would rather appease the dictators by giving up some rather than all of their property.

"Wherever it is possible reasonably to do so, Britain is ready and willing to liquidate the holdings of its people in this country. Since last fall it has been liquidating the securities in American companies held by its nationals. A special representative is now on the way over from London to take the necessary steps to liquidate British direct investments wholly owned by British citizens and doing business in the United States. This liquidation will proceed as expeditiously as possible from the standpoint of our national interest.

"The lend-lease bill supplies the methods by which most of these disadvantages, of immediately stripping Britain of her overseas investments, can be eliminated. If it is deemed wise and



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practicable for us to take the non-liquid holdings of British nationals in this country as collateral, that can be done under the proposed legislation. Under the proposed legislation, the President can also, for example, authorize the Army or Navy to supply airplanes to the British in exchange for rubber, tin, nickel or the various other materials which the British produce, over a reasonable time. In this way we can get the many things which we seriously need and cannot produce. We can also get them without disrupting our markets or forcing them into appeasement. In this and other similar ways we shall also keep open the channels of international trade so that they may be readily available to us in the post-war period. At the same time our workmen will be trained and employed, and our production capacity will be expanded and ready for our own direct uses at a moment's notice."

- H.M.Jr: The first part that you read, up to the time that you got down into - if they forced them that they might want to go into appeasement, just that first part, down to there, I mean that was factual.
- Cox: That is right.
- White: Factual, but it wasn't true, part of it wasn't.  
(Laughter)
- H.M.Jr: I liked it, Oscar.
- White: When it is corrected, it will be more in accordance with the facts.
- Mrs. Morg: The second part, Henry, was just the thing we had all the argument about over the weekend.
- H.M.Jr: I say if you take all these good things away from them, they will say, "What the hell, we might as well quit now."

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- Mrs. Morg: And then these people would say, "Are we going into this thing for the sake of the appeasers."
- H.M.Jr: I think I ought to keep away from that. I think there will be plenty of that. As I say, I like that first part, that kind of thing.
- Edna: It should go in.
- H.M.Jr: I think so. Harry will make it factual.
- White: Well, more nearly true. I think something of that kind can go in if it is qualified sufficiently.
- H.M.Jr: That is purely financial, kind of dry and you know (Laughter) - I think that is all right. When you get into that appeasement stuff, no?
- Bell: Shouldn't you put in this statement, that the urgency of this bill is that the British can't put any additional orders in until they get it through.
- H.M.Jr: I think that is a good point.
- Bell: And the second is that they may not use all of their assets in liquidating their present commitments, but there will be many things they need which can't be purchased through the War and Navy which will not be standard and therefore they should have some of their assets.
- White: The trouble with that is, that is committing. If you want to take that policy, that is a good point, but the way the present bill is written, you can sell them agricultural commodities.
- H.M.Jr: Now, he (Young) comes in today, for instance. There is a contract with Studebaker and Buick for two thousand horsepower engines. It is just blocked because - well, under the rule of

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think they can't place the order. The Army hasn't got the orders to place. They need the English orders in order to get the capacity and Buick and Studebaker won't sign and here our own program is blocked up.

White:

Well, that relates to his first important point, that they must be able to place orders, but if you say the second thing, it is committing you to a policy that I don't know whether you want to commit yourself to, namely, that they will pay out of their own assets and current income for all purchases that are not directly armaments. You may or may not want to do it, but that is a definite statement of policy which I don't think the present bill precludes. The way the bill is written now, it would be possible to sell them food and sell them on credit.

E.L.Jr:

No, but I think that kind of thing ought to go into the statement. You can give a few examples and just show how everything is blocked pending this thing and how long it takes these things to get ordered.

Kuhn:

To give a specific example, you mean?

E.L.Jr:

You mean you can always put it in and we can always knock it out  
He can give you anything from 37 millimeter guns to a two thousand horsepower engine. He can pull them out of his pocket. He can give you a five-year-old plane. (Laughter)

Young:

I didn't have anything to do with those five-year-old planes.

Kuhn:

Do you want to leave it to Stinson or somebody to say how the British have given us military secrets and so on in the course of this help that we have given them? How they have given gun turrets and so on?



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H.M.Jr: I don't want to get into that.

White: One horse, one rabbit.

H.M.Jr: Who do you think has given up more?

White: Oh, I think the British have given us secrets that are invaluable. (Laughter)

H.M.Jr: All right. We will stop.

Now you and Cox are going out and make this fatuous. (Laughter)