

DIARY

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The Secretary of the Treasury, by this public notice, invites tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated June 25, 1941, and will mature September 24, 1941, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, June 23, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on June 25, 1941.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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June 20, 1941  
9:30 a.m.

GROUP MEETING

Present: Mr. Haas  
Mr. Thompson  
Mr. Odegarde  
Mr. Blough  
Mr. Graves  
Mr. Schwarz  
Mr. Cochran  
Mr. Gaston  
Mr. White  
Mr. Foley  
Mr. Bell  
Mrs. Klotz

H.M.Jr: Did you see the Viscose story on the front page of the New York Times this morning?

Foley: Fairly accurate, I should say.

H.M.Jr: I thought it was Peter Odegarde that talked. No, I think one of the seventeen people.

Foley: I think probably that is the way it started and then they followed it up.

H.M.Jr: I just want to announce - what is that?

Odegarde: All I know is what I read in the papers.

H.M.Jr: This meeting that they are doing on the English, I would like to sit in on the one Monday, so the Monday one I would like to have in my room because I would like to try to clean it up.

June 20, 1941  
9:35 a.m.

HMJr: Hello, Frank.

Frank  
Knox: Say, Henry, I just got a memorandum from the President which he referred both to you and to me and I haven't got the letter, you have it, so I don't know what it's all about. I just called you up to say that whatever you decided on the thing, I'd agree to it.

HMJr: I don't know what it is.

K: I don't either.

HMJr: But you - a letter from the President to me?

K: Wait a minute, wait a minute, I'll give you the whole dope. "Memorandum" June 19 it is dated, that's yesterday, "Secretary of the Treasury and Secretary of the Navy for a preparation of a reply for my signature. F.D.R." and it says a similar note on the bottom, "A similar memorandum together with letter from Congressman S. O. Bland of June 16 in re need of a training ship for the Coast Guard Academy and suggests acquisition of the Danish training ship, Denmark, sent to the Secretary of the Treasury. Please get in touch with the Secretary of the Treasury", so I'm doing that.

HMJr: Well, you want me to write the letter?

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K: Yes, sure and I'll sign it.  
HMJr: All right.  
K: All right. Send it over as soon as you have it written.  
HMJr: How are you otherwise?  
K: I'm fine, how are you?  
HMJr: I'm all right.  
K: You going up to New York state this week end?  
HMJr: You bet.  
K: What?  
HMJr: You bet.  
K: When are you leaving, tonight?  
HMJr: Well, whenever Cabinet is finished.  
K: That's what I'm going to do.  
HMJr: All right.  
K: All right, Henry.  
HMJr: Thank you.  
K: Goodbye.

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~~and because I would like to try to clean  
things up.~~

(Secretary held telephone conversation with Frank Knox.)

- H.M. Jr: Frank Knox says there is a letter in from the President in regard to a training ship for the Coast Guard.
- Gaston: The Danmark, yes.
- H.M. Jr: I haven't got the letter from the President. I will ask Stephens. He said, whatever I want, if I will write the letter, he will O.K. it.
- Gaston: Yes, The President, you recall, thought that the price mentioned in preliminary negotiations was too high and the Danes won't offer any less price than that to the Danish Government, three hundred fifty thousand dollars, but Compton indicated that if we requisitioned the ship it would be all right, so we have suggested an amendment to a bill that is pending up on the Hill to give us power to requisition the ship.
- H.M. Jr: Well, as soon as the letter comes in, if you will dictate a memorandum I will send it over to Frank Knox to sign.
- To get back to this English thing, I walked down with Purvis this morning and he is very happy. I told him to send for Mr. Clark of the Canadian Treasury, to have him here Monday, with notice he should stay here all week until the thing is settled. I want to settle it next week, you see.
- I wish you (Cochran) would find out from Phillips when he is really leaving, you see,

because you might tell Phillips this, that I am bending every effort to have the thing cleared up so that he can take the message back. Will you tell him that?

Cochran: Right, sir.

H.M.Jr: So I want to know just when he is leaving because I am bending every effort to clean it up so that he can take the message back of the accomplished deal.

White: Did you want the meeting that was scheduled for today postponed until Monday?

H.M.Jr: Oh no, but I thought if you told him at this afternoon's meeting that I am going to sit in and I want a progress report.

Cochran: The same hour on Monday?

H.M.Jr: Three-thirty is perfect. But I want a progress report on Monday. I mean, I wanted to go to town.

Norman?

Thompson: I have this Robert Crawford matter we started on last week.

H.M.Jr: Oh, last week you started?

Thompson: Yes. I don't anticipate any trouble.

H.M.Jr: Who spoke to you about it last week?

Thompson: It was on my tickler.

H.M.Jr: Well, it has to be finished by July 1. Would you give me a report on Robert Crawford by Monday?

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Thompson: Well, I think we can do it.

H.M.Jr: Fine, right.

Thompson: On this Cottrell case, the President may not be willing to grant any time to the extension; Sam Rayburn, you know. Last year he cut us to nine months.

H.M.Jr: All right. Sam says they all want it. I don't know.

Thompson: Mr. Helvering doesn't like to do it because he says there are a lot more efficient men that want to be retained and he has to retain this other inefficient man.

H.M.Jr: Well, when you are Speaker of the House, you are something.

Thompson: Yes. I got the papers up from the Commissioner yesterday, and on the justification, he just left it blank so I have got to fill that in.

H.M.Jr: Well, put it in at the request of Speaker Rayburn. That is justification. "At the request of Speaker Rayburn."

Foley: I will take care of it.

H.M.Jr: What else?

Thompson: That is all.

H.M.Jr: Wonderful. Dan, how is Mrs. Bell?

Bell: Very good. Progressing very nicely. The only thing I have is that on that report you asked me to get up on installment buying, a fellow by the name of Nugent in the --

H.M.Jr: Either I don't hear, or you are all talking --

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Bell: A fellow by the name of Nugent who is employed with Henderson and a man by the name of Parry employed in the Federal Reserve Board have been collaborating and working on that. I haven't had a chance to get in touch with them. Nugent has been out of town. But I will have something the first of the week on it.

But they have done a great deal of work on it. Nugent, apparently, is the man that has been studying that subject for a great many years at the Russell Sage Foundation. He took Henderson's place when Henderson left that institution.

H.M.Jr: I see. All right. Anything else?

Bell: That is all.

H.M.Jr: Blough, have you got a ten o'clock meeting?

Blough: No hurry. No meeting.

H.M.Jr: You fellows got so restless we had to put a new bottom in that sofa. I hope it is comfortable. (Laughter)

Blough: Very.

H.M.Jr: Mrs. Klotz falsely accused Dano, but I said no.

Haas: It was in the middle it broke out.

Blough: Yes, right where I am.

H.M.Jr: Where were we, on the couch? All right? You are in no hurry?

Blough: I am in no hurry. I will take my turn.

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H.M.Jr: All right.

Harold?

Graves: Nothing.

H.M.Jr: I wrote you a letter about sending out Irving Berlin's song as the publisher, and I have got an amendment to make to that, to have ten thousand return postal cards printed and send them out as a test to owners and say, "Would you like to have a copy of Irving Berlin's song," you see. If so, send back return postal card."

If you sent out ten thousand of those - in other words, not force them on them unless they want them. If you tried it out on ten thousand, we could see how many people really want it. Will you go along on that?

Graves: You asked me to report on Monday on that.

H.M.Jr: Well, this part is all right, ten thousand return postal cards.

Graves: All right.

H.M.Jr: I would start that.

White: See that they don't have to put any postage on it.

Foley: Would you tell them they don't have to pay for it?

H.M.Jr: Oh yes. Compliments of --

Gaston: Not even ten cents in stamps?

H.M.Jr: No.

Schwarz: Compliments of the copyright owner?



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H.M.Jr: No - well, you can put something there, that we think it is helpful and we would like - if they would like it, we would like them to play it and show it to their friends in the interest of --

Gaston: We will get an awfully good ratio of returns, I think.

White: If they don't have to put a three cent stamp on.

H.M.Jr: My thought was that this man who is here on the direct mail might write that postal card.

Graves: That would be the way we would do it.

H.M.Jr: And while I am on that thing, I have got another thought. I read last night Dorothy Thompson in "Look", that magazine, which Odegarde brought to me and I wondered if we might not take that article and those illustrations and make it into a booklet. No sales talk except that it has on the front that it is from the Defense Bonds Section. Think it over, will you?

Odegarde: Yes. I would like to think about it.

H.M.Jr: Just take it and put it into a booklet with the very same illustrations, a promotion booklet.

Incidentally, John Cowles was made an overseer of Yale, yesterday.

Odegarde: Was he?

H.M.Jr: Yes.

Harold

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Graves: I have nothing.

H.M.Jr: Overseer of Harvard, I am sorry.

Gaston: Cowles.

H.M.Jr: Harry?

White: Nothing, sir.

H.M.Jr: Chick?

Schwarz: I should yesterday have asked if you had noted John Whitaker's story in the Evening Star. Did you notice it? I have it here if you wish, and will send some copies around.

I just want to point out he is a very good reporter. From Lisbon he wrote of the German economic difficulties.

H.M.Jr: Thanks.

Schwarz: That is all.

H.M.Jr: George?

Haas: I have reviewed this table according to your suggestions yesterday.

H.M.Jr: George, the only reason I asked you to sit in yesterday, I thought there might have to be a rearrangement of the statistics, you see, but until they get ready if they want to change their statistics, there is no particular reason to bother you with that.

Haas: All right, thanks.

H.M.Jr: I thought, as I say, they might have to - you know.

Haas: Yes.

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- H.M.Jr: What else?
- Haas: That is all.
- H.M.Jr: Roy, do you want to read your own memorandum or should I?
- Blough: Anything you like.
- H.M.Jr: All right.
- "This morning the Ways and Means Committee adopted an income tax schedule (the so-called Schedule X) --"
- Does that mean here lies the corpse?
- Blough: No, they were looking for an identification and they put that label on it, "Schedule X." They called it "Madam X" a good deal of the time.
- H.M.Jr: "With rates much below the Treasury rates up to \$12,000 and somewhat higher than the Treasury rates between \$16,000 and \$70,000. The vote was 22 to 2."
- Who were the two?
- Blough: West and Robertson. Robertson wanted the Treasury's scale. I don't know what West wanted, whether it was lower or higher.
- H.M.Jr: "The Stam plan for excess profits taxation involving the reversal of tax deductions, increase in rates by ten percentage points, and a reduction from 8 to 7 percent in the invested capital credit for capital above \$5,000,000 was approved 18 to 17."
- "Mr. Duncan spoke in favor of lower total revenue from the tax bill. Mr. Sullivan replied and pointed out that in addition to other considerations, the full \$3,500,000,000 was desirable to help prevent inflation."

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"Mr. Sullivan left on the 12:45 plane. Both Mr. Doughton and Mr. Treadway insisted that he should go and Mr. Tarleau and I felt that there was no reason in connection with the legislation why he should stay. The Committee has adjourned until Monday morning to permit conferences between the Treasury and Mr. Stam's staff on proposed excise taxes. The Committee will take up this subject next week."

I take it then the three and a half is still the mark.

- Blough: With one or two exceptions, yes.
- White: What happened to the combined returns, has that been settled?
- Blough: No, that is in the plan as passed, the compulsory joint return for husbands and wives. There has been no further discussion of it.
- H.M.Jr: I have two things.
- "Have you received from Mr. Blough a -" you know, dismissal compensation. Have you got that?
- Blough: Here is a brief summary of it, and we can give you considerable additional material if you like.

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H.M.Jr: I will take that to the country with me.

Will you have time today to talk with Kuhn?

Blough: I talked to Kuhn last night for about three quarters of an hour, and he would like to have an opportunity to talk with you and with me about the speech and somewhat more in detail as to what you want in it, and he and I are in quite close harmony on the sort of data that we will need and so on.

H.M.Jr: I tell you what you do. You and Kuhn and Odegarde, if you haven't got anything better to do, supposing you have lunch with me.

Blough: Today?

H.M.Jr: Today. All right?

Blough: That is fine for me.

H.M.Jr: Jake?

Blough: Well, I had one more item.

You sent around, several days ago, a memorandum from Mr. Helvering on the farmers' filing income tax returns. I don't know if you want to talk about that

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or not.

H.M.Jr: Well, I haven't got time or a slide rule to make those figures work.

Blough: In other words, you want this in a couple of easily understood paragraphs? O.K.

H.M.Jr: I mean, you know, about sixth grade.

Blough: What you want isn't sixth grade at all, it just means in a few minutes instead of having to study it.

H.M.Jr: I would like it so that not only the man who writes it understands it, but the man who reads it. (Laughter)

Blough: I plead innocent to having written it, Mr. Secretary.

H.M.Jr: That is the darndest memorandum I have ever read.

Jake?

Peter?

Cochran: You may have noted that Don Heath has been in charge at Berlin for the last few days. He is the one who had this notice. He is due to arrive here early in July. At least that was the plan last week. You might get a story from him. He is going down to Chile.

Do you want this memo now of your conversation with Sir Edward Peacock?

H.M.Jr: Just give it to Mrs. Klotz.

Who kept the minutes on yesterday afternoon's meeting, after they left my room?

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Cochran: I can write it up.

H.M.Jr: Could you?

Bell: We didn't keep any minutes, didn't have any stenographer, but we can write a memorandum on it.

Cochran: Could you?

H.M.Jr: If you want the Stenotype this afternoon, he is available. Why don't you do that?

Bell: O.K.

H.M.Jr: And then I think in all of these meetings I would like the Stenotype present, and if you (Cochran) could cover yesterday's. They are pretty important.

Anything else?

Cochran: That is all.

H.M.Jr: Foley?

Foley: Here is a memorandum for the diary on my conversation with Bill in getting out these instructions to Immigration and Customs.

H.M.Jr: What about yesterday's meeting in case there should be Cabinet, and they ask me anything? Is that written, yesterday's meeting?

Foley: Not yet. I can do it for you.

H.M.Jr: Want to give us the high points?

Foley: Dean Acheson reported that - on Jay Crane's Standard Oil proposal in so far as the Hungarian properties are concerned, that the State Department did not look with favor upon

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the sale of those properties to Germany, because it would be the first step in preferential treatment to certain American manufacturers. I think that was the most important thing that was decided.

- Bell: In that connection, Jack Biggers called me late last night and said that they also had an offer to purchase their glass plant in Belgium. He said they had something less than five hundred thousand dollars invested in it and they were offered three hundred eighty thousand dollars for it. The offer comes through a New York attorney. I told him to first discuss it with Dean Acheson. They wanted him to put in an application to transfer the funds to the Federal Reserve Bank of Cleveland, and I told him he had better discuss it with Dean before he did that.
- Foley: That is right.
- H.M.Jr: Tell Dean that I think he ought to find out who the New York attorney is.
- Foley: Well, it is probably the Farley firm.
- Bell: I don't know that that is it, but it probably is.
- Foley: We have got all their funds blocked.
- H.M.Jr: Farley?
- Foley: Topken and Farley is the New York firm that represents the Bund and most of the German interests in this country. They have been most active, and the New York banks have frozen their accounts, and they haven't complained yet.



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- H.M. Jr: Now, have you unfrozen Switzerland? Have they got a general license?
- Foley: No general licenses have been issued yet. The assurances from Switzerland, Portugal, and Spain are about ready. The difficulty--
- H.M. Jr: I tell you what you do. Call up Pehle and tell him to give me a one-page summary what we have or have not done so in case I am called on in Cabinet to report. Tell Pehle to get it over here by - to get it into my hands via Mrs. Klotz by one o'clock. A one-page summary, you know, the kind of things that have or have not been done so that I have it. Not more than one page.
- Foley: You might be interested in the extent to which this thing goes. Yesterday two people from the OPM came over to see me. They had been negotiating through the RFC Defense Plant Corporation with a New Jersey firm which manufactures an insulator for radio and other equipment that is needed for defense. This firm had refused to expand and had reduced to go along with the plan that RFC had outlined. Half of it is - most of the stock, the controlling interest, was held by a French national and the funds were blocked and it was operating under a general license. I called Norman Davis and asked him to call the attorney in, who was up there in New York, and just tell him that the Treasury asked for a report, not to put any pressure on him. He did that and called back and said that he didn't think he had accomplished anything, but OPM called me up and said they heard from the president of the company and from the attorney, and without prejudice to their former position they wanted to come down and open the discussions again on Saturday, so--

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H.M.Jr: Who did Jack Biggers see?

Bell: He called me on the telephone last night.

H.M.Jr: Because I think it shows very bad judgment. He is here in charge of production for the United States and at the same time he has got time to look after his own interests. I think it is terrible.

Bell: I don't know anything about it except that he called me.

H.M.Jr: I think it is terrible. Just the way the man is secretary of the Rubber Institute and has got time to come around and see John Sullivan about tax on tires and tubes. I should think that the Owens Glass Company - I mean, if I were Biggers I would no more dream of doing that than I would of putting my hands into the till and taking out a million dollars, but I guess it takes all kinds.

Gaston: Here is an extremely interesting report of the cruise of the General Green from the third of May to the eighth of June in which they picked up the survivors of one of the torpedoed ships. I thought you might like to read it over the week-end. If you like, I can get it copied.

H.M.Jr: I can read that.

Gaston: All right.

The President might even want to see it.

H.M.Jr: Fine.

Gaston: Harry Anslinger asked me to see if I could do something for the Permanent Central Opium Board and the Drugs Supervisory Body which

- 17 -

have been occupying a house out here in Chevy Chase and a protest was made to the District Commissioners that it was a violation of the zoning ordinance. They appealed to the State Department for a classification as a legation. The State Department held that they were not a legation and were not entitled to diplomatic courtesies.

There is an inside story to that. Hackworth and his wife, who own property out in that neighborhood, were among those protesting against having them out there. (Laughter) I would like to - I would like your opinion as to whether it is proper to write a letter to the city commissioners. I have already spoken to Russell Young on the phone. Write a letter saying that I think they ought to be allowed to stay there until their lease is out, which is a matter of a year. It would cause them great inconvenience if they moved.

n.l.vr:

Sure, all right.

Why does Mrs. Hackworth object?

Bell:

It is in the nature of a business, I suppose, that they don't want in that territory.

Gaston:

One of the secretaries occupies the third floor of the house and the first two floors are business offices of those two organizations.

Now, in Geneva they had full diplomatic status and there are international treaty bodies based on treaties in which the United States is a party and which the United States had most to do with originating and from our standpoint it is very desirable that they should be here.

- 18 -

- Cochran: On that, Mr. Secretary, you have a request - we have just been trying to get preferential treatment for the League of Nations people down at Princeton under taxation, and the State Department and Princeton both turned that down, and they had already turned down this opium man you see, for relief from income tax.
- H.M.Jr: But this is just to let the people stay in the house for another week.
- Cochran: But we can't make the plea of this diplomatic status.
- H.M.Jr: No.
- Gaston: I am told that a letter was originally written in the State Department saying that they ought to be allowed to stay and they should be considered as diplomats, and Hackworth succeeded in killing it and getting a different letter written.
- H.M.Jr: Herbert, do whatever you can.
- Gaston: Right. I just wanted your permission.
- H.M.Jr: If you like, I would be glad to write Mr. Hackworth a letter saying:  
  
"My dear Mr. Hackworth: I see you live in that neighborhood. I would like your cooperation."
- Gaston: I could have a letter written for your signature, if you like, to one of the Commissioners.
- H.M.Jr: No, you write it, but if you want me to write to Hackworth, I would love to do it.
- White: Hackworth is in charge of the legal aspect of

- 19 -

of it, and he has a perfect right to comment on it. He may be commenting as a lawyer and not a resident of the vicinity.

Klotz: Mr. Morgenthau is joking.

White: I see. But he could stand on his rights.

H.M.Jr: Could I write him as one citizen to another?

Viner: As one citizen of Chevy Chase to another.

Haas: I can write him a letter.

H.M.Jr: Ferdie Kuhn lives out there.

Schwarz: I do.

H.M.Jr: You could get a round-robin of Chevy Chasers.

Bell: I may be in favor of getting them out.

Gaston: They are on the other side of Connecticut Avenue.

H.M.Jr: Mr. Bell will be chairman of the committee.  
(Laughter)

Bell: Not me.

H.M.Jr: All right. Have some fun and see if you can do a good deed.

Gaston: Right, thanks.

## The New York Times.

### \$1,000,000 REFUND FOR BRITISH SOUGHT FROM VISCOSE SALE

N. Y. Times

U. S. Treasury Feels Success  
of Offering Warrants Cut in  
Underwriting Profit  
N. Y.

COMMISSIONS HELD HIGH  
— JUN 20 1944

Officials of Federal Agencies  
Investigating—Bankers  
Withhold Comment

Officials of at least two, and possibly three, important agencies of the Federal Government are investigating the recent sale by a group of leading Wall Street banking houses of the British-owned American Viscose Corporation to the American investing public with a view to obtaining a refund of about \$1,000,000 to the British Treasury out of commissions and profits realized on the deal by the banking interests, it was learned yesterday.

The United States Treasury Department, under the leadership of Secretary Morgenthau and the Reconstruction Finance Corporation, are understood to have questioned the amount of underwriting commission and profits involved in the sale of the British corporation, amounting in some \$7,800,000, and one of the leading underwriters, Morgan Stanley & Co., Inc., has been asked to arrange for the \$1,000,000 refund. The British Treasury received \$34,348,923 for its war-rationed interest in American Viscose from the Wall Street banks, and the bankers, in turn, sold the company to the American public for a total of \$62,193,600.

#### SEC Expected in Inquiry

The Securities and Exchange Commission is not actively participating in the inquiry at the moment, but it is believed that the regulatory body—which passed through registration the American Viscose prospectus before offering of the company's stock to the public was made on May 26—will be called into the matter.

Taken over from Great Britain last March as a war-defense measure when the British Government was utilizing every opportunity to raise funds for her war effort American Viscose, the largest manufacturing concern of rayon yarn and rayon staple fiber in the United States, was bought here by a select group of the country's leading banking houses under the joint management of Morgan Stanley & Co., Inc., and Dillon, Read & Co. The underwriters, in turn, effected a recapitalization of the corporation and prepared for offering of the securities involved to the public.

In the last week, it was learned, Treasury officials have discussed the situation with top-ranking representatives of the underwriting syndicate and expressed the opinion that the profits and commissions realized in the transactions were too high. The Treasury representatives feel that the financing deal went off so successfully that the margin of underwriting profits should be cut to the point where the British Government could realize at least an additional \$1,000,000 from the admittedly hurried sale of American Viscose.

The original contract entered into between the British Government and the Wall Street bankers provided for the payment by the bankers of 90 per cent of the proceeds realized from the sale of the property in this country, less an original payment of \$30,450,000, underwriting commissions and incidental expenses necessary for consummation of the transaction. Shortly before the public offering, however, when it became apparent that distribution of the securities could be effected some three

months ahead of the original schedule and that the success of the sale was assured, the underwriting syndicate voluntarily raised the percentage of the proceeds to be turned over to the British to 95 per cent. This, in effect, increased the proceeds to the British by about \$1,000,000.

When asked for comment on the situation last night, officials of Morgan Stanley & Co., Inc., said they did not care to make any official statement on the matter.

Sir Edward Peacock, representative of the British Government, who arrived here early this year to effect the sale of certain British-owned direct investments in this country and who was one of the main negotiators in the American Viscose deal, declined to make formal comment, but he indicated that, in his opinion, the transaction was satisfactory to the British Government, and that no request had been made for a refund and that the matter was closed.

#### Seventeen Firms in Buying Group

The original purchase from the British Treasury by a group of seventeen American underwriting firms involved an aggregate of 448,000 shares of capital stock, which upon a recapitalization became 228,450 shares of preferred stock and 1,368,000 shares of common stock.

Carstairs, Ltd., a leading British corporation which was the original owner of American Viscose, retained approximately 5 per cent of Viscose capital stock and now holds 12,448 shares of the preferred and 85,417 shares of the common. Approximately 4 per cent of the preferred and common shares are held by eleven other stockholders. 1,245 preferred shares and 5,507 common shares are held in the corporation's treasury. Immediately after public offering of the corporation here, a group of new directors, comprising leading United States industrialists and bankers, was added to the Viscose board.

The securities were offered to the public at a total market value of \$62,193,600. The 228,450 shares of preferred stock were priced at \$107.50 a share, and the 1,368,000 shares of common at \$24 a share. Underwriting commissions and discounts alone on both issues made a total of \$4,075,000. In addition, Morgan Stanley and Dillon, Read as joint managers of the syndicate received a total of \$980,000 as compensation for their services under the purchase agreement. The agreement with the British Treasury also provided that the \$1,000,000, by underwriters should receive as part of the deal an additional payment of \$2,764,533.

## The New York Times.

The underwriting commissions and discounts, plus special management fees and profit on the deal, bring the total remuneration to the banking syndicate to \$7,824,717. Related to the total value of the entire transaction, that is the offering price to the public, the over-all rate of return for handling the deal approximated 12 per cent.

### Assets of \$121,537,953

Total assets of American Viscose, as shown by its balance sheet on March 31, last, were \$121,537,953. Net sales of the corporation in 1940 amounted to \$62,771,895, compared with \$54,261,387 in the preceding year. For the first quarter of this year sales amounted to \$17,928,803, against \$13,871,966 in the same period of 1940.

In addition to Morgan Stanley & Co. and Dillon, Read & Co., the underwriting syndicate that bought the corporation was composed of Byth & Co., Inc., Clark, Dodge & Co., Dominick & Dominick, the First Boston Corporation, Goldman, Sachs & Co., Harriman Ripley & Co., Inc., Hamphill, Noyes & Co., Kidder, Peabody & Co., Kuhn, Loeb & Co., Lehman Brothers, the Mellon Securities Corporation, Shields & Co., Smith, Barney & Co., the Union Securities Corporation and White, Weld & Co.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 20, 1941

*Mess Only*  
TO Secretary Morgenthau

FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

Following instructions received from the Secretary at the Staff meeting this morning, I telephoned Sir Frederick Phillips at 10:15 a.m. I told him that the Secretary had asked that I let Sir Frederick know that Mr. Morgenthau was personally bending every effort to clear up at the earliest possible date all problems connected with the British financial position. With this view in mind the Secretary himself would preside at our meeting scheduled for 3:30 on Monday. Today's meeting was to proceed as planned. The Secretary further wanted me to learn from Sir Frederick when he contemplated departing for England, since the Secretary was desirous of having a solution for the British problems which Sir Frederick could take back and personally report. Phillips said that his original instructions had been to leave the United States at the end of July and that nothing to change these plans had come up. He stated that Sir Edward Peacock will be leaving next week, and that Mr. Keynes desires to go as soon as his mission is terminated, which, presumably, will be before Sir Frederick's expected date of departure.





## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 20, 1941

*M. J. S.*

TO Secretary Morgenthau

FROM Mr. Cochran

Reference is made to my memorandum addressed to the Secretary on June 18 reporting the telephone call which I received from Mr. Jay Crane in regard to the idea of a Vice President of the Standard Oil Company of New Jersey proceeding to Rio de Janeiro to meet with a German representative who, it is understood, has a proposal to submit for the possible purchase of the holdings in Hungary of the Standard Oil Company. After submitting this memorandum to the Secretary I had discussed it with him shortly after noon on June 18 and had been instructed that this matter should be referred to the Department of State.

At the Foreign Funds Control meeting in Mr. Foley's office on the afternoon of June 18 I raised the above question and the merits of permitting such a transaction were discussed at some length. It was decided that Mr. Dean Acheson should consult the Department of State on the policy matter involved. At yesterday's meeting in Mr. Foley's office, Mr. Acheson reported that the Department of State does not now look with favor upon the consummation of such a transaction as that under reference. It was understood that I should telephone this word to Mr. Crane.

At the 9:30 Staff meeting this morning Mr. Foley reported this decision to Secretary Morgenthau. At 10:30 a.m. I reached Mr. Crane by telephone and gave him the message. I gave no reasons for the decision, but pointed out that conditions had changed since he had previously reported in the premises to the Departments of Treasury and State. Mr. Crane was aware of this. He understood the Treasury's position. He thought that either he or one of the Vice Presidents might, nevertheless, get directly in touch with Mr. Acheson or Mr. Atherton of the Department of State in order that there would be a complete understanding of both the State and Standard positions.

*M. J. S.*

June 20, 1941

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Letter to the President sent to Secretary Knox for signature by Secret Service man at 2:50 p.m. today. Copies of the letter to the President and the one to Chairman Bland were given to Secretary Knox.

Secret Service man brought the letter back signed by Secretary Knox at 3:30. He then took it to the White House to be placed in the hands of Grace Tulley.

June 20, 1941.

Dear Mr. President:

I am enclosing herewith a suggested reply to the letter dated June 18 of the Honorable S. O. Bland, Chairman, Committee on Merchant Marine and Fisheries.

Faithfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,  
The White House.

/s/ Frank Knox  
Secretary of the Navy

*WJ*

June 20, 1941.

Dear Mr. President:

I am enclosing herewith a suggested reply to the letter dated June 16 of the Honorable S. O. Bland, Chairman, Committee on Merchant Marine and Fisheries.

Faithfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.

/s/ Frank Knox  
Secretary of the Navy

My dear Mr. Bland:

I have your letter of June 18 citing a unanimous recommendation of the Board of Visitors to the Coast Guard Academy, of which you are Chairman, that the Danish training ship DANMARK be acquired for use as a training ship for the Coast Guard Academy and adding your own strong recommendation that negotiations for acquisition of the vessel be pushed to an early conclusion.

I am glad to have your opinion and that of the Board of Visitors as to the value of the vessel for national defense training. The proposal to acquire the DANMARK has had my approval. I am informed, however, that the difficulties of negotiation with the Danish Government, which is the owner of the vessel, are such that it has been deemed desirable to obtain legislation which would permit this government to acquire the vessel under procedure somewhat similar to that already authorized for the acquisition of merchant vessels.

Legislation to grant this power has, I am told, been proposed as an amendment to HR 4887 and favorably reported by the Senate Commerce Committee.

The passage of this amendment should make it possible to acquire the DANMARK at an early date and I have no doubt you will wish to give it your support.

Sincerely,

Honorable S. O. Bland,  
Chairman, Committee on Merchant Marine and Fisheries,  
House of Representatives.

W.S.

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Original to Mr. Gaston at 10:55 am

June 20th. Mrs. Klotz has photostat

nmc

Retdy in Gaston  
and ret'd to Woot

THE WHITE HOUSE  
WASHINGTON

June 19, 1941.

MEMORANDUM FOR

✓ THE SECRETARY OF THE TREASURY  
THE SECRETARY OF THE NAVY

FOR PREPARATION OF REPLY  
FOR MY SIGNATURE.

F. D. R.

SEVENTY-SEVENTH CONGRESS

FRANK B. ROWLAND, MD., DISTRICT OF COLUMBIA	RICHARD J. WELCH, CALIF.
FRANK B. ROWLAND, MD., DISTRICT OF COLUMBIA	FRANCIS H. O'NEILL, N. Y.
FRANK B. ROWLAND, MD., DISTRICT OF COLUMBIA	JAMES C. GUFFEY, MASS.
FRANK B. ROWLAND, MD., DISTRICT OF COLUMBIA	JOSEPH J. SPENCER, N. C.
FRANK B. ROWLAND, MD., DISTRICT OF COLUMBIA	FRED BRADLEY, MICH.
FRANK B. ROWLAND, MD., DISTRICT OF COLUMBIA	JAMES E. VAN SANDT, PA.
FRANK B. ROWLAND, MD., DISTRICT OF COLUMBIA	SCOTT CAMPBELL, N. C.
FRANK B. ROWLAND, MD., DISTRICT OF COLUMBIA	ARTHUR J. BISHOP, ILLINOIS
FRANK B. ROWLAND, MD., DISTRICT OF COLUMBIA	DANIEL W. RYAN, MARYLAND

**House of Representatives U. S.**  
**Committee on**  
**Merchant Marine and Fisheries**  
**Washington, D. C.**

W. C. TAYLOR, CLERK  
 ELMER H. KEEFER, ASSISTANT CLERK

SUITE 217-218, HOUSE OFFICE BUILDING

June 16, 1941 B

RECEIVED  
 JUN 17 9 02 AM '41  
 U.S. HOUSE OF REPRESENTATIVES

The President,  
 The White House.

My dear Mr. President:

As Chairman of the Committee on Merchant Marine and Fisheries, of the House of Representatives, which handles legislation for the Coast Guard, and as a member of the Coast Guard Board of Visitors to the Coast Guard Academy, New London, Connecticut, I have to report that at the last meeting of the Board of Visitors at New London which was attended by Senators Hatch, of New Mexico, Pepper, of Florida, and Brewster, of Maine, from the Senate, and by Representatives Culkin, of New York, Ramspeck, of Georgia, Fitzgerald, of Connecticut, Thill, of Wisconsin, and myself, representing the House, the need of a training ship for the Coast Guard Academy was discussed.

The Board of Visitors considered the advisability of acquiring the Danish training ship DANMARK, and as a result the Board recommended as follows:

"That the Danish training ship DANMARK be acquired through proper procedure from the Danish Government for use in national defense as a training ship by the Coast Guard Academy."

The recommendation was unanimous and I hope that it may be possible to acquire the DANMARK as a training ship for the Academy.

I understand that the DANMARK, a training ship of the Danish Government which has been immobilized at Jacksonville, Florida, since the invasion of Denmark by Germany, is available to the Coast Guard and could be acquired for a sum approximately one-half of the cost of constructing a similar ship in the United States.

The DANMARK is a three-masted, square-rigged auxiliary



- Committee Members:
- JOHN W. BURNS, CALIF.
  - WALTER G. BROWN, W. VA.
  - WALTER H. CROWDER, ARIZ.
  - WALTER G. CROMBIE, ILL.
  - WALTER G. GIBSON, N. Y.
  - WALTER G. HILL, TEXAS
  - WALTER G. HUNTER, N. C.
  - WALTER G. LEE, VA.
  - WALTER G. MITCHELL, N. C.
  - WALTER G. RICE, MISS.
  - WALTER G. STANTON, N. Y.
  - WALTER G. THOMAS, N. Y.
  - WALTER G. TOLSON, D. C.
  - WALTER G. WALKER, N. C.
  - WALTER G. WEAVER, N. C.
  - WALTER G. WOOD, N. C.
  - WALTER G. WYATT, N. Y.
  - WALTER G. YOUNG, N. Y.
  - WALTER G. ZIEGLER, N. Y.

**House of Representatives U. S.**  
**Committee on**  
**Merchant Marine and Fisheries**  
**Washington, D. C.**

WILL C. TAYLOR, CLERK  
 ELISE H. KOOPER, ASSISTANT CLERK

SUITE  
 217-218 HOUSE OFFICE BUILDING

The President

-2-

June 16, 1941

sailing ship, built in 1933 expressly as a training ship for Danish cadets, and would make an ideal training ship for the Coast Guard Academy. I know that it is entirely unnecessary for me to advise you as to the advantages of training in sail to develop characteristics and qualities required of an officer, particularly ability to command men and act quickly in an emergency.

I understand certain negotiations have already been started toward acquiring this vessel. May I add my strong recommendation that these negotiations be pushed to an early conclusion in order that this vessel may be made available to the Coast Guard at an early date for the training of Coast Guard cadets and, when not so engaged, for the urgently needed training of merchant marine personnel, which function is performed by the Coast Guard for the Maritime Commission.

The acquisition of a training vessel for the Coast Guard Academy is made urgent by the fact that Coast Guard cutters formerly utilized for cadet training cruises cannot be diverted from other duties during the present emergency.

Yours very sincerely,



enk

Chairman

June 20, 1941

Harold Graves

Secretary Morgenthau

Please talk to me about an idea that I have of sending every subscriber of national defense savings bonds a copy of Irving Berlin's song; that is, the sheet music. My idea is that just as soon as a name comes in and is registered we mail a copy of the song to the person with the compliments of the Treasury. I would go back on this until the 1st of May. Please think it over and give me an answer on Monday.

*How Jr. modified this ~~idea~~ suggestion at 9:30 meeting and told Graves to send out 11,000 cards to holders of defense bonds asking them if they would like a free copy of Berlin's song. Graves has instructed Sloan to do this -*

6/20/41

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✓

Letters to National Broadcasting, Columbia Broadcasting and Mutual, authorizing them to use "Any Bonds Today". One signed copy also retained by Treasury.

June 30, 1941.

In order to promote the sale of Defense Savings Bonds, every radio broadcasting station and broadcasting company is hereby licensed to make such arrangements or adaptations of the musical composition "Any Bonds Today?" by Irving Berlin, owned and copyrighted by Henry Morgenthau, Jr., Secretary of the Treasury, as it may desire and to record or perform for radio broadcasting and to radio broadcast (including television) such recordings or performances of such composition or adaptations or arrangements thereof at any time it may desire.

This license is revocable at will.

(Signed) H. Morgenthau, Jr.

**HENRY MORGENTHAU, JR.**  
Secretary of the Treasury.

6-20-41 39

# ANY BONDS TODAY?

Words and Music by  
**IRVING BERLIN**



**HENRY MORGENTHAU, Jr.**  
Secretary of the Treasury  
Washington, D. C.

42E

Regraded Unclassified

# ANY BONDS TODAY?

Words and Music  
IRVING BERLIN

Moderato

Musical notation for the piano introduction, featuring a melody in the right hand and a bass line in the left hand, both in a moderate tempo.

VOICE

Vocal line with lyrics: "The tall man with the high hat and the whiskers on his chin Will be knock-ing at your door\_ and you ought to be in".  
Musical notation for the first vocal line, including piano accompaniment.Vocal line with lyrics: "The tall man\_ with the high hat\_ will be com-ing down your way Get ju".  
Musical notation for the second vocal line, including piano accompaniment.Vocal line with lyrics: "sav-ings out\_ when you hear him shout\_ 'an-y bonds to-day?'"  
Musical notation for the third vocal line, including piano accompaniment.

CHORUS

Chorus line with lyrics: "AN-Y BONDS TO-DAY? Bonds of free-dom that's".  
Musical notation for the first chorus line, including piano accompaniment.Chorus line with lyrics: "what I'm sell-ing AN-Y BONDS TO-DAY? Scrape up the must you can".  
Musical notation for the second chorus line, including piano accompaniment.Chorus line with lyrics: "Here comes the free-dum man\_ Ask-ing you to buy a share of free-dum to-day".  
Musical notation for the third chorus line, including piano accompaniment.

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and Royal Tunes - 4

Any stamps to-day? Bonds to-day? We'll be blest if we all in-vest. All you give will be spent to live.

U. S. A. Here comes the free-dom man  
Yan-kee way - Scrape up the most you can

Can't make to-mor-row's plan - Not un-less you buy a share of free-dom  
Here comes the free-dom man - Ask-ing you to buy a share of free-dom

1. AN-Y  
2. Interludo  
Fine

Interludo

First came the Czecha and then came the Poles And then the Nor-we-gians with three mil-lion souls

Then came the Dut'h, the Bel-gians and France Then all of the Bal-kans with hard-ly a chance, It's

all in the Book if on-ly you look It's there if you read the text. They

tell ev-'ry one at the point of a gun A-mer-i-ca must-n't be next. An-y

D.S. al Fine

June 20, 1941  
10:10 a.m.

HMJr: Hello.

Jim  
Farley: Hello.

HMJr: Jim?

F: Yeah, will you get Ickes to  
give me some gasoline?

HMJr: What?

F: Will you get Ickes to give  
me some gasoline?

HMJr: Well, he might even - if  
you come to help me, I'll  
get gasoline and oil.

F: Thank you. Well, Henry, I'll  
have to say no to you and let  
me talk to you for just a  
minute about my situation.

HMJr: Go ahead.

F: Now, when I left down there last  
September and came up here....

HMJr: What's that?

F: When I left down there last  
September and came to New York,  
I went over into the State  
Committee and stayed there every  
day until about the first of  
December during the campaign and  
then tried to clear up a lot of  
things after it was over. I  
went to South American on the  
fifth of January and came back  
here on the tenth of March.  
Since the tenth of March, with  
the exception of a few days,  
I've been on this greater New  
York Drive.



- 2 -

HMJr: I see.

F: I've got another month or six weeks work here....

HMJr: Uh huh.

F: Damn it, Henry, I've got to go to work here. I have never

HMJr: I see.

F: Now, that's frankly my decision. I've got to leave and go to Dallas on Tuesday and may be gone a week or ten days down there. Then I ought to go up into New England for a month as the President of the Coco Cola Company in Boston, been up there one day in May.

HMJr: Well, I'm disappointed, but I can't press you on it.

F: No, I've just given so much time, Henry, that I've got to go to work.

HMJr: Jim, could you think of anybody that could do a bang-up job for me?

F: Well, I - Simms might do a job for you if he has the time, but I don't know that he has the time.

HMJr: No, I want somebody that could really give it all of his time

F: Well, let me think about it.

HMJr: And not - this.....

- 3 -

F: Well, he couldn't give all his time to it because he's working - he in on that radio station and he couldn't do that.

HMJr: Well, think about it.

F: Would Dick Patterson be any good to you?

HMJr: Dick Patterson?

F: Yeah.

HMJr: That's not a bad name. Hello.

F: Yes.

HMJr: That's a good suggestion.

F: Now, he is - I think, he's over the RKO, but I think he has a lot of time on his hands.

HMJr: That's a good suggestion.

F: And he's a responsible fellow and he'd give all the time that is necessary if he agreed to do it.

HMJr: Yeah.

F: Now think of him and if I can think of any more during the day I'll pass it on to you.

HMJr: Well, Dick Patterson is a good suggestion.

F: Yeah, he's all right. It's a good name and he's known around the state and he knows how to do things, you know, and he could plenty help on organizations you know.

HMJr: That's right. Well, thank you, Jim.

- 4 -

I hope to see you soon, I'm  
sorry, would have been fun.....

F: I haven't been down there  
much, but the first time I'm  
down there, I'll run in.

HMJr: It would have been fun to  
work together.

F: Thank you very much.

HMJr: Goodbye.

JAMES A. FARLEY

NEW YORK  
June 20, 1941.

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

Dear Henry:

This is to confirm our conversations of today, over the telephone, in which I explained my inability to accept the place you have asked me to take, directing the campaign in New York State for the sale of Defense Bonds.

As I told you, when I left the Cabinet on August 31st, last, and became Chairman of the Board of the Coca-Cola Export Corporation, I remained in the offices of the State Committee, did my bit and cleared up the work, and I did not go near the offices of the Corporation more than three times until the 1st of December. Early in December, I agreed to take the Chairmanship of the Greater New York Fund Drive for 1941, and I spent hours in conferences and meetings in an effort to get the various committees organized so that an effective campaign could be gotten under way. I was in South America for two months and when I returned in March I plunged right back into the work of the Fund, and it has consumed a great deal of time and effort ever since. While the actual Drive is nearly over, it will, nevertheless, be many months before it is completely wound up and I shall be more than busy during the closing stages. On May 1st, I was elected President of Coca-Cola Bottling Company of Boston, but due to my duties with the Fund I have gone up to Boston but twice since then, and all in all, I have neglected my business altogether too much, and for a long time.

I have gone into this lengthy explanation, Henry, because I want you to know exactly what the situation is. There is no sense in taking on additional responsibilities because I will never take any job to which I cannot give proper attention and time. I know that you will understand my position.

After I talked with you about Dick Patterson this morning, I spoke to you about Clarence H. Low. Clarence has resigned as Treasurer of the State Committee because he wants to have more time to devote to Defense. He would work harder than Dick, and he knows everyone around the State, and if given the responsibility would do a damned good job. You indicated that you had passed Dick's name on - after I first suggested him, but in case he doesn't accept you might give some thought to Clarence.

When you are in New York again, give me a hail, and if I am in Washington before you get in touch with me in New York, I'll make every effort to at least drop over and say hello.

With my very kindest personal regards and my best wishes,

Sincerely yours,

JAF:D

*James A. Farley*

June 20, 1941  
10:15 a.m.

HMJr: Harold?

Harold Graves: Yes, sir.

HMJr: Jim Farley turned me down.

G: Oh, he did.

HMJr: Yeah.

G: Well, that leaves us Mr. Swope. Was he our third man?

HMJr: Yeah, but I got a suggestion that Farley made that I think is better than that.

G: Yes, sir.

HMJr: Dick Patterson, who is Chairman of RKO.

G: Dick Patterson.

HMJr: Richard Patterson, he was assistant Secretary of Commerce.

G: Oh yes, yes. Would you like me to approach him?

HMJr: Yes, to save me.

G: Yes, I will do it.

HMJr: He's a younger man and if he'd take it, he'd be very good.

G: Yes. Well, I'll....

HMJr: And Farley said that he's got plenty of time.

- 2 -

G: Yes.

HMJr: He's Chairman of RKO, he was Assistant Secretary of Commerce.

G: Yes, I remember.

HMJr: What?

G: Well, I'll get in touch with him.

HMJr: Will you get in touch with him.

G: Yes, sir.

HMJr: Fine. If he'd do it, I think he'd be very good.

G: Fine. We'll make a try.

HMJr: Thank you.

G: Yes, sir. Goodbye.

June 20, 1941  
10:50 a. m.

HMJr: Hello.

Operator: Mr. Delano.

HMJr: Hello.

Preston  
Delano: Yes, Mr. Secretary.

HMJr: It turned out to be Mario.

D: Well, I rather thought it would. I didn't know that A. P. was here.

HMJr: And Ed's going to write it up, one half of it and I'll let you read a copy of it in my office on Monday.

D: Right-o. Is anything - was anything significant at all?

HMJr: Oh, he just asked me about every question in the world, where I stood and I let him have the unvarnished truth and I told him - he said something about the branches and the banks and I told him that we had the votes, the President back of us and if he wanted to start a fight, all right, I'd like nothing better. But I'd go to the country on it and I'd win.

D: Was he belligerent about it?

HMJr: Oh not belligerent on anything.

D: Oh, then he was very nice, then I take it.

- 2 -

HMJr: Oh, he was very nice. Oh, he wasn't belligerent on anything.

D: Well, that's swell. I'm glad he didn't...

HMJr: I told him that I was against bigness, I want to give this home town fellow a chance, and that their bank had been badly managed up till now and that if they would show the same spirit the next few years that they've shown the last few months, they wouldn't have any trouble.

D: Fine, that's fine. Well, I'll - you say Monday then, we have another meeting.

HMJr: He most likely will come out and tell you about it.

D: Right. Thank you a lot.

HMJr: Okay.

D: Goodbye.



*Mr. Delano  
read this 6/30/41.*

June 20, 1941

MEMORANDUM FOR THE SECRETARY'S DIARY.

L. M. Giannini, President of the Bank of America, called on Secretary Morgenthau Friday, June 20, at 10:15 a.m. At the Secretary's request Ed Foley attended the conference.

The Secretary said that he was glad Mr. Giannini had asked to see him; that it was, in so far as he could remember, the first time he had met Mr. Giannini, although he remembered meeting Mr. Giannini's father back in the Farm Credit days. Mr. Giannini admitted that he had never had the pleasure of meeting the Secretary and that the Secretary was correct when he said that Mr. Giannini had never asked to see him.

Mr. Giannini said that he appreciated very much the privilege of seeing the Secretary in these busy times; that the purpose of his call was to inform the Secretary that his bank had carried out, as best it could, the program of rehabilitation outlined by the Comptroller of the Currency; that compliance with the Comptroller's program, in so far as the Bank's properties were concerned, had been submitted to the Comptroller; and that Mr. Giannini now thought that he could properly come to the Secretary and ask him how the Bank could get back in the good graces of the Secretary and cooperate in the defense program.

Secretary Morgenthau said that he was delighted that Mr. Giannini had made the first move; that he had no animosity nor bitterness and that he understood the Bank of America was now attempting to live up to the letter and the spirit of the Comptroller's regulations.

Mr. Giannini said that his bank was prepared to recognize the sovereignty of the United States and hoped that it would have no further trouble with the Treasury Department. The Secretary said he was delighted to hear Mr. Giannini say

-2-

that he was prepared to recognize the sovereignty of the United States because it had always seemed to him that the basic difference between the Giannini family, and the Bank, on the one hand, and the Government, on the other, was just that; and that for a long time he had entertained the idea that the Gianninis believed themselves bigger than the United States. On that issue Mr. Morgenthau said he was willing to take up the challenge and fight the matter out. However, if the Gianninis were now prepared to recognize the authority of the Comptroller and live within the spirit and the letter of the law and the Comptroller's regulations, the Secretary said that they need expect no further trouble with him; and that he was prepared, despite the things that the Gianninis were purported to have said about him, to forget those unpleasant things and look upon the Bank of America as he would on any one of the several thousand banking institutions under the supervision of the Comptroller of the Currency.

Mr. Giannini said he was glad to hear the Secretary say that since he and his father had entertained the opinion that Mr. Morgenthau had singled them out for special treatment. Mr. Morgenthau pointed out that the law administered by the Comptroller was applied without discrimination to all banks which lived up to the spirit and letter of the law and only banks which refused to comply were dealt with specially.

Secretary Morgenthau told Mr. Giannini that the Bank of America and all of its affiliated agencies operating in seven or eight states throughout the entire Twelfth Federal Reserve District, had a responsibility and an opportunity to be extremely helpful in this emergency by interesting their hundreds of thousands of small Italian depositors and other followers in defense stamps and bonds. In this way the great influence of the Giannini family could be brought to bear to make these Italian immigrants better Americans and thus help to preserve this country. Mr. Morgenthau said he was sure, if the Gianninis exercised as much ingenuity and spent as much time to promote patriotism among their depositors as they had displayed in their efforts to circumvent the rulings and advices of the Comptroller's

-3-

office, they could be an instrument for great good on the west coast. Mr. Giannini replied that the Bank wanted to be as helpful as possible in this connection and was prepared not only to participate actively in the defense stamp and bond campaign but also to finance small contractors who were engaging in the defense program.

Mr. Giannini said that he wanted to talk about providing banking facilities in a number of areas in California adjacent to army camps and in communities greatly swollen by defense activities where such facilities were not now available. The Secretary said that he had spoken to the Comptroller that morning about that subject and told him to look into a plan to consolidate banking facilities at army camps so that a number of banks could maintain check-clearing and deposit facilities in much the same manner as the railroads pooled their ticket selling facilities. The Secretary pointed out that it was possible now to go to the Union terminal in Washington and buy a round-trip ticket to San Francisco which would provide passage over a great number of railroads and he didn't see why something like that couldn't be worked out for the army camps.

Mr. Giannini said he thought that loan facilities were also necessary. Mr. Morgenthau replied that he didn't think this was needed and that all the soldiers required was a place to cash checks and deposit money. The Secretary said that his idea, if the Comptroller found it to be feasible, should supply the need suggested by Mr. Giannini.

Mr. Giannini then discussed a plan for the creation of a corporation which would finance the activities of small contractors who were not now able to participate in the defense program. Secretary Morgenthau commented that he thought the objective very laudatory but did not consider such a proposal within his jurisdiction.

Secretary Morgenthau then asked Mr. Giannini if he had answered all his questions. Mr. Giannini said yes, except he was not clear as to the Secretary's attitude on the question of additional branches. Mr. Morgenthau replied, since Mr. Giannini had asked him, that he thought

-4-

the Bank of America too large already and that no further expansions were advisable or necessary. Mr. Morgenthau added that he was opposed to bigness and thought that the locally owned and locally operated banking institutions a highly democratic and desirable thing. To his mind, he said, a fellow in a small community should be able to call on his neighbor Jim, who is a director of the local bank, and consult him as to his financing needs. When a large absentee managed and controlled company like Bank of America came along and bought out the banking facilities in the community, such cooperation and friendliness were no longer possible. Mr. Giannini demurred that transportation facilities were greatly improved and it was now possible for great areas to be served by an institution such as the Bank of America with all the advantages that the small independent bank afforded. Mr. Morgenthau said that when any family or any institution or affiliated institutions became too powerful and controlled whole areas of the country it was bad for democracy and bad for the country. For his part, he hoped that the Bank of America would concentrate on what it had already and not embark on any more expansions. The Secretary pointed out that the Giannini family should not attempt to conquer the world; that the family had demonstrated that it could make money and they should be content with operating wisely what they already had. Since they couldn't take it with them he thought they should be satisfied to run well what they now had and forget about further expansion. Mr. Giannini replied that his family had a very small financial stake in the Bank of America and its affiliated enterprises and that they merely operated the Bank for the thousands of stockholders who could replace them with other management whenever they were dissatisfied. The Secretary answered that the Giannini family dominated their stockholders and had demonstrated this conclusively in their proxy fights.

Mr. Morgenthau said that he was content in these times, when national unity was imperative, to live and let live, but if the Gianninis wanted to make an issue of the question of expansion he would cheerfully fight with all the resources at his command; that he was satisfied he had the support of the President and the votes in Congress, and, if necessary, he was prepared to take the fight to the people. He said

-5-

that he would like nothing better than a fight on that issue and he was confident he would win.

Mr. Morgenthau asked Mr. Giannini if he had anything else on his mind and Mr. Giannini replied that he had nothing. The Secretary told Mr. Giannini he could come in to see him at any time on any matter; that his door was always open and he hoped Mr. Giannini would take advantage of it.

The conference wound up around 11:00 o'clock by Secretary Morgenthau telling Mr. Giannini that it was not necessary to hire expensive lawyers to make engagements to see him. Mr. Giannini thanked Secretary Morgenthau for seeing him as he realized how busy the Secretary was these days.

Mr. Giannini was meek and humble throughout the conference which was conducted throughout in a quiet and dignified manner.

S  
W  
F.



THE UNDER SECRETARY OF THE TREASURY  
WASHINGTON

June 20, 1941

TO THE SECRETARY:

A week ago last Saturday, Mr. Tobin, head of the International Teamsters Union, called you and when he could not get you he called me. He said he had just talked to the President and in the course of the conversation they got to discussing U. S. Savings Bonds. He told the President that his organization had \$1,000,000 to invest and would like to buy Defense Savings Bonds. The President told him to call you and see if some special arrangement could not be made.

I told Mr. Tobin of the difficulties of investing \$1,000,000 but I would like to think about it and see whether or not some special arrangement could be made, and that you would probably want to talk with him on the telephone in the course of a week or ten days.

As you know, we have considered it and we do not feel that we should set a precedent by waiving the \$50,000 limit for the purpose of taking in this or other large investment pools. Furthermore, we do not feel that we should raise the \$50,000 limit because, as we decided in the first instance, it might cause a lot of bonds to be thrown on the market in order to raise the cash with which to invest in the new Savings Bonds if the limit is raised.

You may wish to telephone Mr. Tobin as a matter of courtesy and advise him along the foregoing lines.

*WMB*

June 20, 1941

TO THE SECRETARY:

A week ago last Saturday, Mr. Tobin, head of the International Teamsters Union, called you and when he could not get you he called me. He said he had just talked to the President and in the course of the conversation they got to discussing U. S. Savings Bonds. He told the President that his organization had \$1,000,000 to invest and would like to buy Defense Savings Bonds. The President told him to call you and see if some special arrangement could not be made.

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You may wish to telephone Mr. Tobin as a matter of courtesy and advise him along the foregoing lines.

(Initials) D. W. B.

DWB:ELB

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

June 20, 1941.

TO

Secretary Morgenthau

FROM

J. J. O'Connell, Jr.

For your information

The regular weekly meeting of the Price Administration Committee was held in Mr. Henderson's office this morning at 11 o'clock. Representatives of all agencies which are members of the Committee were present.

The meeting was devoted almost entirely to a discussion by Mr. Henderson of the ways various price ceilings have been operating in practice. He reported that the order fixing the price of hides was apparently working out very well with trading practically normal. On the other hand, there has been practically no combed yard sold or offered for sale since the price ceiling was fixed for that article some weeks ago. Mr. Nelson reported that a manufacturer had advised him that he was unable to get quotations from the yarn people and would, therefore, be unable to bid on the Government order. Mr. Nelson has asked the manufacturer to give him the facts in writing as such a situation is obviously not to be tolerated by the Government.

There have been no definitive results flowing from Mr. Henderson's request to the automobile companies that they rescind their recent price increase. Discussions have been had with all of the manufacturers concerned except Ford and Chrysler, who are scheduled to confer with Mr. Henderson next week and the following week. Mr. Henderson did not indicate definitely what the attitude of the manufacturers with whom he has talked has been, but it is safe to say that it was something less than 100 per cent co-operative.



Secretary Morgenthau,

2.

Mr. Henderson also reported to the group that price legislation has been drafted and is practically in final form. He anticipates that the President will send a message to Congress on the subject within the next week or so. He said he had discussed the legislation with the Vice President, the Speaker, Senator Byrnes, and Congressman McCormack and that they were all agreed that this is "must" legislation, and that it will be enacted, though after a hard fight.

Mr. Henderson also referred to the amortization provisions of the tax law, with particular reference to the certificates of non-reimbursement which are required before a company may get rapid amortization. Under the existing law certificates of non-reimbursement are issued by the War Department or Navy Department, and approved by the Advisory Commission. The situation is admittedly a difficult one to handle, and Mr. Henderson reported that it is his understanding that legislation has been drafted in the War Department which will in effect amend the existing law by eliminating the Advisory Commission from the picture and vesting the sole responsibility for the issuance of certificates of non-reimbursement in the Service agencies. He stated that he would not take a position on the legislation unless he were asked, but that if he is asked by either of the Committees considering the bill he will take the position that in his judgment the responsibility for determining a question of reimbursement should not be vested in the Service establishments alone. This last topic has little or nothing to do with the work of the Committee and Mr. Henderson told me after the meeting that he mentioned it largely to put the Treasury on notice of this situation.

Secretary Morgenthau,

3.

Mr. Henderson also reported that he had just completed arrangements with Mr. Carmody, Administrator of the Federal Works Agency, to take possession of a new building which is being built on the Mall opposite the new Social Security Building. The building, which is in the early stages of construction, will house about 1500 employees, which is apparently about the size OPACS is expected to reach. The meeting adjourned at 12.45.

Joseph J. Kennell sr

June 20, 1941  
11:03 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Dan Tobin: Mr. Secretary?

HMJr: How are you?

T: Pretty good, this is Dan Tobin.

HMJr: Glad to talk to you.

T: I tried to get you last week when I was down there.

HMJr: I'm sorry to have missed you.

T: Now, what I wanted to do with you - with the Treasury Department, through you if I could, was; first, I understand that these defense bonds are not - I may be all wrong - but I don't see very much enthusiasm amongst the men of labor on them.

HMJr: Yes.

T: See, they feel that the Government hasn't got enough of - doesn't need the money, that they're getting all the support they want outside, they got the wrong impression.

HMJr: That's right.

- 2 -

T: Now, we got to wake up that spirit and we don't want to wait until we're caught in a war.

HMJr: That's right.

T: Now, I thought this, I thought that we bought what we could under the law, whatever rulings they are down there, of that 2 $\frac{1}{2}$ % bond.

HMJr: That's right.

T: We could only get 50 thousand.

HMJr: That's right.

T: Now, if I can get some arrangement by your department and I don't know how much resiliency you've got - we could take a million dollars right away and at the same rate if you could arrange a million dollars worth of that 2 $\frac{1}{2}$ % bond.

HMJr: Well, I've been studying it, Mr. Tobin and just at this time, as much as we'd like to take a million dollars, I just don't see how we can do it.

T: Well, I didn't know whether you could or not. I thought I'd take it up, there may be such a thing as making some provision later on but we'd be prepared. I'm of the opinion, I may be wrong, I was talking to the President and others, I've talked quite a while with Winant in my room; now, I'm of the opinion that we're in this thing for two or three years.

HMJr: I'm afraid you're right.

- 3 -

- T: Now, I thought this, that you'd look into the thing and perhaps you'd have other issues, and see what you could do along the best lines that were rather attractive and then that we'd give it some publicity. Personally, I've had and so have you had all the publicity we need. People know us and know what we stand for.
- HMJA: That's right.
- T: Thought for the men of labor, that if we could arrange for the men and women organized and un-organized to give some publicity to it, you selling a million dollars worth of bonds to the International and we handing you a check in your office or where ever it could be arranged.
- HMJr: It would be most attractive and very very helpful.
- T: Now, I know well that the labor movement has got plenty of money, they perhaps haven't got as much as we have, but they are not doing their share, and something has got to be done to wake them up, just the same as in this situation all over the world, they're not doing their share.
- HMJr: That's right.
- T: And we have all kinds of elements against us. As a result of our declaration down there....
- HMJr: I know.

- 4 -

T: We've got the Communists, the Bundists and they are backed secretly by Jack Lewis, who has been a personal friend of mine for years. We are putting up a desperate fight now to get rid of a lot of radicals in Minneapolis. They are tying up business and everything else, but the minute we start to enforce our laws Lewis calls them into a conference in Washington and gives them a charter; but that's not the thing I wanted to talk about. The matter that I wanted to talk to you - oh, was handing you or giving you a check for a million dollars of the money belonging to the men of labor, in the hope that it may induce others.

HMJr: Well, Mr. Tobin, we haven't seen it, but let me take another look at it, may I?

T: Oh, sure. We're in no hurry.

HMJr: All right.

T: The - but, the sooner we get started within the next couple weeks, the better it will be because you'll have to have other issues and other issues. Now there's two things as you very well know what the selling of a bond to a laboring man does; he must have become interested in the government, interested in the war, and interested in everything

HMJr: That's right.

- 5 -

T: And there's money laying in these banks, which they are getting nothing on.

HMJr: That's right.

T: What they need is education and information.

HMJr: That's right.

T: That's the thought I had in mind, Mr. Secretary.

HMJr: Well, I'm tickled to death that you called me, it's been most encouraging and I'll see if there isn't some way I could work it out. Up to now we haven't found any way, but let me....

T: We could do that and you work it out and contact me here. I'll be here for the next ten days except I'll be out one or two days in Chicago and you contact me after you go over the thing and let me know what you can do.

HMJr: It's most encouraging. Thank you for calling me.

T: Then we'll arrange for some publicity or you can arrange whatever way you want to, you can leave us out of the picture altogether.

HMJr: No, no, if we did it, the whole idea would be to get you into the picture.

T: But what I'm trying to do is to show the masses of the workers first by short statement of one or two short sentences that we have absolute confidence in our government.

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HMJr: Yeah.

T: That we believe it a sound investment.

HMJr: Right.

T: That we believe from a patriotic standpoint it is our duty.

HMJr: Right.

T: Three things.

HMJr: Well, that's wonderful.

T: If we could start it, it would take some time, but I think we can start the ball rolling.

HMJr: Thank you so much.

T: All right, Mr. Secretary, goodbye.

HMJr: Goodbye.



June 20, 1941  
11:45 a.m.

HMJr: Hello.

Jim Farley: Henry?

HMJr: Yes, Jim.

F: Henry, would you give any thought to Clarence Lowe on that, he's resigned as Treasurer from the Committee and he's wanting something to do. I know the fellow would work like hell, he'd work harder than Patterson.

HMJr: Well, I passed the name of Patterson along. Clarence Lowe.

F: Yeah, Clarence H. Lowe. You know, he was Treasurer of the State Committee, now he's all - he's working on one of these committees now, Freedom for Democracy with and a lot of those fellows, you know.

HMJr: Yeah.

F: And he's a fellow who would work all day and all night and he knows the state pretty well on account of his former connection with the committees. He works like hell.

HMJr: Well, let me think about it, Jim.

F: Now, it's worth thinking about. I thought about him after I talked to you about Patterson. There's one thing about it, he'll work twice as hard as Patterson.

- 2 -

HMJr: He will?

F: Oh yes, he'll work all day and all night.

HMJr: Well.....

F: He doesn't know anything about this. I just thought that - this is my own suggestion - it's no obligation at all, see?

HMJr: All right. Ever so much obliged.

F: Okay.

June 20, 1941  
11:50 a.m.

HMJr: Hello.

William  
Donovan: Henry, Bill.

HMJr: Good morning.

D: I just wanted to tell you  
myself that along the lines  
that you and I talked, the  
President accepted in totem,  
and I wanted to ask you - to  
tell you that I'd like to take  
advantage of your kind suggestion  
and talk to those men of your  
organization that you mentioned  
the other day.

HMJr: Right.

D: I had hoped to be there this  
morning, Henry, and get hold  
of you but I couldn't make it,  
but I'll be down next week  
and if you just let me know  
with whom I'm to talk, I won't  
bother you and I'll get hold  
of them.

HMJr: I'll tell you now and I'll tell  
them that you are going to talk  
to them.

D: Yes.

HMJr: One is John Wiley and the other  
is Sam Klaus, K-1-a-u-s.

D: Klaus, Sam?

HMJr: Yes.

D: Yeah.

- 2 -

HMJr: So.....

D: And then there was a White, wasn't there? Did you mention White?

HMJr: Well, he's on my regular staff and

D: Oh, I see.

HMJr: Harry White, Dr. Harry White, but I mean he's not for Lend-Lease. He's not to be loaned, but his group - no, the man - no, the man.....

D: That you had in mind was Wiley.

HMJr: Wiley and Klaus were the people that have been working on that.

D: Yeah.

HMJr: White is not available, and on that.....

D: Well, would he be - at your end would he be working on this in - anything this outfit would be doing with your people.

HMJr: Who?

D: I mean it's important at both ends, Henry, I'd like to see the fellow that you would designate to represent you, too.

HMJr: Well, that would be - that would be Herbert Gaston.

D: Oh, good.

HMJr: Herbert Gaston.

D: Yes.

- 3 -

D: Yes.

HMJr: And if he's out of town, which he will be next week, the coordinator of the Treasury Intelligence, who is Elmer Irey, I-r-e-y.

D: Oh, yes, yes, I know him.

HMJr: Now, he's coordinator of Treasury Intelligence.

D: Yes.

HMJr: Herbert Gaston, if he's here and Irey, or both, and Wiley and Klaus. Now, Wiley and Klaus have been nominally under Gaston's direction.

D: Well, I'll get hold of them, Henry.

HMJr: Right.

D: And then you'd be pleased with the whole attitude, it was right along your line.

HMJr: Good.

D: Well, I felt better about it.

HMJr: Well, when you are here and any time you'd like to, it's very close to my heart.

D: Well, I'm - I thought without bothering you too much, after I'd talked with some of those fellows and got my own mind running, then I'd go in and check up with you.

HMJr: Okay.

D: Fine, Henry.

HMJr: Good luck.

June 20, 1941  
12:15 p.m.

Oscar Cox: Yes, Mr. Secretary.

HMJr: Oscar, everything under control?

G: Yes.

HMJr: From all accounts, that was a swell meeting yesterday.

G: Yes, it was excellent, and I talked to Childs afterwards and he said Purvis was just tickled pink about it.

HMJr: Good.

G: He thought you had done a grand job.

HMJr: Well, I've told them that the meeting they have Monday, it will be in my office, I want to give it some more push and steam.

G: Well, that's grand.

HMJr: And I think we're on the right track now.

G: Well, I think definitely.

HMJr: Good.

G: I think we have something on it.

HMJr: All right, Oscar.

G: Thanks very much. Say, your friend, Clif Mack is being very helpful to us on this oil question, you know about that?

HMJr: No. What about?

- 2 -

C: Oh, it just come up.

HMJr: I don't hear awfully well.

C: I say, it's just come up in terms of the Texas producers who want to contribute one day's production and we're trying to work out some kind of practical procedure on the Lend-Lease by which that can be given as a gift and then turned over to the British.

HMJr: Oh, really.

C: Yeah.

HMJr: Yeah, Mack's good.

C: Oh, I'll say.

HMJr: Right.

C: All right.

HMJr: Okay.

C: Goodbye, and thanks.



OFFICE OF THE DIRECTOR

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TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

June 20, 1941

Memorandum to the Secretary:


On June 5 the President wrote a letter to Mr. John F. Camp, San Antonio, Texas, concerning a donation of 5,000 barrels of crude oil and stating that you would direct the arrangements with respect to the delivery. Mr. Camp had indicated in his letter that he would be pleased if the oil could be made available to the fighting forces of Great Britain and a directive issued by the President, also on June 5, authorized transfer to the United Kingdom.

The President expressed the thought in his letter to Mr. Camp that the donation might inspire others to do likewise. Mr. Camp's representatives have been in touch with me concerning a movement to have the oil dealers of Texas donate one day's production monthly for a period, to the defense program and today the matter was taken up with Mr. Oscar Cox in order to work out a method of handling any similar donations which are made by other oil producers.

Judge Walker of San Antonio, Texas, who is interested in the plan told Mr. Cox and me this morning that he expects several other producers to donate and that the donations of one day's production per month by the Texas producers would approximate a million barrels of crude oil monthly.

It is the plan of the Texas oil operators to handle this matter as a private undertaking and the participation of the Government will be with respect to the handling of the crude oil for refining and shipping.

Judge Walker is returning to Texas tonight and will advise shortly concerning the progress of the proposed plan.

  
Clifton E. Mack,  
Director of Procurement



FOR THE PRESS

IMMEDIATE RELEASE

FOR THE PRESS

JUNE 20, 1941

The President announced today that to meet a threatened shortage of petroleum products in the Eastern United States he had directed the Administrator of Export Control to place all petroleum products under control and to permit exports from the Eastern Seaboard only to the British Empire, Egypt, and the Western Hemisphere, since supplies to these destinations are dependent in part on shipment from Eastern ports. Meanwhile a plan will be prepared for the most effective use of tanker facilities available to supply petroleum to the Eastern Seaboard and the other American Republics. Further restriction of shipments of petroleum from the gulf or Pacific ports of the United States is not contemplated.

- - - -

June 20, 1941  
2:03 p.m.

HMJr: Hello.

Operator: Mr. Harold Stanley.

HMJr: Right.

Operator: Go ahead.

HMJr: Hello.

Harold Stanley: Mr. Secretary?

HMJr: Talking.

S: This is Harold Stanley.

HMJr: Yes.

S: I called up Mr. Secretary, to say we are very disturbed at this Time's article and don't know what to do or what to think by it.

HMJr: Well, you....

S: We don't know whether it's a rehash of a two weeks old matter that's been leaking some way or what was up then or whether the situation is changed in Washington since we gave our last message to the group to drop the matter.

HMJr: Well, you are no more surprised or shocked than I was when I read it.

S: Well, I was sure of that.

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- HMJr: And you notice that it is not a Washington story.
- S: Well, I don't - I don't know where it came from. I tried to find out, they called me up in the middle of the night and I hoped they weren't going to run anything. I don't know where it came from, Mr. Secretary.
- HMJr: Well, neither do I.
- S: I - there's been an article on the ticker that hasn't got any date line either, but it says that the - I'll read it, one line of it, that so far as the Treasury, the SEC and the RFC are concerned that this was closed. The Syndicate has not been asked to do anything.
- HMJr: Well, that was the Dow Jones ticker, wasn't it?
- S: Yes.
- HMJr: Well, I wondered where they got that from.
- S: Well, I don't know that either, they didn't get it from us.
- HMJr: Well, they didn't get it from me.
- S: They a - I didn't know what that meant and we hadn't thought of saying anything formally unless you would like us to or we wanted to ask you if you wanted to have us treat the matter in any way than it is now.
- HMJr: Well, personally, I was just going to let it go by and wasn't going to pay any attention to it.

- 3 -

S: Yeah.

HMJr: And a - they say where - I don't know whether your - somebody in your office is close to the Times or not, I can't ever get anything out of them.

S: I'm going to try to get something out of them, I don't know whether I can.

HMJr: Well, why don't you call up Sulzberger and ask him?

S: Fine, I will.

HMJr: I mean, he might tell you.

S: Yeah.

HMJr: It does not originate here...

S: Yes.

HMJr: Only one or two people knew about it and we don't have leaks in the Treasury, and never have had and I just thought I wouldn't dignify it with any statement.

S: Well, I'm glad to hear that. I think - of course, it may be stirred up by the papers or by somebody and in the next few days get even more and more disagreeable.

HMJr: Well, I took it for granted that it was some member of the Syndicate.

S: Well, I don't believe so, I mean I couldn't get the papers to tell me exactly last night, but both the Times and the Tribune called up. The Times had a scoop and the Tribune got it from the first edition of the Times, but I - they

- 4 -

didn't say so in so many words, but it was an awful clear hint that it came from somewhere in Washington. That was only reported, that was the top seller.

HMJr: Well.....

S: I shall do that, Mr. Secretary. Do you want us to re-open this thing, now that this publicity has happened.

HMJr: No, when I told you the other day that - let the matter drop, I let the matter drop.

S: I understood that, quite.

HMJr: And I haven't discussed it with anybody from the day you left here.

S: Right.

HMJr: I mean, as far as I'm .....

S: The thing is that somebody - somebody on the outside in Washington knew about this the next day - fellow not in the Government.

HMJr: You say they did.

S: Yeah. Fellow told us that he heard it.

HMJr: Well, I don't know.

S: That was the next day after we saw you for the first time, but I don't know where he got it.

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- HMJr: Well, as far as I'm concerned it's a closed book.
- S: Well, Secretary, because I think it's terribly - you know, we're really darn upset about it because....
- HMJr: Well, I think you have reason to be.
- S: I mean - I - we tried to put it over once and failed. The only thing is just to let it stay now or to re-open it in view of this publicity and say this is a hell of a thing for the papers to do to you - you fellows in the group wont do anything about it, but I think it's awful to do it now.
- HMJr: Well, as far as I'm concerned, it's a closed book.
- S: Fine, Mr. Secretary. May I say to anybody - - - I'm not going to make any statements - can I say off the record just what the facts are - that the suggestion came up, not as a request but as a suggestion, there were difficulties, differences of opinion about carrying it out and after discussion the thing was dropped a week ago.
- HMJr: All right with me.
- S: Because that's true and....
- HMJr: You can say it on or off the record, as far as I'm concerned.
- S: Well, thank you very much and if I should get any information from Sulzberger, I'll take the liberty of calling up.

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HMJr: Yeah, you can call me up  
at my farm tonight - Beacon 211.

S: In Beacon?

HMJr: B-e-a-c-o-n.

S: Can I tell Sulzberger that you  
know that I'm talking to him  
or would you rather keep out  
of it?

HMJr: I think you'd get better, if  
you left me out of it.

S: I see.

HMJr: See?

S: I see.

HMJr: I think you'd do better.

S: The only thing, Mr. Secretary, what  
would you think of this? If my  
not getting after him today, if we  
get after him and show that we're  
excited or whatever, they may keep  
it going more than....

HMJr: I don't think he would do that.

S: Uh huh.

HMJr: I don't think he would do that.

S: Yeah.

HMJr: But I imagine either you or over  
at Morgan's, somebody knows him  
pretty well.

S: Well, Perry, one of our fellows  
here knows him quite well. I  
don't happen to myself.

HMJr: well, I think if you called  
him up....

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S: I'll call him direct.

HMJr: What?

S: I'll call him myself.

HMJr: And if you want to call me tonight, I'll be up there on the farm.

S: And please tell me the number at Beacon again.

HMJr: B-e-a-c-o-n, Beacon, New York, 211.

S: 211.

HMJr: Yeah.

S: Thank you, Mr. Secretary.

HMJr: Right-o.

S: Right.



June 20, 1941  
2:17 p.m.

HMJr: Hello..

Operator: Dean Landis

HMJr: Hello.

Dean Landis: Hello, Mr. Secretary.

HMJr: How are you?

L: Oh, not in a at all, I've had a terrible time.

HMJr: What? I don't hear you.

L: I've had a terrible time.

HMJr: I see.

L: I, I was wondering - I had a very brief talk with President Conant this morning and he....

HMJr: I don't hear terribly well.

L: I had a brief talk with President Conant this morning and he wanted to know if I could come to see him again tonight.

HMJr: Yes.

L: Will that be all right with you?

HMJr: Oh, surely.

L: I'm sorry now to say that way, but Conant wants to talk ...

HMJr: I don't know, the thing fades out, I don't hear you.

L: I said, Conant wants to talk the thing over more fully with me than he had time this morning.

HMJr: I see. Well.....

- 2 -

L: I'll call you again the first thing in the morning, if that's agreeable with you.

HMJr: Well, if you'd call me at Beacon, New York, B-e-a-c-o-n....

L: B-e-a-c-o-n.

HMJr: 211.

L: 211.

HMJr: I take it that you are taking a more favorable look at it.

L: Yes, on the other hand, of course, the President.....

HMJr: I'm sorry, I don't hear.

L: On the other hand, President Conant is considerably disturbed as I am by problems that are facing us here in the next two or three months, particularly.

HMJr: Yeah.

L: The - we're facing a storm here as well as you are.

HMJr: True.

L: And the problem that has me down is quite a problem, just how the institution is to survive and all that, and that - that's my real concern.

HMJr: Yeah.

L: I've put everything else out of my mind and my responsibility in that connection and my responsibility

HMJr: I'm sorry, I don't hear, Jim.

L: I said I put everything out of my mind except my responsibility in that connection with the institution here.

HMJr: I see.

L: And everything except the responsibility on the other side, and that's the thing

- 3 -

that - I wanted to have a longer talk with him than I had this morning, he's in a jam.

HMJr: Well, I'm more than glad to wait because it's worth waiting for.

L: Well, that's very good of you.

HMJr: And I'll be on the farm tomorrow.

L: Uh huh.

HMJr: And a .....

L: What time would you suggest to be the most convenient?

HMJr: Well, you seeing Conant tonight?

L: Yes.

HMJr: I'm on daylight saving - is 9 o'clock a good time?

L: Nine o'clock?

HMJr: Yes.

L: Yes, that'll be all right.

HMJr: What's that?

L: Nine o'clock is fine.

HMJr: If you'd call me at nine, it'd be perfect.

L: I'll do that.

HMJr: I do hope it's going to work out because the more I think of it, the more I want you.

L: Uh huh.

HMJr: And the more I know I need you.

L: Well, very nice of you to say that.

HMJr: But - so a - I'll expectantly look forward to your call tomorrow.

L: Yeah. All right, I'll....

HMJr: And as I say, if Conant has any doubts or anything, why a - do any good for me to talk to him or fly up there to see him, why I'd be glad to do it.

L: I see. If you - you would come up to see him?

HMJr: If it was - if it gets down to that, yes, I would.

L: Uh huh.

HMJr: Surely, I'll come up to see him.

L: Well, I .....

HMJr: I mean I want you that badly, I'd certainly come up to see him.

L: Well, I don't know whether that will be necessary, but I'll bear that in mind.

HMJr: Yes. Now, if it would help at all, I can jump in a plane and get up there easily.

L: Uh huh.

HMJr: So you call me tomorrow and I'll look forward to hearing from you.

L: All right, fine, I'll do that.

HMJr: Goodbye.

L: Goodbye.

June 20, 1941

MEMORANDUM FOR THE SECRETARY'S FILES:

A meeting relative to the administration of Executive Order 6389, as amended, was held in Mr. Foley's office at 3 p.m., June 20, 1941, attended from time to time by the following:

Messrs. Foley, Gaston, Cochran, Viner, Bernstein, Pehle, Gos and Alkin for the Treasury, Messrs. Acheson and Luthringer for State, Messrs. McNamara and Kreeger for Justice.

As a result of negotiations, Mr. Pehle said that general licenses were now ready for issuance to Sweden and Switzerland. He outlined briefly the plan for each country. The Swedish Government and Central Bank accounts will be entirely freed, while other Swedish transactions will be cleared through the Swedish Foreign Exchange Control. If approved by the latter, cabled confirmation will be sent to the Swedish Legation representative in New York, who will notify the Federal Reserve Bank and certify the transaction to the particular bank effecting the transaction. Mr. Pehle said that the Swedes had offered to provide weekly or monthly reports.

The Swiss problem, Mr. Pehle pointed out, was different in that there was no Central Exchange Control, but only a Gentlemen's Agreement among the banks. When conversations were initiated with the Swiss representatives, they only wanted a general license for the Government and Central Bank; however, it was later decided that this would be too restricted an arrangement. Subject to confirmation, it was agreed that assurances would be given in respect to the Government and Central Bank and that all other transactions would be physically cleared through the latter.

Mr. Pehle pointed out that issuance of these general licenses to Sweden and Switzerland would place the Treasury in an excellent position with respect to the negotiation of general licenses with other countries.

Mr. Pehle mentioned that the Swiss representatives had requested a general license for payments through private accounts in respect to shipments to Switzerland. All such shipments will be certificated and it was agreed such a general license should be prepared.

It was then decided that general licenses should be issued to Sweden and Switzerland as outlined and it was agreed that the Treasury Department should give out the press release.

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At Mr. Gaston's request, arrangements were made by Mr. Foley, after he had telephoned to Francis Biddle and cleared with the Department of Justice through Mr. McNamara, to notify by telegram all Collectors of Customs that steps were to be taken to prevent any Italian national from departing from the United States before appropriate clearance.

In response to Mr. Bernstein's query, Messrs. Acheson and Luthringer indicated that Mr. George Gordon of the State Department would be in charge of requests by Germans and Italians wishing to depart from the United States. It was explained that Mr. Berle had arranged with the F.B.I. so that final clearance or otherwise could be given by Mr. Gordon. Subject to further check, Mr. Acheson stated that Mr. Berle did not wish to ask departing diplomatic and consular officials to file any reports. Mr. Bernstein then suggested that Customs officials be directed to ask departing Germans and Italians how much money they were taking out of the country and, if the amount was not exorbitant, the Customs officials could allow the departure. Later, Mr. Foley announced that Congress had passed the bill giving the President unlimited powers over immigration and emigration. Now that the bill will become law promptly, its operation is a function of the State and Justice Departments. Until procedure can be worked out by the latter and to keep the Treasury Department's position clear, it was agreed that some form of report would be required of those wishing to leave the country.

Mr. Bernstein explained the Rohm & Haas case. The Treasury Department had directed the Philadelphia Federal, in effect, to have this company's accounts blocked since approximately 40% of their stock was owned beneficially by Germans. Besides, the Treasury Department had other "bits of information"; namely, the company was suspect both by the British and Canadians. Mr. Bernstein explained that a scurrilous article on the company had appeared in the magazine "Click", and that the treasurer of the company had subsequently appeared before the House of Representatives Patent Committee which had given the company a "clean bill of health" though recognizing the German ownership. Mr. Post of the Philadelphia Federal took no effective action in respect to the Treasury Department's instructions to block Rohm & Haas and, when he received instructions authorizing issuance of an operating license to this company, objected to taking any action which would have the effect of recognizing the "national" status of the company. Congressman Kramer, according to Mr. Bernstein, had telephoned a number of people in the Treasury Department during the day to give him assurances that Rohm & Haas was not a Nazi organization and

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should not be blocked. Mr. Bernstein pointed out that the Philadelphia Federal could have easily blocked the account and issued the operating license which would have permitted Rohm & Pass freely to conduct their business. Mr. Foley agreed to telephone the Philadelphia Federal as well as Congressman Kramer to straighten this matter out.

Mr. Acheson then brought up the proposed sale by the Standard Vacuum of their Hungarian properties. The matter would be considered closed by the oil companies in view of the position taken by Mr. Welles as outlined at yesterday's meeting. However, the oil companies wished to preserve their position with respect to any offer which might be made to pay for the properties in unblocked dollars. Mr. Pehle mentioned that should I. G. Farben Industrie offer to buy the properties in unblocked dollars, the proposition would have to be examined very carefully to see that these dollars were not, in effect, funds which should have been blocked but which, because of a cloak, had been concealed.

Mr. Bernstein then discussed what would be the best approach to the blocking of a fairly large group of accounts such as those carried at the Yorkville Branch of the Manufacturers Trust Company. He stated that he believed there ought to be some over-all policy. Mr. Acheson asked if we would want the F.B.I. to go into this and other branches of New York banks where there were a large number of accounts of bundists, etc., and Mr. Bernstein questioned whether the F.B.I. would want to show its hand. It was decided that perhaps the best way to handle the problem would be to have the F.B.I. meet with the New York Federal and Erwin May's group first, for discussions, then later to call in representatives of the banks.

Mr. Acheson said the British Embassy had offered to furnish him with authenticated proof of export violations. He asked whether these should be given to General Maxwell or the Department of Justice. Mr. Foley said he did not know, and called in Mr. Cairns who thought that this information might be communicated to the Department of Justice.

Mr. Pehle, in reply to a question raised by Mr. Acheson, stated that we were not trying to hold up shipments which were ready to go to Sweden and Switzerland. Mr. Pehle stated that as soon as the general licenses are applicable, transactions will flow without undue difficulty.

Mr. Coe reported that his group was now in the process of cutting down and simplifying the census report forms. He hoped to have a tentative draft ready by Monday.

Mr. Pehle explained that the Insulite Company had been negotiating since last September for someone to buy out their Finnish subsidiary. Negotiations have been completed, and on June 13 the funds were paid in New York to an attorney-in-fact to be held in escrow. Insulite now wants to get the money and has asked our approval. It was agreed that the transaction should be approved.



## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE June 20, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

The stenotypist reported the meeting held in the office of the Secretary of the Treasury at 3:30 yesterday afternoon which was attended by British and Canadian officials, as well as representatives of the Lend-Lease organization and of the Treasury Department. The Secretary requested that a part of the group meet with Mr. Bell after adjourning from his office to pursue further certain technical questions. There were present in Mr. Bell's office for this conference: Messrs. Phillips, Keynes, Purvis and Childs representing the British; Mr. Macdennell from the Canadian Legation; Mr. Cox and Mr. Graham from the Lend-Lease organization; and Messrs. Bell, White, O'Connell, Viner, Haas and Cochran of the Treasury.

Discussion began with a study of the attached "Memorandum on Information to be Supplied by the British" which had been handed to the Secretary by Mr. White during the preceding meeting, and which had been made available to one or two of the British members during the meeting in the Secretary's office. After glancing through this memorandum Mr. Keynes remarked that there was much information called for by the memorandum which was not available to the British officials in the United States and could only be obtained by cabling London, insofar as Great Britain is concerned. For the Dominions, Mr. Keynes said that much of this could not even be obtained in London, and he doubted whether it could be procured from the Dominions themselves. He took exception to some of the questions on page 4 of the memorandum, particularly that calling for information on "Gold Holdings of Empire Countries by Countries as of the Beginning of Each Month". He also was apparently unhappy over questions 3 and 4 under this same heading of "Cash Position". Mr. White explained to Mr. Keynes that the memorandum had been compiled with the view to obtaining information of the type which the Secretary is frequently called upon to provide to the President and his colleagues in the Cabinet, as well as Congress, when problems concerning aid to Britain are involved. Mr. White insisted that the questionnaire was inspired by a real need and not by curiosity. It was agreed, after considerable discussion of various points in the questionnaire, that the British would study it and see how far they could meet it. Sir Frederick Phillips made the point that his people had already been providing the Treasury with quite a lot of detailed information with respect to their cash position, including a statement for each of the past several months. Mr. White remarked that the Canadians had been providing everything which the Treasury had asked.

Sir Frederick Phillips distributed to the group a table showing "Summary of New Commitments by B.P.C. and B.A.C., March 9 - May 31, 1941", together with a brief covering note. Copies of these documents are attached. This information was particularly desired by Mr. Cox to supplement the discussions which he and Mr. Childs had been having this week on the subject of commitments by the British for which relief might possibly be given, both to take care of the Secretary's understanding of \$300,000,000 to \$400,000,000 with Sir Frederick Phillips, and also the

- 2 -

proposal which had been the purpose of Mr. Keynes' mission to the United States. In discussing figures for commitments, and the nature thereof, little was brought out that was really new. Keynes did give some information with respect to British payments on dividends and inheritances, and promised to look into the pertinent figures.

For the information of Mr. Cox, Mr. Keynes went into some detail in discussing the items listed with one of his memoranda constituting articles which it has been found administratively difficult to include under the Lease-Lend Act. Mr. Cox thought that the number of such items could be reduced, and recommended to the British that they should not approach us with the idea that anything is impossible of inclusion from the American standpoint. Keynes replied that the various items which are procured for commercial concerns in England, outside of the British Purchasing Commission, and from private suppliers in the United States, are difficult of inclusion under the Lease-Lend Act because of British administrative difficulties. He emphasized the impossibility of building up a staff in London under present conditions which could function satisfactorily for the purpose of putting these transactions under the Lend-Lease. Mr. Cox was asked to study any possible means of simplifying such transactions from the American end. Mr. Keynes insists that from the British standpoint this list has been cut down now to what constitutes an irreducible minimum core, which must be taken care of by cash payments outside of Lend-Lease.



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Memorandum on Information to be Supplied by the British

Because of the numerous conferences at the Treasury about problems relating to the British financial position, more detailed and systematic information with respect to the dollar and gold income and outgo is essential. We would like actual figures by months for the period January 1 through May 31, 1941, with monthly estimates for the remaining months of the year, and the actual figures for these months at monthly intervals. This detailed statement should contain the following:

1. Outgo.

- (a) A detailed breakdown of the \$763 million set forth as the payments to be made by them on B.P.M. contracts during the 7-month period, June 1 through December 31, 1941. This breakdown should show the name of the contractor-payee, the date of contract, the subject matter of the contract (aircraft, steel, machine tools, oil, change orders in aircraft, etc.), the advance payments made and when they were made, the payments still due and when they are due, and the terms upon which the contract is terminable.

(The British estimates here cited are all taken from the memorandum submitted by Phillips to Bell on June 16, 1941.)

- (b) An itemized account of other payments to be made by U.K. to U.S. — (estimated at \$100 million per annum by the British.)
- (c) An itemized account of British Empire imports from U.S., excluding U.K. and Canada — (estimated by the British at \$400 million per annum).
- (d) An itemized account of British Empire (excluding Canada) dollar payments to third countries, by countries and commodities — (British estimate, \$160 million per year).
- (e) Any other expenditures, itemized.

2. Receipts.

- (a) An itemized account of U.K. receipts from the U.S. — (estimated by the British at \$180 million per annum).

- 2 -

- (b) An itemized account of sterling area exports to U.S. -- (estimated by the British at \$500 million per annum).
- (c) Itemized U.K. and sterling area exports to third countries paid for in U.S. dollars or gold.
- (d) Empire, excluding Canada, gold production and exports with breakdown by countries of destination and of proximate source or origin.
- (e) Dollar relief to U.K. for (1) plant facilities transferred; (2) supply contracts taken over; (3) changes in existing contracts.

In each case we would like to have the actual received and when, relief from expenditures by months, and reduction in total commitments outstanding.

- (f) Receipts from sale of U.S. securities and direct investments. (This is not to supersede the weekly tabulations now being received.)
  - (g) Receipts from R.F.C. and other loans on investments in U.S., by date of receipt of cash.
  - (h) Any other dollar or gold receipts, itemized.
3. A daily report of items being cleared through the British official account with the N.Y. F.R.B., with indication of the purpose for which the large checks were cleared and principal source of the credits made to the account.

#### Cash Position

1. A weekly statement showing daily gold and dollar position.
2. British private dollar balances held as of the beginning of each month, broken down by classifications similar to those set up in the skeleton tables submitted to Mr. Allen on April 16, 1941.
3. Such information as the British Exchange Control requires on debits and credits to such private dollar accounts.
4. Gold holdings of Empire countries by countries as of the beginning of each month.
5. A weekly statement of all gold transactions.

Copyrals 6-20-41

The new commitments of the B.P.C. and B.A.C. included in the U.S. Treasury's "Statement A" since the passage of the Lease Lend Act amount to ..... \$150,015,000

The new commitments are reported somewhat in arrear and the above figure includes therefore many new commitments for which orders were placed before Lease Lend. Making this correction, the figure is reduced to \$ 82,899,000

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This total can be broken down as follows:-

Amendments to old contracts.....	(Air 20,287 Other 9,847)	\$ 30,134,000
New contracts.....	(Iron & Steel 18,404 Other 34,361)	\$ 52,765,000
		<u>\$ 82,899,000</u>

The list furnished to the U.S. Treasury of contracts signed after March 11, 1941 which we suggested should be taken over showed Total Contracts ... \$ 52,413,000  
of which spent \$11,661,000, advances outstanding \$16,916,000, unpaid balance \$23,836,000.

June 19, 1941

COPY - dm - 6/19/41

SUMMARY OF NEW COMMITMENTS BY B.F.C. AND B.A.C.

March 9 - May 31, 1941

\$000

	Week Ending:												Total
	May 31	May 24	May 17	May 10	May 3	Apr. 26	Apr. 19	Apr. 12	Apr. 5	Mar. 29	Mar. 22	Mar. 15	
Total Reported on "Statement A"	5,099	2,708	4,703	10,530	4,683	4,176	6,968	18,455	13,139	53,170	9,464	16,920	150,015
Total Adjusted to reflect actual week in which order was placed - eliminating orders placed before Mar. 9, 1941	648	2,543	642	6,486	2,066	5,658	7,790	5,474	10,920	6,669	15,157	18,846	82,899
of which													
<u>Amendments to old contracts</u>													
Air	214	362	108	1,167	331	3,412	4,642	2,004	5,327	1,771	52	897	20,287
Other	<u>cr. 157</u>	<u>13</u>	<u>176</u>	<u>cr. 288</u>	<u>cr. 117</u>	<u>383</u>	<u>163</u>	<u>282</u>	<u>cr. 147</u>	<u>2,676</u>	<u>6,816</u>	<u>47</u>	<u>9,847</u>
Total	57	375	284	879	214	3,795	4,805	2,286	5,180	4,447	6,868	944	30,134
<u>New Contracts</u>													
Iron & Steel (net of cancellations)	528	1,797	225	1,416	1,210	1,224	2,027	2,591	2,009	350	1,469	3,558	18,404
Other	<u>63</u>	<u>371</u>	<u>133</u>	<u>4,191</u>	<u>642</u>	<u>639</u>	<u>958</u>	<u>597</u>	<u>3,731</u>	<u>1,872</u>	<u>6,820</u>	<u>14,344</u>	<u>34,361</u>
Total	591	2,168	358	5,607	1,852	1,863	2,985	3,188	5,740	2,222	8,289	17,902	52,765

Records and Statistics  
 British Supply Council  
 Washington, D.C.  
 June 19, 1941

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copies to Cochran  
White 95  
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permission

June 20, 1941  
3:30 p.m.

RE AID TO BRITAIN

(Conference held in Mr. Bell's Office)

Present: Mr. Baillieu  
Mr. Viner  
Mr. Keynes  
Mr. O'Connell  
Mr. White  
Mr. Cochran  
Mr. Purvis  
Mr. Phillips  
Mr. Childs  
Mr. Archer  
Mr. Davidson  
Mr. Cox  
Mr. Graham  
Mr. Macdonnell

White: Mr. Bell unfortunately cannot be with us at the first. How would you like to proceed, Sir Frederick?

Phillips: I have got just a rough note here and taking it in order from the start, Tennessee Powder. Old machine gun contracts, the documents are on the point of being signed for capital facilities.

Purvis: May I for a moment ask what we are talking about? How does this jibe with yesterday's meeting? I am not getting this story. Is this a list of -- what is it to prove?



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- Childs: These are propositions for raising money.
- Purvis: Oh, I see. I thought we were going on with the memorandum. I see.
- Phillips: The remaining capital facilities, which were fifty million, there is agreement in principle with the War Department and the Reconstruction Finance Corporation. Then we come to the things which are still to be done, but with regards to the contracts signed after March 11, we have put in our list of contracts over fifty million dollars to Mr. Cox --
- Childs: Fifty thousand.
- Phillips: Fifty thousand dollars, and we are waiting for a - we are ready to act immediately the directive as given to the appropriate departments, so we have no more to do on that.
- White: What was the total of that?
- Phillips: Forty-one million.
- Childs: Total contract values was eighty-six, but it includes some amendments which cuts it down to that value; and of the remaining fifty-two million of contract value, there were forty-one million --
- White: Then as the matter stands now, how much toward that three to four hundred million figure is there?
- Childs: Just the forty-one.
- Phillips: Well, I was just saying, we have put in the list of contracts over fifty thousand dollars and we take it you don't want any more from us on that. We have still put in a list of

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contracts under fifty thousand dollars and also a short list of amendments to existing contracts. Then we have still to put in to you a list of British contracts prior to March 11 which were covered by Mr. Cox' first suggestion.

On the shipping contracts, we are getting ready to submit them to Mr. Cox for a directive and then the only remainder that I know of are a few things where the contracts were only a letter of intention and no formal contracts have been signed. There we are endeavoring to put them in when we can.

White: Then that constitutes all the information that we are waiting for?

Phillips: Well, I just wanted to make quite sure that there is nothing more you wanted from us on that first group, that is to say, the contracts signed after March 11. Those over fifty thousand where we put in a list, we take it that Mr. Cox will now issue a directive to the departments. That is what we wanted to get from him.

White: He should be here shortly. I just called up his office to find out whether he has left.

(Mr. Macdonnell entered the conference.)

Phillips: Well now, if there is any more you want from us on this three to four hundred, let us know.

White: He will probably want to ask you some further questions. If he should, you can discuss that at that time and possibly we had better pass that, since I don't know what he has in mind in addition to what you have already indicated.

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Was there anything else on that aspect of it that you wanted to discuss now before he comes? If not, we can turn to the other information which we were discussing.

I noticed in going over the memorandum which you submitted on the seventeenth that you referred to possible payments of thirty million dollars a month, relief of thirty million a month, I think, for ten months. We gather it is only nine months, so if you will look that up to see whether that is true or not. The tenth month is missing. It is not an important matter.

- Keynes: Well, we will check that.
- White: It doesn't interfere with the future.
- Keynes: That comes on the last page? The mistake in arithmetic is on the last page.
- White: Yes.
- Keynes: Yes, I will check that.
- White: Now, do you want to go over item by item on this brief memo which you had to suggest that which you think would be helpful for us to have, that which you think might not contribute at all toward our objective and which we may as well leave out, would that be a favorable way of approaching that?
- Keynes: I should rather like to go through the things on number two, but I think we can give you a very long way now, and then find out - what gaps there are that you would like filled up.
- White: Well, it isn't so much a question of what we would like to fill up. Rather, it is a

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question, it seems to me, of what you think would be helpful for us to have in some detail to enable us to see what we can cut down in the way of dollar expenditures for yourselves or increase dollar receipts.

Keynes: I think that really arises on the things on page two. If we itemize those for you to the best of our ability, I think you will see what the possibilities are.

White: That is right.

Keynes: I think I can run through that out of my head, not giving - I mean, I mustn't depend on getting it exactly right. I think the orders of magnitude are correct.

White: Are you going to read something that you are going to leave with us?

Keynes: No, I haven't got it down. I have just got notes. I couldn't read it.

We spent, we think, outside Lend-Lease, or have been spending, something like seven hundred fifty million dollars a year, and that is made up as follows:

First of all, there would be one hundred fifty of what we call hard coal imports into the United Kingdom, which are administratively difficult.

White: One hundred fifty?

Keynes: Yes. That we were going to discuss further along the lines suggested by Mr. Cox.

Cochran: That was the item that was originally two hundred?

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- Keynes: Yes. Seeing whether by your accepting our import licenses or some other way you would handle any of those, but it is a hundred and fifty.
- White: What is your thought as to the best way to proceed to a discussion of that? Can some of your men meet with Mr. Cox' men or do you feel you want to raise some of the points here, or how would you like to handle that?
- Keynes: I think that Mr. Thompson is working with somebody.
- Davidson: With me, and we are going to prepare a memorandum which we hope to have ready by Monday.
- Purvis: Is that acceptable to you?
- White: Yes, I should think that that would be the way to approach that and then they can discuss any plans here. So that item is being pushed as rapidly as possible.
- Keynes: Yes. Then there is a hundred million of payments where I can get you the exact figure, but I think it is following the procedure near enough. It is forty to fifty million of the profits of the film companies. That isn't the whole of their profits, but it is the amount that they are allowed to remit under the agreement reached when Mr. Kennedy was Ambassador.
- White: That is the forty to fifty million which they can obtain in dollars?
- Keynes: That is the forty to fifty million which they can obtain in dollars. The rest they have either --

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- Viner: Is that British Isles alone or including Australia and New Zealand?
- Keynes: British Isles alone.
- Cochran: Has that been amended in any way by negotiations in the last few weeks?
- Keynes: There was originally an agreement for the first year and the first year has elapsed and it wasn't quite identical at first. If you would like a copy of that agreement - I don't think there is a copy here, is there?
- Phillips: No.
- Keynes: But it can be gotten from London.
- White: This is just a shot in the dark. Would any of these films be classified as --
- (Mr. Cox and Mr. Graham entered the conference.)
- White: Let me indicate very briefly what has been done, Oscar, and then we will be able to return to the matters that concern you.
- Sir Frederick had an outline of the status of the various steps which he presumed would be taken in supplying information that you want, and we will come back to that after we continue with this discussion.
- Cox: All right.
- White: Mr. Keynes is now indicating the details of the items on page two, which are the breakdowns of their expenditures in an effort to see whether additional information could not be supplied which might enable us to take over some of the dollar commitments. He has said

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that a hundred and fifty million appears to represent those which might be classed as commodities which represent administrative difficulties and that a memorandum is being prepared by members of their staff as to what they are and some other aspects of them, and it should be ready by Monday, at which time they will get together with you and you will have an opportunity to see what can be done with respect to those.

The second item is that of services and the first item under services is forty to fifty million dollars of - which are obtainable out of the larger amounts due from American moving picture companies. Their contract calls for - a portion in sterling and a portion in dollars is called for.

Keynes: The portion they can use to produce films in Great Britain which they then bring here. They can use part of the money for that and part of the money they can remit and the balance they will just have to leave.

White: Well, I suspect that the question of those proportions is something that you couldn't get into at all, but I was just about to say, is there any possibility of considering some of these pictures as essential to the spiritual health of the nation, and that possibly could be paid for under Lend-Lease, without commenting on the particular pictures? They need entertainment.

Cox: I think that is what Mr. Keynes would call one of those politically undesirable items to pick up in these times.

White: I am just dropping the idea. Make of it what you will. I don't see how we can attempt to in any way modify whatever the specific

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arrangement is between the moving picture companies and your government.

Keynes: I think at the end of this year, you see, when the third year comes along, I think that it might well be possible to insist that they shouldn't have any dollars, they should keep waiting for the lot.

White: That is going to be pretty difficult, I should imagine, just offhand, because that means that the government is asking - picking on them and saying that, "You shall accept something which apparently is worthless to you."

Viner: Well, our Government may stay out of it altogether.

White: Oh, you mean an arrangement between - yes.

Keynes: You see, we are in fact making a concession. I mean, they haven't any right to do this. They have to get a license to do it, and we have so far agreed to this compromise.

White: I was directing my remarks to your suggestion that with our cooperation - I say, I don't know whether the Government could appropriately step into that, but I don't know.

Keynes: The second year's contract is more favorable to us than the first year's. They are remitting a smaller sum than they were in the first year, and we might on the third year get something better still.

White: How much income do your picture concerns make from those here? I notice there is an increasing amount of British films being shown.



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- Keynes: It is rather hard to say. My memory is that the gross is something like double this. There are gross earnings in Great Britain something like double this.
- Viner: The question is, what do the British receive in gross from British films?
- Keynes: I don't recall that.
- Phillips: Nothing like forty-five million dollars.
- Keynes: I don't think it is an important item, but I haven't got it separately.
- White: That item, I guess, had better be passed.
- Cochran: On that, Harry, you already know that Mr. Hays and his assistants have been making pretty strong representations over in the State Department wanting that increased, you see, and I have pled for your dollar position with them.
- Keynes: Yes. Then there is an item for the dividends, interest and other analogous agency and brokerage fees which for the best of my memory for the whole of the sterling area is something like seventeen million dollars, and it is hard to divide that between Great Britain and elsewhere because of the uncertain domicile of some of the countries, but we roughly think of it as being about half, say about thirty-five million dollars, with the United Kingdom. But this - I am speaking from memory - we have got our estimates in London. Maybe I am not quite right, but I think - the principle we adopt there is we don't allow them to remit anything they say are profits, but they have to produce their balance sheets and satisfy the exchange control that this really is their

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current earnings and doesn't amount to their taking their capital out of the country. Each important case is considered individually and the great bulk of it is a small number of great concerns.

So far as the United Kingdom is concerned - of course, outside the United Kingdom there are all sorts of companies scattered throughout the Empire. Here again, it is done under license, not as a right, and we have discussed among ourselves more than once whether we should alter this.

During the Lend-Lease discussions it would be a wise thing to raise it, we thought, and then after Lend-Lease we thought it was an unwise thing, because you had been so generous that that wasn't the time to take what might be regarded as a harsh line toward your investors and businesses; and therefore we have left it as it is, but it was discussed by the exchange control a very short time before I left London, and it was decided to do nothing.

White: Do you have any rough idea of the number of recipients? Would you call them a small number? Are they a large sum or a multitude of small sums?

Keynes: It is in two categories, the big ones like Woolworth and Ford where it is a large sum paid by the subsidiary to its parent; but there are a very large number of small items which are just an investment in some company on quite a small scale.

These two things, the large direct investments and the ordinary market investments.

Phillips: Do we happen to know what the Canadians have?

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Are they paying the same corresponding amount?

- Vinert: They are allowing them to withdraw current dividends but not capital.
- Keynes: Then there is another item, which, if I have done my other figures correctly, is of the order of fifteen million dollars, which is made up of a great many items of various transactions, including the quite trifling amount of legacies that we mentioned the other day, where we started by blocking them and then agreed to compromise.
- There are certain irreducible outgoings and a multitude of trifles amounting to that.
- White: Fifteen, was that?
- Keynes: Fifteen. It brings you up - with the hundred and fifty, that brings you up to two hundred fifty, which seems to be about right for the United Kingdom, so there we have reduced it, you see, to a very small figure.
- Cochran: I am a little confused. Wasn't the total of these invisibles one hundred?
- Keynes: Yes. That is fifty, thirty-five, and fifteen.
- Cochran: I see. I had seventy.
- Keynes: The seventy - the other part was the rest of the seventy.
- Cochran: Yes.
- Keynes: Then comes - we have to meet the dollar outgoings not merely of the Dominions but the Sterling area and the expenses of Egypt and Iraq are guessed very roughly at forty million

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dollars a year, and they would have to be wiped out because they would be not eligible for Lend-Lease in any case.

White: Which item is this?

Keynes: I am now getting to your item - you call it "British Empire". That isn't quite correct. It is what we have to meet of the dollar outgoings of the sterling area, which includes certain other countries.

Viner: It would be better to use sterling area as the term, it seems to me, because it makes it simpler, takes care of Egypt and Ireland and it takes care of Canada - it leaves out Canada.

Keynes: That is right. We think we spent about forty million dollars for parts of the sterling area which are not the Empire. That leaves - now we are very much --

White: Forty million dollars expenditures outside the Empire?

Keynes: Yes, on Ireland, Egypt, and Iraq. Iraq was turned out of the sterling area about a fortnight before the last trouble. We at last got the Foreign Office to be brave enough to turn Iraq out of the sterling area. Now I suppose she has a right to come back again and therefore I have left her in this estimate. This estimate was made when she was in, and she was out about a fortnight.

White: That is the net figure?

Keynes: No, we get the benefit of such exports as they send her. All these are gross figures.

White: Gross figures?

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Keynes: Yes. Then I have left that outside the seven hundred. I call it seven hundred to seven-fifty. Then there is four hundred fifty for the Dominions outside Canada and this is based on the figures supplied by them and I think criticized by us, which are of the nature of guesses. And while they may tend to go up for some reasons, the fact is that under Lend-Lease they expect them to go down for other reasons. I think it is a very precarious guess, but four hundred fifty is the figure. We have got that - I think you have got that fairly well itemized in London, and we sent a telegram to get full particulars and at present I can only itemize about half of it, I think.

White: Well, would there be any value in leaving a list of such parts as you have with Mr. Cox and then supplying the rest when it comes so that you (Cox) may be able to go over them again with the idea in mind of seeing what may be worked out?

Keynes: This four fifty is really the promising field, because it looks as though at the very least two hundred or two hundred fifty of it is suitable for centralized purchasing, and Mr. Davidson has already got pretty full returns for Australia and fragmentary returns for some of the others, and we have got in London pretty complete returns for all of them in regard to certain commodities.

We have got a figure of the steel - it is a little ambiguous whether this may not include a little bit of other non-ferrous metals, but it is called "Steel, et cetera." A hundred and twenty-five million dollars a year of the steel to all Dominions. That, you see, is about a quarter of the whole thing.

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- Purvis: When you say administratively difficult --
- Keynes: This is not administratively difficult.
- Purvis: Yes. You say two hundred to two hundred fifty is not administratively difficult.
- Keynes: Yes. As a matter of fact, it may be larger than that, Mr. Purvis.
- Purvis: But if some way can be found out for the difficult items, that is not a very --
- Keynes: From our end it looks as though it would be from two hundred to two hundred fifty. It looks as though it would almost have to be centralized, because the Dominions wouldn't get it in any other way and they are just beginning to understand that.
- Viner: Not only that, that can be speeded up here.
- Keynes: Yes, it could.
- Purvis: Yes. They could find themselves in a position where --
- Viner: It could be tied up with you (Cox) so that part of the priority procedure might be to get it cleared through you, too.
- O'Connell: Well, they probably won't be able to get the priority procedure.
- Davidson: That is already working. In other words, the orders coming through private concerns now are slowing down for just natural reasons. In other words, a fellow can't get the stuff. We are besieged every day by somebody at the corner of Whoosis and Whatsit Street saying, "I have got an order for this and I can't get it." We just say, "I am sorry, it is too bad."

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It comes through Government channels and so forth. The trouble is, they are still wanting us to do the work while they take their cut.

I said to one man, "You are just talking to a blunt American here. You want to cut four percent out of this item and let me do all the work. It is out."

He had an order for a thousand tons of galvanized sheets for Rhodesia. Under a Government project it would be just - I wouldn't have anything to do with it. So those gravitate naturally to us, you see.

Keynes: That hundred and twenty-five million is the steel they hope to get. Well now, if you Lend-Lease all they do get, from the financial point of view it is equally relief. Even if they get seventy-five, we can call it a hundred and twenty-five for the purposes of relief, because all they do get is fine.

Then they put in oil, all of them, at thirty-five.

Archer: Before you leave steel, sir, may I mention a point on that? There is the Columbus Steel, a South American company, which is coming here and --

Keynes: I thought we were lend-leasing that.

Archer: That is under consideration.

Keynes: Yes. I think we have been assuming. That isn't in our estimates because we weren't expecting to use that. That is going to have to come in the picture of those breakdowns.

Archer: That is right.

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Keynes: Isn't that right?

Cox: Yes.

Archer: Which would bring the figure up possibly another hundred million.

Keynes: As much as that?

White: A hundred million?

Archer: Yes.

Viner: To tin plate going to --

White: Canned food?

Archer: Canned food in South America.

White: A hundred million for the tin plate alone?

Keynes: That is a lot.

Archer: And certain other steel things, too.

White: Exports from here?

Archer: Yes.

White: To Latin America of tin plate with complementary products for the purpose of packaging food to send to England, you estimated a hundred million dollars for the coming year?

Archer: Yes.

Cox: That may also present the same priority problem.

Keynes: That again is all right financially as long as the Lend-Lease will take care of it.



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- Cox: There is one other thing that Viner raises in terms of degree of political problems, as to whether we wouldn't rather supply the tin plate here and the food here and give you the packaged article instead of some of the --
- Viner: We haven't got that canned meat here.
- Cox: That is the one thing we haven't got, but it is things other than canned meat isn't it?
- Archer: Yes.
- Purvis: It is the whole hundred million.
- White: It couldn't possible be all -
- Cochran: That is aside from your hundred and twenty-five, Dominions?
- Keynes: Yes.
- White: Now, that hundred million is in addition to anything that has been mentioned here, is that it?
- Archer: That is right. The total steel requirements here have been put at two hundred and twenty million dollars.
- Cox: Do you have any idea what all this steel is going to be used for predominantly?
- Keynes: We ought to have.
- Archer: Beg pardon?
- Cox: What is that steel going to be used for predominantly?
- Archer: The whole of the steel?

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- Cox: Yes.
- Purvis: Are you talking about the South America?
- Cox: No, for the Dominions.
- Purvis: Predominantly warlike weapons, wouldn't it be?
- Archer: No, partly warlike weapons, but the great bulk is tin plate and commercial steel. I am sure it would be used for --
- Keynes: It was in the Australian list. There is not very much steel. I was surprised. I couldn't see where so much of it related to. There is a good deal of it in here, isn't there?
- Archer: Yes. I haven't got the breakdown of the figures. All I have got from London is the total figures.
- Keynes: I asked for a breakdown by countries, but I haven't gotten it yet.
- White: But that would be one of the supplementary lists you would provide Mr. Cox with so he could work on the individual items and see whether there was some way of solving them. Then that estimate would accentuate the problem --
- Archer: I might put the figure up to five hundred million.
- Keynes: Well, except that the - you see, we haven't assumed that we were going to have to find dollars for anything in South America.
- Archer: I see. So it would be on both sides of the account. It wouldn't be relief.

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- White: I want to make certain. There is some misunderstanding here. That hundred million that you have just mentioned has not been taken cognizance of so it would be an additional --
- Viner: That is an additional --
- White: .....eight or nine million dollar requirement which is not in this list.
- Keynes: Then oil is put at thirty-five million dollars for the Dominions as a whole and the ethyl is at thirty-five million dollars. And there again I have asked for the breakup between countries and haven't got it.
- Then coming to particular countries, excluding those three commodities, other Australian requirements are twenty-four million. Is this the complete list of Australian?
- White: Is that a table you want to leave here?
- Keynes: I was asking Mr. Davidson whether it was a complete list.
- Davidson: It is as complete as their figures - as their mission here has it.
- Keynes: This is what the Australians in Washington have stated. I don't believe it is the whole story. At any rate, what is important about this is that these are Australian demands which have been centralized at the Australian end. I don't believe it includes miscellaneous Australian purchases through our merchants. This is something which is prima facie suitable for Mr. Cox, because it has been centralized. Is it safe for me to leave this?
- Davidson: Perfectly.

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- Cox: You may wish to supplement it.
- Davidson: Yes. The net of that is that it is official requirements.
- Now, John Jones in So-and-so Street in Melbourne is buying five thousand dollars worth of stuff, if that is so it isn't on there.
- Viner: And this is to be understood as now being purchased under Government auspices?
- Davidson: That is exactly right.
- Viner: It won't be a correction to this, but a supplement?
- Keynes: That is right.
- Davidson: That has the blessing of the Government, that is it.
- Keynes: Then, to submit an application for South Africa --
- Cox: Can I raise one question on that? It is in the light of an observation Mr. Purvis made, that is, in order to save time, why doesn't Australia put in requisitions now for the things that are clearly war things like steel that is going to make guns and so forth pending a determination on your part so we can get an answer on individual items?
- Keynes: Why shouldn't that be put in forthwith?
- Davidson: I haven't the faintest idea. I hoped to God that it was. It is a mystery to me that it isn't.

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- Viner: Does the Australian Government know that there is some possibility of their being taken care of under Lease-Lend?
- Davidson: Let us say they have a hope chest as large as any bride that ever lived.
- Cox: I was going to suggest that they put them in and be given sympathetic consideration.
- Davidson: That is my number one objective on this mission.
- Keynes: I think it is for Mr. Davidson to see that that does get on another stage of the journey.
- Purvis: He thinks he has got it on.
- Davidson: I shall be astounded if it hasn't been done.
- Purvis: As a matter of fact, you have been blocked somewhere without knowing it, if it hasn't?
- Davidson: Exactly.
- Purvis: We can verify it.
- Davidson: Surely.
- Childs: At our meeting this morning we had everyone put in all of their probable requisitions and not wait for the determination of any problem. That applies to Australia, New Zealand, and the rest of them.
- Keynes: Then as regards to New Zealand, I am told that the representative of New Zealand here will be prepared to give us something similar in a few days' time.
- Davidson: That is right.

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- Keynes: We haven't seen it yet.
- Davidson: They sent a group here for the express purpose of preparing such a list on the spot. They have promised it every day. They are working hard on it.
- Purvis: They also are very anxious on this whole Lease-Lend thing and that mission, as you say, is here for the Lease-Lend situation.
- Davidson: Exactly. It is to prepare here, Mr. Cox, in this country, with all the facts supposedly at their fingertips.
- Keynes: Well now, South Africa, are in a way the biggest - most expensive country is South Africa. I think partly they have had a habit of getting a good deal here.
- Their mining machinery which they used to get from England they no longer get from there and they get here. We accuse them, perhaps unjustly, of not having strict import control from other parts of the Dominions, but one way or the other it adds up to a very large figure and I shall have the breakup of the four-fifty; but I should think fully half of the four-fifty of all the Dominions is South Africa. There is my guess. I know it is running - I used to see the figures when I was in London of the amount the Bank of England were paying out in dollars per month and the -- perhaps it isn't as bad now -- it was running at the rate of forty million dollars a month, but it can't be as much as that now because otherwise it would come to more than the total.
- Viner: I don't think there is enough shipping running to carry it.

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- Keynes: And also we believed there was a lot of stuff in that forty million that was a capital transaction and we were very suspicious of where it came from, but allowing for all that, there must be, I think, toward half. I think South Africa has put in a list of those things which they have centralized, most of which is strictly military and the miscellaneous is nineteen million dollars.
- White: Ninety?
- Keynes: Nineteen. But this is only what they have centralized.
- Davidson: That is right.
- White: Now, this figure of --
- Purvis: Should be considered military.
- Keynes: Well, yes.
- White: Where did you get the nineteen figure?
- Keynes: The fifteen million and the four million of machine tools.
- Purvis: That is just the machine tools. There is much more, probably, of military.
- Viner: You have a one million of aircraft.
- Keynes: That I regard as military.
- Viner: And armament is fifteen.
- Keynes: I was just taking the last two items of civilian, you see.
- Purvis: I think machine tools isn't civilian, because you couldn't get the priorities for machine tools.

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- Davidson: Therefore they are arms manufactured in South Africa.
- Purvis: Yes.
- White: This is a very small proportion of the total?
- Keynes: So I think. I think South Africa will be the most difficult to deal with because they haven't set up comparable controls with what exists in other places. They have great difficulties, as you know, and have to go very carefully.
- Cox: I think the priorities problem is going to determine that, isn't it, because if the machine tools - I mean, one way or the other, if they place an order for themselves they won't get statutory priority.
- Keynes: What will be the position of mining machinery under priority?
- Cox: I shouldn't think they would get any of that at this stage except in a pinch.
- White: Except where the immediate consequences of that might be a diminution, possibly, in gold production. If it is mining machinery that won't result in increased gold production two or three years from now, your problem might be a little different.
- Cox: You have got a little different problem when the order is attempting to be placed by the South African Government itself as against placed under Lend-Lease.
- Davidson: For your information, Dr. White, the South African setup is in the midst of being rehabilitated, if you will. It is my hope



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that when that has been accomplished, that we will be able to furnish you a much more, let's say, complete list of - with most of the things - we can furnish you certainly with a list of all the Government-sponsored items on them. They are not even all on that because the Union of South Africa is in a rather difficult position at the moment with respect to the different missions. There are two here now which are in the process of being amalgamated, and as to the extraneous people, there are still a lot of them that we will have to control some other way. But I am hoping that say in three weeks or a month at the outside that the governmental South African position will be consolidated in one place under one head and you will get all the Government-sponsored stuff through it.

Purvis: There were really three facts --

White: In that supplementary list, would that, coupled with - if a supplementary list of non-governmental sponsored could be obtained, although I suppose that would be much more difficult, it would enable Cox' outfit to go forward and consider those problems from the point of view of priorities which might be of considerable assistance to you. Barring obtaining that list - I mean assuming that it would be very difficult to obtain a list of purchases from individuals not sponsored by the Government --

Davidson: I see.

White: There may be ways in which we can get it here.

Davidson: That is right.

White: The trouble is the shipping priority hits it

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late, but there may be some ways in which we can get it at the time the order is placed. I am not quite --

Davidson: Frankly, I haven't actually tried my best to keep the United States out of the role of acting as a police department for the Dominions and India, but short of going to South Africa, I have done every damn thing possible to get the thing straightened up and get a list and I admit complete failure.

I don't know, if I go there they will probably shoot me but I could at least have told them what the situation was. I have told them by --

White: At what point in the transaction does it come before the Priorities Board for action, when the order is given?

Cox: They wouldn't get any statutory priority.

Purvis: They only come --

White: I mean from the point of view of the private order given by South African corporations to American corporations where there may be a question of priorities involved.

Purvis: I think I would guess that time when that would come out would be the time when the private man, finding he was getting into some trouble, would come shooting to Captain Coventry of the British Purchasing Commission to see whether he could facilitate for him something that has not been placed regularly.

Davidson: That is right. They are getting wise though, now, Mr. Purvis.

Purvis: There must be a declining factor all the time.

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- Davidson: These boys don't put in an order now until they get some friend of theirs in the South African Government to say it is a government thing. They are just like buying hose for the fire department, you know. You have just got to get the chief to say your hose is good, you see.
- White: That means the government-sponsored --
- Davidson: It has the government blessing, put it that way.
- Purvis: If things became a little more sticky for the other, perhaps that would build up more quickly.
- Davidson: But it is getting tougher and tougher. What all the cablegrams they can produce from Mr. Whoosis, who purports to be a member of the government - we are trying to get very tough on them.
- White: Well, as that grows and includes those who adopt those tactics, I presume you could further break it down into double star, single star, and no star.
- Davidson: I don't think it is impossible at all.

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Keynes: India, outside what is already included in the steel, oil, and motor vehicles, we have nothing worth giving you at present, and I am told that the trouble there, is that they have a multitude of small orders that would drive everybody crazy.

Davidson: Tools, Mr. Keynes, tools, steel and motor vehicles.

Keynes: Well, no doubt in time particulars can be got of that.

Well, now, I have given you - if you excluded the military - there are two columns in those documents, and you will see the military - we always assume that they are not in the four fifty. The four fifty excluded those. I think I have given you items adding up to two forty-three, which I believe to be in the four fifty. That is a hundred twenty-five steel, thirty-five oil, forty for motor vehicles, twenty-four for other Australia, and nineteen - it probably ought to be fifteen, I think, for other South Africa. That is two hundred thirty-nine.

Well, now, those are all practicable. We have just got from London some - one or two other categories which they would like - which I think will be centralized at their end, which they would like to suggest. One of these is fertilizers which, I think, they think they won't have a chance of getting on the shipping business unless they are dealt with in a centralized way in the Colonial Office, I am not sure which colonies they are thinking of. They also mentioned fertilizers. You see, I haven't mentioned the colonies. These are all dominions.

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Now, the only thing from the colonies mentioned is this. There is a certain amount for them in the steel, oil, and motor vehicles, but outside that the only things they say are fertilizers and certain essential foodstuffs, particularly flour and condensed milk.

The fertilizers are needed for the maintenance of sugar production and are essential to the United Kingdom war effort and the food supplies, they are in the same categories as food supplies to this country. But I haven't figures of the amounts.

Cochran: But the four fifty, then, are non-military for dominions?

Keynes: That is right.

Cox: And now you are getting on to colonies which are not included.

Keynes: No, that is included in the four fifty. That means there is something like two hundred million, of which no particulars are available at the moment, but there is quite a good bit to bite on, you see, and of that two hundred, a good deal may be very impracticable either because it is South African supplies or because it is all sorts of trifles, but it ought to be possible to find practicable items which are more than two fifty, I should think, which is a good bit.

Davidson: One word of explanation. On the motor vehicles, they are practically all parts.

Keynes: Parts?

Davidson: All parts, components, what we call components

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for all these places, so when you think of that sum, don't think of it in terms of finished automobiles, think of it in much greater terms because they supply a lot of the stuff there, you see, various pieces.

- White: You mean to repair old cars?
- Viner: No, they make their own chassis.
- Davidson: You ship components. The automobile business tries to operate on the theory of economics. Some pieces you can't get and some pieces you can get any place. You finally end up in India with an Indian automobile made from stuff from all over. Forty million dollars worth of automobiles isn't very many, but forty million dollars worth of engines is an awful lot of automobiles. That is the way to look at it.
- If possible, it is outside the parlance of this meeting, but I would just like to register that it would be very advantageous to consider for all the automobile countries the present system which conserves shipping space and all sorts of good things. In other words, the way of producing war-like vehicles in the dominions, in India particularly.
- White: In your discussion of sterling payments of U. K. to U. S., I don't remember whether you mentioned shipping as one of the items, or whether you felt the shipping had been taken care of.
- Keynes: No. It is a very small item. I think Phillips knows more about that than I do.
- Phillips: I don't know it in much detail. It seems

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like the same--

White: No, I mean the total.

Phillips: Oh, how much it comes to?

Keynes: It is in the fifteen.

White: It is less than fifteen.

Keynes: Less than five, I think.

White: I didn't know it was as small as five. I heard less than fifteen, and I wanted to make sure. It had been very substantial before the Lend-Lease and now it - I take it, it is being taken care of. I wanted to make sure there was no further room in that.

Cox: Harry, I have a meeting which I can't put off, and I will need Graham. Is that all right?

White: Well, we had hoped to get on to - or to return to the outline that Sir Frederick had. I wonder whether we could interrupt him. Do you have a few minutes?

Cox: It was due at four fifteen.

White: Well, if you could very briefly indicate what you have to see whether there is anything further you want, since the next meeting is Monday and we might avoid a couple of days' delay.

Phillips: What I wanted to make quite sure of in the first place was that Mr. Cox did not want anything more from us on that group one list that you remember went up to forty-one millions of contracts over fifty thousand dollars signed after March 11. I am going to send you

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now the list for the dominions and a further list for contracts under fifty thousand, but I wanted to know that you wanted nothing more on the details of this that you have already gotten.

Cox: No, unless you are sure that that is accurate.

Phillips: Oh, yes.

Cox: There is a statement that Mr. Bell had, preceding this showing, seventy-eight million contracts placed after March 11.

Phillips: But the difference is that we didn't put in that list contracts under fifty thousand dollars and also one or two other items which we are clearing up. I take it you are satisfied and want nothing more.

Cox: Yes.

Phillips: So the other thing I had, I brought over an amendment to a contract. This happens to be a Gyroscope where they put out an order for a certain type of bombsight, a hundred and forty-five of them, and then they decided, for perfectly good reasons, that they now want a different type of bombsight, and the cost of switching over is nine hundred twenty-five per sight, so that the whole money involved here is quite a substantial sum. It is two hundred seventy-two thousand dollars.

Now in a case like this, what actual line do you think we should proceed on?

Cox: Well, I see no legal difficulty to requisition the change-over, so to speak. I don't see any policy objection to it.



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- Phillips: To putting in a--
- Cox: Put in a requisition for a change-over.
- Purvis: It would be a fresh requisition, would it?
- Cox: Yes, these things are previously ordered on your own contract.
- White: Does that mean that the difference between the old contract and the cost of the new would be something that you could take over under the assumption that the equivalent--
- Viner: It is a new contract.
- White: An additional purpose?
- Viner: A new contract for the purpose of this change-over.
- Phillips: Yes.
- White: Does that date back to - there were some - there was some since March 11.
- Phillips: Oh yes, about twenty million dollars altogether.
- Cox: I think you will have a little more difficulty in picking up the past ones. I see no legal objection on them. I would certainly start prospecting on them.
- Can I go now, Harry? I am terribly sorry.
- Cochran: Monday at three thirty in the Secretary's office.
- (Mr. Cox left the conference.)

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Keynes: Would you like to go on page 2?

White: Does that complete--

Keynes: Not quite. You see what I have now given you adds up to seven hundred forty millions. In the previous statement I think we said it was at least seven hundred, and seven forty is more accurate. But, of course, as you say, any other expenditures itemized - well, there is a fairly wide margin of error on this. You see, if you go to the past there are - the figures would be considerably larger than this, and if you go to the future, it is pretty wild guessing and so I think you have got to regard the other items as absorbed in the margin of error. Then there is Item D which we haven't touched.

White: The magnitudes, I take it, are of secondary importance because the item that make it provide the basis upon which one determines whether there can be any relief. The magnitude is of general interest to know what is a little ahead of you and to supply some of the information that the Secretary particularly is interested in.

Keynes: I don't think we can go much further on that. Now there is the itemized account of the British Empire dollar payments to third countries. We haven't got particulars here. They have them in London, but I wanted to know whether you really - whether it is advisable--

White: Again, I think the criterion to be applied is exclusively whether you feel further knowledge with respect to that item may provide some means of abbreviating the - your dollar exchange requirements. I take it that that is the

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measuring stick that you apply to all the information.

- Purvis: In other words, Dr. White, as I understand you, what you are saying, you are saying that if we can help you - if you give us information, we may be able to help you. We don't know. If you don't give us the information, we don't know.
- White: You can be the judge as to whether the information you have can be of help to us or not.
- Viner: This D Item might have items in it comparable to this South American thing you have just raised.
- Keynes: We have been looking at it from that point of view, and we might be bringing something out of it. In general, I should think it is a bit on the high side as things are working out rather than on the low side.
- White: You see, there is this aspect to it, that since the objective is the same in both cases, looking at it, the same items, from two different points of view, occasionally you get a new idea how to handle it that might not have appeared if only one group looks at it.
- Purvis: Put it a little more crudely, Dr. White. It would be ridiculous for us to keep it back for the reason that we thought you couldn't do anything about it. It must be some other reason than that. You can judge that better than we can.
- White: I am not sure about that, but I think it is somewhat along the lines that you said. All

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that we can get on each item is a polite "No," whereas there might be a "Yes."

Keynes:

The sort of thing is, we have to pay a certain proportion of what we get from Turkey in gold. There is no possibility, I should say, there. It simply is that Turkey was in a very strong bargaining position and under the payment agreements got certain things and there are a number of concessions we have made under payment agreements where we were left in a strong position.

White:

I should think an examination of that in detail by yourself might result in saying that certain portions of them, something might be done, or that on "X" portion of this, there is no need of considering it because we are positive they are of a character which is not relative to the considerations which you have.

Keynes:

We have given you lump sums, but we possess no itemized account. They are rough shots based partly upon what recent experience has been and partly upon particular information. They are wildly out, I think. On the one hand, when there are shipping facilities, you are tending to buy more than some months ago, which would increase them, but shipping difficulties are diminishing them; and it is beyond anybody's capacity, I think, to put down anything that is worth much more than the very rough totals we have given you.

White:

This whole group under two is not of a similar character. I mean, one might conjure up the possibility of expenditures by the United States that might be increased. That certainly is true in the case of Canada. We had explored, as you know, the possibility of increasing our

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purchases.

- Keynes: There are certain points there. I think that Sir Frederick Phillips mentioned that he had written to Jesse Jones about the wool, but there is a case which arose yesterday with - it is not a very big thing, but it is a good example. You are buying some sisal from us from East Africa. What is the name of the Defense Supply Company?
- White: Defense Supply, Metal Reserve.
- Keynes: They are bargaining with the man on behalf of the Colonial Office and they are saying that they weren't paying for sisal except f.o.b. That is to say, we sha'n't get the dollars until the actual shipping turns up. Shipping is very short and there is a good deal of that sisal will remain where it is for a considerable amount of time. If you would pay us when you take delivery in the warehouses, you see, it would swell our funds.
- White: Might this be of assistance?
- Viner: We are saying that we pay you f.o.b. and you are asking for c.i.f.?
- Keynes: No, we are asking for payment on delivery in warehouse.
- Purvis: C.i.f., that is it.
- Keynes: If you pay us f.o.b., you don't pay us until the actual ship arrives, you see.
- White: There is this possibility. If instances of that character or of wool and others were enumerated in sufficient detail merely to clearly indicate what the transaction was

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and if there were a constant stream of such items as they appeared fed into this group, it needn't in any way preclude going forward on any other front that you may have, but it might have the advantage of consideration here from the point of view of acquiring more dollars, and therefore we may be able to do certain things that otherwise might either take longer or not be done, I am not sure but it may have that value.

Keynes: What is the right way of raising that? Mr. Baillieu is at this moment negotiating his contract, and he wants the words "delivery at warehouse" put in instead of "f.o.b." That is rather an unusual concession. He can't demand that, you see.

White: Might the way of raising that merely be informing this group and with that information, we will explore the matter further and merely give our cooperation and sympathetic support where it might be of some help sometime that we may be able to go a little further. It is merely supplying a little more - either pressure or support to getting some of these things through because the objective of this group--

Purvis: Is something--

White: ..... is something other than the objective of the Metal Reserve group, and we may be able to be helpful that way. I am not sure whether we could.

Phillips: Take, Mr. White, for instance, the case of Australian wool. That is a big thing and it comes, I should think, as a rough guess, to seventy-four million dollars worth, and up to the present they have succeeded in shipping and getting it to store in this country

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perhaps twenty or twenty-four million dollars. Well, now, of course the balance could be put into ships, make ships available, but that wouldn't push up our dollars because it would merely be replacing commercial wool for which we get the dollars already. So the only way we can get dollars speedier would be, assuming of course that you were dealing with things like wool, would be to pay for the wool as bought in Australia.

White:

Well, again that is a possibility, but you see having that brought to the attention, and we can very easily develop a procedure in which these items can be first explored until the facts of the case are all before us, and then we bring them to the Secretary and a decision is made. Let us assume that in the case of wool the Secretary would like to see what can be done either with the twenty-four or with the other. He would have avenues of approach and possibly persuasions that would not play a roll as between the present ones and others. I am not saying that would be fruitful. I don't know. There is nothing to be lost by that, and there may be something to be gained, and that is, I think, what the Secretary had in mind as one of the things for this constant meeting of groups.

Now this wool case has come up to the Treasury from time to time, but there hasn't been the drive here because there has been a feeling that either it is being handled elsewhere or it wasn't our immediate responsibility. I think, bringing it to this group, it becomes the responsibility of the Treasury until it is decided by the Treasury either that it will not push it or that it cannot get any where with it.

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- Purvis: You want that in memorandum form then?
- White: I should think a sufficient amount of details so we can talk intelligently to whomever we have to approach. I think as a procedure. I don't know what results we would get.
- Cochran: How is that sum fixed, the seventy-four? Is that under the contract?
- Phillips: That is--
- White: There are two hundred million - that is part of the arrangement.
- Phillips: And seventy millions is my guess. It is taking commercial rates which might not apply very strictly. That is what that particular wool in the grades called for by the convention between the two governments amounted to, but I don't know.
- White: I have heard the figure of a little less than a hundred million, but it may have been a very rough figure and the prices used might have been--
- Phillips: It could be worked out.
- Keynes: There is another example which I think is worth mentioning of quite a different kind. We were expecting you to take all our available cocoa from West Africa, and it is worth between forty and fifty million dollars. We heard yesterday that it had been decided that this was an inessential import and that shipping would be taken off and that our estimates of exports would be off forty or fifty million dollars worth for that reason. We don't want you to take inessential imports and use up shipping, but there will be a certain -



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there will be a choice between this and something else, which hasn't any stronger case, and the use to us of the dollars might just come in as a balancing factor. I don't know who is going to settle that. Of course that is a very big blow, to lose forty or fifty million dollars in one blow from West Africa.

White:

Well, there are some considerations about a problem of that kind that I don't suppose there is any one agency in the Government that is in a position to envisage them all and weigh the pros and cons. Possibly this Department could, operating through this committee and through the Secretary, attempt to evaluate all these independently or by discussing it with the various departments here concerned, constantly having in mind, repeating what I said before, the necessity for dollar requirements and in that evaluation you may emerge with a somewhat different result than what might emerge through the regular processes which have taken place, and if our evaluation is that it seems to us, after looking at the whole picture, that it is desirable to modify the decision which has been tentatively made, then the Secretary again can take it up with whatever high officer might--

Keynes:

It is a big thing, and while very likely there is a good case for keeping it out, one wants to make sure that all aspects are given due weight to.

White:

It may be that they have been, I don't know, but certainly it comes before us - if it comes before us I think we shall see that they are. The decision may be the same.

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- Keynes: It is a good example. This sort of case will come up all over the place and this is just the first specimen and it might upset our estimates very seriously.
- Viner: It will work both ways. It will also upset your estimates on the amounts of dollar purchases.
- Keynes: To some extent, because they have been already so drastically criticized. They have been brought down to the essential already. We have been filing everything that is possible and therefore they are much more open to criticism as being inessential, I believe.
- White: I don't know if it is worth repeating, but I think the Secretary had definitely in mind for this meeting not an instrument to get into these things or to keep track of current changes, but rather as a channel through which your dollar assets could be increased as much as possible. Now, the ramifications of that obviously are complete, because everything involves either dollar expenditures or a dollar source of revenue; and hence, if one uses that approach, the possibility of being interested in various negotiations which may or may not increase the amount becomes clear. I think he had something of that in mind.
- Purvis: That is right.
- Viner: In other words, it is in your interest to inform this group as to all of these considerations. We may or may not be able to do something on them.
- Purvis: That is right.
- Keynes: That illustrates how difficult it is to be

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more precise in A or B, you see. You could probably do it better than we could because it would depend upon your - upon what shipping will provide for, you see, what we can get here. You can - if anybody can guess, you can guess better.

Mr. Cox had expressed the view that this five hundred was low and we have telegraphed to London to ask them whether the recent week's receipts suggest it is too low, but I should say that there are two forces fighting against one another.

In the early months of this year, you hadn't taken ships over and these estimates were made. But from now on it may work the other way. Those two unpredictable forces operate against each other. We have written to ask them whether they think that the recent experience suggests that that is wrong, but I don't believe we can itemize it. We can say whether the receipts in April and May look as though this was too conservative.

Now on C, it would be impossible to itemize that. Exports to third countries paid for in U. S. dollars or gold. That is a glorious dream.

- White: I think probably you will find it difficult to find in that item anything that we could do anything about.
- Keynes: I wish it was true. I don't think there are any. I can't think of any.
- White: Well, I was just being comprehensive with the idea that you can rule out anything.

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- Keynes: I wish there were. I can't think of any.
- Archer: I think possibly a small amount of nickel and platinum would be held in that category.
- Keynes: But that is in Canada, and we are not dealing with Canada. We don't produce the nickel in the sterling area.
- White: It isn't the sterling area, but there is this problem of nickel exports to the United States dependent upon expansion of nickel plants in the United States.
- Keynes: That is all Canadian, isn't it.
- White: Yes, but I am giving you an illustration of - and there is a question that comes before the Treasury, that is, whether or not the rate of depreciation which will be allowed would be rapid enough to encourage - to induce the nickel companies to expand their plants so that we could get the nickel we want.
- Now, if that doesn't apply to this item - but it is another one of those things which we may be able to help on here.
- Keynes: I don't think there is anything to add on D beyond what you already know. We supplied the gold figures at an earlier date. There is nothing fresh we are aware of there.
- How much South African gold we can get is a subject of constant discussion, as you probably know.
- E, the figures were given earlier in this meeting.
- White: Right.

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- Keynes: F--
- Cochran: May I ask one on that D? Has it been found necessary to send any of the South African gold production to the Near East? You spoke of that at one time.
- Keynes: No.
- Phillips: Not to my knowledge.
- Keynes: Not to my knowledge. It would be kept very secret. It would be rather small quantities.
- Cochran: Our figures would indicate that the Bank of South Africa is building up its stocks a little more importantly than before. Is that correct or not?
- Phillips: It is very interesting news to me. I don't think we should get the figures.
- Cochran: You have had no late figures on that?
- Keynes: South Africa--
- Cochran: Is the Bank of South Africa building up its stock of gold?
- Keynes: It was. We are hoping to get a lump sum out of them in the course of time against which they will vest securities, and it isn't clear how far and what that will make the aggregate, whether it will bring it up to our figure, which is eighty, or whether it will bring it above that, but the last news is good.
- Phillips: As far as there is any news.
- Keynes: Yes, but it is indefinite and the date is September, I think. It hasn't arrived yet.

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we will believe it when we see it. But there is something supposed to be due there.

- White: The F Item, I take it--
- Keynes: I think you will get that in a week.
- White: In any case, that is less important now.
- Keynes: Then G--
- White: That would apply to G as well.
- Keynes: Yes. H, I don't think there is anything there.
- White: Now, this item on top of page four was an attempt in part to get at what we already have discussed, to see what some of the things were being spent for that we might be able to help out on, but if it is approached the other way--
- Keynes: I don't think it adds anything. That is supplied monthly. Possibly you should want it weekly too. I think one and two are both supplied monthly. That is a more or less a stationary amount, you know.
- White: Well, we get that--
- Keynes: There is no significant change from one month to another. It was supplied in April.
- Cochran: That is that three hundred or three hundred twenty item?
- Keynes: I am not quite sure I understand what three is.
- White: Well, I take it that you may have information with respect to what these private dollar

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accounts are permitted to spend and what they get. I don't know how you operate on them. I thought you might have some information which is already available, but again it is a matter of no great moment.

Keynes:

I don't think it would do much. I have taken that up several times. In fact, I have always considered our information in the Treasury about that wasn't sufficient, at least to satisfy my curiosity, and they have always said that it is an in and out figure and it is only really passing it through and then getting it back again. Most of it was shipping where they were really acting as agents. Some of it is insurance, reinsurance in particular. Some of it was oil companies, again in and out. What they are called is retained balances. They say it is allowed. They don't have to get a remittance on each separate occasion, but those people who are doing constant things of this kind are allowed to have a running balance or to retain the account and that oughtn't - that ought to be wiped out, you see. I don't think we will learn - I was told that you can't really learn anything useful from it, is that right?

Phillips:

That is right.

Keynes:

At certain dates it looks rather large, and you wonder why it is so large, and you are told a fortnight earlier it was - I have never been able to extract anything useful from it. We are sure now it is not useful.

Phillips:

We had a try at that and we got nothing out of it.

Keynes:

I think now that shipping is done in a

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different way from what it used to be, the amount is very much smaller. Shipping was the big item.

- White: Well, obviously the next item is largely in the nature of information.
- Keynes: Yes. I don't know how far that--
- Viner: Are you going to have any appreciable flow of the dollars from the dollar expenditures in the naval base case?
- Phillips: I don't think we have seen an estimate.
- Keynes: There will be something. I heard a figure mentioned in Bermuda.
- Phillips: Four million, was it?
- Keynes: The figure in my head was five, but it may have been more.
- Cochran: At one time you gave us a figure of twenty million for the islands along our coast, I think. Then, I think you attributed to tourists going to Nassau, principally.
- Phillips: I can't think of those figures.
- Cochran: Young Allen was with you.
- Keynes: Those come in, the invisible receipts, which may be - I think I may be - I have never known the truth, whether this hundred millions of invisibles is not a net figure or a gross. I have been treating it as a gross. It may turn out to be a net, and there are some of these sort of items added on to that and other items I haven't given you are taken off so the analysis of that, I think, is



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reserved until we get the figures from London which we asked for. I asked whether that was a gross or net figure. I have given it to you as gross. It may be net.

- White: Well, I think that covers the - that part.
- Cochran: I just had one question. Had you heard anything more about the possibilities of us taking over those Swedish charters? You remember putting that under--
- Keynes: Yes, I wanted to talk to Sir Arthur Salter about that and haven't had a chance. The Ministry of Shipping were raising difficulties.
- Cochran: Because that was one of your gold or dollar expenditures?
- Keynes: That is right.
- Purvis: I thought that was in process.
- Keynes: Well, there is a telegram in that there is no chance of doing that yet.
- Cochran: And that is not included in these figures?
- Keynes: No. That is in the item of the hundred and sixty millions on page two, you see. The amount is smaller than I told you. If you will take it in gold, the figure I told you was roughly right for the total charters, but the amount we have to pay in gold is not the whole of it.
- White: That covers everything that we have. Is there any question?
- Davidson: There is just one question I had in mind,

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Dr. White. In this forty million that Mr. Keynes mentioned, and I remember it was Iraq, Egypt, and some other country, did that forty million include the places in the British Empire, colonies and what-not, other than what we are discussing here, like Bermuda and Hongkong and so forth.

- Keynes: No, those were supposed to be in the four fifty.
- White: Merle?
- Cochran: No, I think we have got quite a bit.
- White: Well, then, supposing we meet again on Monday at the Secretary's office. He wants to be sure that we are pushing this thing as rapidly as possible, and he is going to check up on us, sort of, on Monday. I don't know what other material you will have for Monday, if anything, but in any case, he would like to have the meeting in his office.
- Purvis: The more we can get in by then, the better, then. Have you got some things coming from London?
- Keynes: Yes. We asked them a good many things. The last sentence was that if anything was quickly available, send it without waiting for the whole story because we would like it quick.
- White: Well, anything that you have that you could bring to that meeting, I think that we have made some progress.
- Viner: You don't have to complete your categories, but work on items.

- 52 -

- Keynes: Sometimes people will wait, you know. They won't send us an answer until you get the whole thing.
- Purvis: Mr. Childs, have we set up the machinery so that before any dollars are paid for further contracts the Missions refer - there is nothing bought outside without reference?
- Childs: I have the document which I have discussed with the Lend-Lease Committee this morning and every Mission is fully advised on that.
- Purvis: All right.
- Childs: One thing I did want to ask, Dr. White, about these lists on these dominions. Is that the kind of list on which you are going to want to make the decisions?
- White: I don't know whether they are of sufficient detail or the description is adequate to make decisions. That will be quickly seen when they are taken up. They may not be but if they are not, there will be other questions to be asked which we will present to you and you can--
- Childs: Good, because the sooner we know that the better, because then we will know exactly what you people would like.
- Viner: There may be policy questions as to categories and then the items decided as they come.
- Childs: The policy as to the nature of the thing and the use and all the rest of it.
- White: The Secretary indicated to Mr. Hopkins and Mr. Cox, I think, that he wanted me to meet

- 53 -

with this group frequently to push this along so there will be ample opportunity to keep after these things, and where there is any question with respect to any of the items or any other question that will be forthcoming at following meetings.

Childs: Our proposal was to collect information for not only the dominions but all the others. We will probably have a batch Monday.

White: All right. That will be fine.

## THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7860

BOX 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.

20th June 1941.

Dear Mr. Bell,

You will recollect that I left with you a note addressed to the Secretary on the subject of the remaining obligations to the French, indicating that the matter was still under consideration and asking you to treat the letter for the moment as unofficial.

The points which arose on our side have been cleared up. Would you now kindly treat the letter as official, altering the date at the head of the letter, if you would be so good, to the 20th instant.

Yours sincerely,

*J Phillips*

Mr. D. W. Bell,  
United States Treasury,  
Washington, D.C.

## THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7860

BOX 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.

14th June 1941.

Dear Mr. Bell,

Enclosed you will find a letter addressed to the Secretary on the subject of the further payments due to the French. You will recollect that I mentioned this to you on Thursday.

Will you please treat the letter at the moment as unofficial. We should be most grateful if you would begin considering the matter now on the basis that we shall probably be approaching you early next week (with our usual plea for ~~money~~) early next week.

*urgency*

Yours very sincerely,

*F Phillips*

Mr. Daniel Bell,  
U. S. Treasury,  
Washington, D.C.

*Recd  
3:42 pm  
6/14/41*

Willard Hotel,  
Washington, D.C.,

14th June 1941.

Dear Mr. Secretary,

As you are aware, after the collapse of France, the French Government assigned to us their contracts in this country. In an agreement parallel to but separate from the actual assignment, we undertook to repay to the French the advances which they had made to their contractors, as and when we obtained delivery of the corresponding material. These sums are paid in U.S. dollars to the credit of the State of France in an account with the Bank of Canada. The amount remaining to be paid is \$78.9 millions.

The British Government considers that in present political circumstances it is inappropriate to continue making these payments out of our small resources. We therefore propose to stop making payments under this agreement, but before doing so would like to know your Government's views on the subject.

We are advised that the assignment is in no way dependent on our continuing to make these payments, and that if the French tried to contest our action or to prevent our receiving deliveries in the United States courts, their chances of success would be very slight. The only risk worth considering is that by means of interim injunctions against the supplies which they could doubtless obtain, they might perhaps delay some supplies. It would be extremely useful to us to know whether, if in the last resort any important supplies were delayed, the United States Government would be prepared to use their present powers to place priority orders for us and to lend-lease us the material, in order to avoid the delay which might occur if we had to wait till the action was tried.

I would be grateful if you could let me know your views on this subject as soon as possible. We have held back payments due to the French during the past few weeks while we considered the question, and they are getting very restive. Action by the French may be expected at any time.

I should perhaps add that all the assets

- 2 -

of the Bank of Canada in the United States, including the sums of about \$150 millions already credited to the State of France, have been transferred to the Canadian Government and any action by the French to collect the amount due from the Bank of Canada could presumably not be brought in the United States.

I have sent a copy of this letter to Mr. Hopkins and I understand that the Embassy will inform the State Department of the facts.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*F Phillips*

The Honourable  
Henry Morgenthau, Jr.,  
United States Treasury,  
WASHINGTON, D.C.





## TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

June 20, 1941

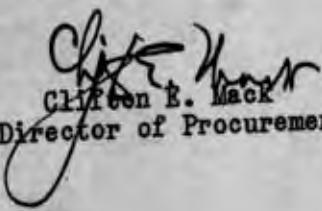
MEMORANDUM TO THE SECRETARY:

Weekly Report - Lease-Lend Purchases  
(6/13 - 6/20/41)

Purchases to 6/13/41.....	\$ 14,067,328.31
Purchases 6/13 to 6/20/41.....	4,262,495.06
	<hr/>
Total to 6/20/41.....	\$ 18,329,823.37

<u>Requisitions Pending</u>	<u>Estimated Cost</u>
Cleared by O.P.M. ....	\$ 184,713,408.00
Awaiting clearance by O.P.M. ....	27,791,677.00
	<hr/>
Total Pending Requisitions.....	\$ 212,505,085.00

Requisitions from the British indicate a considerable increase in agricultural equipment desired. In the past week 3,055 agricultural tractors have been called for in requisitions submitted to this Division.

  
 Clifton E. Mack  
 Director of Procurement

Attachments-3

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-159	Barber Asphalt Corp.	China	Asphalt	250,000 gal.	28,750.00
DA-TPS-160	Clinton Asphalt Co.	"	Asphalt	210,000 "	21,892.50
DA-TPS-163	R. M. Hollingshead Corp.	"	Oil Spark Plug Compound	600 lbs. 108 lbs.	139.80
DA-TPS-172	Standard Oil Co. of N.J.	"	Lubricating Oil	375,000 gal.	172,500.00
DA-TPS-193	Firestone Tire & Rubber Co.	"	Tires	1,200	24,708.00
DA-TPS-175	Socony-Vacuum Oil Co.	"	Lubricating Oil	94,875 gal.	43,168.13
DA-TPS-166	Avondale Mills	"	Cotton Blankets	27,483	19,198.35
DA-TPS-167	Batavia Mills, Inc.	"	Cotton Blankets	14,300	12,756.00
DA-TPS-168	Beacon Manufacturing Co.	"	Cotton Blankets	3,000	3,000.00
DA-TPS-195	Kennecott Sales Corp.	U. K.	Molybdenum	3,136,000 lbs	635,040.00
DA-TPS-97	Norwich Pharmacal Co.	"	Resin Of Podophyllum	1200 lbs	5,400.00
DA-TPS-95	Abbott Laboratories	"	Resin of Podophyllum	600 lbs	2,700.00
DA-TPS-225	Graybar Electric Co. Inc.	"	Explosion Proof Motors	5	2,066.00
DA-TPS-196	Shawinigan Products Corp.	"	Calcium Carbide	3,000 Tons	225,000.00
DA-TPS-98	S. P. Penick & Co.	"	Resin of Podophyllum	4,550 lbs	19,337.50
DA-TPS-96	Allaire, Woodward & Co.	"	Resin of Podophyllum	850 lbs	3,612.50
DA-TPS-127	International Harvester Export Co	"	Spare Parts for Farm Equipment		659.20

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REGISTRATION NUMBER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-84	Caterpillar Tractor Co.	U. K.	Parts for Caterpillar equipment		109,042.65
DA-TPS-183	Caterpillar Tractor Co.	"	Snow Plow	1	525.00
DA-TPS-129	The Massey-Harris Co.	"	Spare parts for Tractors		18,567.69
DA-TPS-122	International Harvester Export Co	"	Spare parts for Farm Equipment		79.26
DA-TPS-126	Associated Manufacturers, Inc.	"	Spare parts for Farm Equipment		1,517.58
DA-TPS-204	The Duff-Norton Mfg. Co.	"	Jack	310	4,433.00
DA-TPS-216	The Electric Materials Co.	"	Hammers, Copper	1700	943.50
DA-TPS-85	Caterpillar Tractor Co.	"	Spare parts for equipment		28,890.37
DA-TPS-107	Caterpillar Tractor Co.	"	Parts for Caterpillar Tractors		8,515.02
DA-TPS-203	Lederle Laboratories, Inc.	"	Sulfaguanidine Powder	2,000 lbs	30,000.00
DA-TPS-206	General Electric Supply Co.	"	Radio Receivers		5,834.73
DA-TPS-202	American Zinc Co. of Illinois	"	Zinc	1,134,000 lbs	82,838.70
DA-TPS-200	U. S. Steel Export Co.	"	Zinc	174,000 lbs	13,293.60
DA-TPS-201	American Smelting & Refining Co.	"	Zinc	1,778,000 lbs	131,216.40
DA-TPS-199	American Metal Co. Ltd.	"	Zinc		511,720.00
DA-TPS-198	International Minerals & Metals Corp.	"	Zinc		147,600.00

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUIREMENTIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-230	Callite Tungsten Corp.	U. K.	Tungsten Carbide Powder		82,016.00
DA-TPS-192	Carboley Co. Inc.	"	Tungsten Carbide Powder		50,383.45
DA-TPS-222	U. S. Phosphoric Prod. Corp.	"	Phosphatic Fertilizer		307,709.48
DA-TPS-215	The Phosphate Mining Co.	"	Phosphatic Fertilizer 509 T.		15,002.78
DA-TPS-213	U. S. Phosphoric Prod. Corp.	"	Phosphatic Fertilizer 35,626.1 T		1,009,999.94
DA-TPS-214	The Phosphate Mining Co.	"	Phosphatic Fertilizer 9,864.9T		279,669.92
DA-TPS-191	The Plume & Atwood Mfg. Co.	"	Brass Rods & Wire		187,800.00
DA-TPS-205	Taylor-Wharton Iron & Steel Co.	"	Cylinders	1,700	23,545.00

Purchases 6/13 to 6/20/41.....\$ 4,271,072.05

Decrease due to actual cost being less than  
encumbered amounts previously used.....\$ 8,576.99

TOTAL.....\$ 4,262,495.06

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION .

DATE JUNE 20, 1941

TO Secretary Morgenthau  
FROM Ferdinand Kuhn, Jr.

The Trustees of the National Gallery of Art today accepted the resignation of Chief Justice Hughes as Chairman of the Board. I attach the original of their Resolution for your signature, and also an envelope in which it should be returned to the National Gallery.

Apart from minor acquisitions of paintings, the only other business of today's meeting concerned the removal of paintings to a place of safety in case of war. A site for a bombproof shelter has been found and letters will be sent to all donors of paintings for their permission to remove them from the Gallery if necessary.

J. K.

Attachments



NATIONAL GALLERY OF ART  
SMITHSONIAN INSTITUTION  
WASHINGTON, D. C.

Resolution Adopted at a Meeting of the Board of Trustees  
of the National Gallery of Art, held on June 20th, 1941:

WHEREAS, the Honorable Charles Evans Hughes has resigned as Chief Justice of the United States and has consequently tendered his resignation as Chairman of the Board of Trustees of the National Gallery of Art, effective July 1, 1941;

AND WHEREAS, the Board of Trustees has learned of his resignation with profound regret;

THEREFORE, BE IT RESOLVED That the Members of the Board of Trustees record their sense of the loss which the Gallery has sustained in being deprived of the services of Chief Justice Hughes;

AND BE IT ALSO RESOLVED That the Board hereby expresses its grateful appreciation for the devotion with which he has carried out his duties as Chairman, and for the wisdom and unflinching courtesy with which he has guided the affairs of the National Gallery during the critical years of its formative period;

AND BE IT FURTHER RESOLVED That the Board wishes to express to him its high regard and best wishes that he may enjoy many years of health and happiness after his long career of distinguished public service to his country.

\_\_\_\_\_

*David C. Bruce*

\_\_\_\_\_

*G. Abbot*

\_\_\_\_\_

*F. L. Berlin*

\_\_\_\_\_

*Myrthen J.*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## CLEVELAND METROPOLITAN HOUSING AUTHORITY

HOUSING CENTER · WEST MALL DRIVE · CLEVELAND, OHIO

MARC J. GROSSMAN, Chairman  
JOHN C. MEHANNAN, Vice Ch.  
MAX S. HAYES  
JOHN C. FLURE  
CHARLES W. WHITEERNEST J. BOHN  
DIRECTOR

6/20

Dear Daddy,

"The Plain Dealer" was the enclosed at the top of their editorial page yesterday. I thought you would be interested in seeing it, if you have not already.

Love.

Harry

# THE PLAIN DEALER

## AND DAILY LEADER

The Plain Dealer established as a weekly in 1842; became a daily evening paper in 1945. Mornings and Sunday Editions founded in 1885 by L. E. Holden.

Published Every Day in the Year by the

### Plain Dealer Publishing Company

323 to 329 Superior Ave. N. E., Cleveland, O.

B. F. BOLE, President,  
JOHN S. MCCARRRENS, Vice Pres. and Gen. Mgr.,  
PAUL BELLAMY, Editor.

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Entered as second Class Matter at the Cleveland Postoffice under the act of 1879.

Not paid circulation for twelve months ended Sept. 30, 1940, as filed with the United States Government:

Daily, 223,658; Sunday, 396,714

THURSDAY, JUNE 19, 1941

## Die on Our Feet, or Live on Our Knees

In an address at the alumni luncheon of Amherst College, Secretary of the Treasury Henry Morgenthau, Jr., aptly defined the issue in the war and in American foreign policy when he said:

"It seems to me that college students, like all Americans in this year of great decisions, must weigh two alternatives. Each of them involves risk. If we act now to stamp out this terror and this tyranny that is on the march abroad, we run the risk of losing our comfort, our safety, perhaps our lives, before the job is done. We may be bombed, we may be killed in the process, and we shall certainly be poorer. That is one side of the risk.

"But if we do not act, we run another and far greater risk of losing our precious freedoms, of surrendering the intellectual and spiritual heritage from which Amherst College and all our American way of life have grown. We must choose. We cannot have it both ways. One thing we cannot do at this moment in the history of the Western world is to preserve our freedom without being ready to fight in its defense. Other countries tried to do just that. They waited, one by one, until they had lost their security and their liberty, too.

"It is for us to decide, and to decide now, whether we would rather die on our feet than live on our knees."

## Deflating WPA

A considerable cut in Ohio WPA personnel is scheduled for July 1. Administrative expenses for this area are likewise to be reduced by consolidation of the Akron and Cleveland offices. Thus are to be effected economies of the kind Senator James Metzgerbaum believed possible when he initiated the recent investigation.

The deflation of WPA costs is a logical result of increasing industrial employment, on the one hand, and of the imperative need for economy in the non-defense activities of the federal government, on the other.

It is to be hoped that the rolls of the WPA will be cut further as the defense is intensified. With the right kind of training many on the WPA rolls would doubtless find places in defense industries, while others could release from non-essential industries skilled and semi-skilled workers so urgently demanded for defense.



THE ATTORNEY GENERAL  
WASHINGTON

June 20, 1941

My dear Henry:

I appreciate greatly your letter of congratulation and the good opinion which you express of my work.

As one who bears most responsibility for my being in public life at all, I value your expression of confidence and good will.

With all good wishes,

Sincerely yours,



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

June 13, 1941.

Dear Bob:

I give you most hearty congratulations, in which Mrs. Morgenthau joins me, on your appointment to be a Justice of the Supreme Court.

As a reward it would be well merited, but I know you think of it as a great opportunity for work that will count in a future that will be full of tough problems. It is because I know something of your spirit as well as your ability that I take such great satisfaction in the appointment.

Accept our most sincere good wishes to take with you to the new post of responsibility.

Sincerely,

(Signed) Henry

Secretary of the Treasury.

The Honorable  
Robert H. Jackson  
Attorney General.

*Copy to Mrs M.*

June 20, 1941.

MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Schwarz (S)

The newest Crossley report (week ending June 10) shows for the Fred Allen program a one point increase over the last previous report (week ending May 20). The current rating is 16.3.

JUN 20 1941

My dear Mr. Secretary:

The "Treasury House", a partially glass building, is being erected on the Federal park on Pennsylvania Avenue, bounded by 14th, 15th and E Streets, N. W. This house will be open to the general public and defense savings stamps will be on sale.

We desire to have this house surrounded by naval and military equipment of general types and I am writing to ask you for cooperation in the loan of such material.

If you are agreeable, I shall have officials of the Treasury contact the proper people in the War Department to work out the details.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable  
The Secretary of War  
Washington, D. C.

WFC/mca      Returned to Mr. Callahan's office  
for forwarding.

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Dear Mr. Secretary:

This is the pamphlet by  
Helen Dallas. As you  
know it will be  
illustrated by a series  
of very well selected  
photographs of which we  
now have only one set.

Pete O'Byrne

June 20/41

3:15 P. M.

WOMEN CAN HELP DEFEND AMERICA

OR

MRS. BROWN BUYS A BOND

By Helen Dallas

**MRS. BETTE BROWN A BIRD****What You, a Woman, Have at Stake**

Mollie Brown let her newspaper slip through her fingers onto the porch. She leaned back in her chair and started to rock. It was an early summer day, and the sun shining through the maple tree made leaf patterns on the walk. Staring up at her from the porch were the brutal black headlines that conveyed war news from Europe.

Mollie thought of Joe and the children. Joe was inside now, asleep. He had been working harder and longer hours at the factory since national defense started, and was dead tired. Of course there was the extra money. That helped after so many years of so little. The children would be coming home from school pretty soon now. She must warn them not to wake him.

She glanced down at the newspaper again and shuddered. She thought of the march of fascist armies across other countries, of the beaten and hopeless people that the armies left behind them.

Her boy and girl were coming up the street now. Young Joe had his arms full of books. The little girl was tagging along behind, stopping now and then to pick a dandelion out of the grass.

-3-

As Mollie watched them approach, she thought to herself as she had so many times lately: "What will the world be like when my children grow up?"

(Start Italics)

Stories from the fascist countries, of toddlers in uniform learning how to carry a gun; of school boys and girls taught race-hatred from their textbooks; of sons and daughters spying on mothers and fathers and telling their teachers when their parents criticized the government - these and other reports had made Mollie say so often, "Thank God this is America and our children are safe from that."

(End Italics)

Now she was not so sure. Newspaper accounts from abroad made it clear that the lives of children in the conquered states were being cut to a Nazi pattern. What had been applied effectively to the Hitler Youth was now being applied to the children of Austria, Czechoslovakia and France, of Poland, Holland and Greece and other countries under fascist rule. Censored radio, censored movies, a censored press - these were but the beginning.

The real attack was launched where it would be most effective, in the schools. Teachers were fired and textbooks



-3-

were mutilated. The aim of the fascists was obviously to control the thinking and learning of the children until their minds would be as much alike as peas in a pod. Individual differences were to be stamped out.

Mollie looked at her own two children and was afraid for them. Somehow the oceans separating the continents of the world seemed smaller than before. She thought of some of the things Big Joe had said about the Governor of the State before the last election. Goodness, if the children ever repeated those things to their teachers in a fascist state, it would probably mean a concentration camp.

(Start Italics)

Mollie Brown is a typical American woman. She reads the daily paper and interprets the war news in terms of what it means to her family and her country. As fascism has become increasingly successful and increasingly aggressive, she has become alarmed. She sees in each new victory a threat to democracy. To her, democracy means free speech, free press and the right to vote. It means books, teachers and schools free from censorship. It means racial tolerance and religious freedom. It means a childhood spent free from the shadow of a gun. It means family life free from spying and tattling.

It means that the government is the servant of the people, that the people are not the slaves of the state.

Hollie is afraid that all of this is threatened as the Nazi armies extend their control. Sometimes she tries to imagine what an invasion of her own little New England town would mean. More often she thinks of another kind of invasion--not by arms but by ideas. She has heard people say that this country could get along with the Nazis if its leaders would only try.

She remembers what happened to other countries that did just that - where the Nazis were not on their own terms, and where without battles being fought or bombs being dropped the countries were altered to fit the fascist pattern, and the people's liberties lost to them. She knows that there are certain groups even in this country who sympathize with the fascist type of government. Because of these dangers, as a typical American woman she wants to make this democracy impregnable against attacks both from without and from within.

(End of Italics)

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What To Do About It

When Congress passed the draft act, and later when President Roosevelt declared a state of unlimited emergency, Mollie had wished that there was something she might do to help. Several of the neighbor boys she knew had gone off to Army camp, and each time one of them left she felt a little conscience-stricken - as if she were not doing her part.

When he was called, Pete Donato had just gotten a job in a minor baseball league. The Negro boy who had made such a success of the big parking lot had to give that up. Tom Ryan was an insurance salesman. He was married but the draft board had ruled that since his wife worked she could support herself. Eddie Schilling and Nathan Wolf were going to camp when they came back from college in June.

Then there were the men like Joe, who were working overtime in factories producing national defense orders, and other men on farms and in construction camps, providing not only food and shelter for the armies in training, but also for civilian workers in national defense.

But for a long time there seemed to be nothing that a woman could do. Then came the announcement of the Defense Savings Bond campaign. Although the President did not say

-6-

so in so many words, it was to the women of America that he was talking when he made his "frank and clear appeal for financial support to pay for our arming, and to pay for the American existence of later generations."

American women do 85 percent of the retail buying of the country. So many times a decision to save rather than to spend rests with them. Thus it was especially to them the President spoke when he said that with jobs more plentiful and wages higher, a slight saving here and the omission of a few luxuries there, it would be possible to swell the coffers of the Federal Treasury for defense.

Before Joe started working on National Defense orders, the Browns, try as they would, had never been able to save anything. His base wage was \$25 a week. That wasn't much to feed, clothe and house four people. Now, however, he was making an average of \$7 a week more.

When that extra money first started coming in Mollie had grand ideas of what she would do with it. First she thought that maybe she and Joe could turn in their old car. Then she toyed with the thought of a new washing machine. Of course she could get along with what she had, but after so much scrimping the idea of buying something new and shiny was exciting.

-7-

Then came the President's appeal. He asked the people to contribute to national defense. He wanted them to lend the Government money to invest in ships and planes and tanks with which to protect the people and their freedom. But could a woman like Mollie be of help in the tremendous defense program with only a few dollars a week to spare? The President made it clear that she could; that here was a chance for everyone who had any extra money at all to invest it in democracy.

The Defense Savings plan made it easier for Mollie to save money because she didn't have to buy Defense Bonds all at once; she could set aside small sums of money regularly, and buy them over a long period of time. Instead of getting a new car or washing machine, she decided to try to buy one bond a month at \$18.75. That was as low as they came. If she could manage that she would not only be investing in the present security of America, but also in the future of herself and Joe and the children.

For each bond held 10 years, she would get back \$25. The profit of \$6.25 would be subject to the Federal Income Tax. Still that was true of the kind of bonds sold by companies as well, and Mollie didn't know of any equally safe ones that

-8-

paid as much as the 2.9 percent offered on Defense Savings. In addition, the Defense Savings Bonds would be kept for her at no charge in the nearest Federal Reserve Bank or the United States Treasury. Since the Browns had no safe deposit box, that would be a help.

One thing that she liked about these bonds was that if somebody got sick in the family, or if she needed money badly for something else, she could turn in the bonds any time after two months and get her money back, and if she held them for a year before cashing them in there would be some interest as well.

Mollie was not at all sure that she could save as much as \$18.75 a month. True, Joe was getting more pay, but prices of many things were going up. There were certain things - like a family trip to the dentist - that had to be attended to before any money could be put aside.

Mollie was sure anyway that she could make a try. She decided to get Defense Stamp albums at the post office. If she could persuade Joe and the children to go in with her, and save their pocket money to buy ten, twenty-five and fifty cent stamps, she could make the purchase of a bond-a-month a family thrift project. When they had bought and pasted in \$18.75 worth of stamps, they could turn the album in at the post office or bank and get a bond.

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What such a bond would buy in terms of guns or explosives or airplane parts, Nellie Brown had no idea. She did know that it would go toward building a strong national defense for her country. And it gave her the feeling that along with the boys in the army and the men in defense industries, she was doing her part.

(Start of Italics)

The woman's part in national defense can be played on several fronts, but perhaps nowhere more effectively than in budgeting the family income to buy Defense Savings Bonds. As wages increase there are certain things that consumers - like the Browns - will want to buy more of. Some families need more and better food, for example. Healthy people are essential to a healthy democracy.

But there are other products that the Browns would like to buy that compete directly with production for national defense. One of these is automobiles. This is because there is a shortage of certain raw materials such as steel and of certain types of skilled workers such as machinists. In other words, the automobile industry must produce fewer automobiles in order to make possible the production of more army trucks and tanks and airplane engines.

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The Government urges Nellie to put her money in Defense Savings Bonds now, and wait to replace such things as automobiles and washing machines, radios and vacuum cleaners until the need for defense production eases up. Since otherwise she would be buying on the installment plan, this would have the added advantage of making it possible for her to save now and pay cash for her big purchases later. That would do away with interest charges.

In addition, by doing that, the Browns will be helping national defense in two ways. First, by not competing with the Government for goods. And second, by lending the Government money to pay for national defense.

For women who have more money to spend, there are bigger bonds to buy. Series E, which is for the smallest investors, runs all the way from \$18.75 up to \$750 for a single bond. Since these bonds are intended for the average people of the country, there is a provision that no one can buy more than \$5000 in one year.

Series F bonds are really intended for estates and big organizations that have a lot of money to put into Defense Savings Bonds. Interest is slightly smaller - 2.53 percent - and it takes 12 years for a bond to mature.



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Series G is intended for investors who want to get their interest semi-annually, instead of adding it to the value of the bond to be paid all at one time when the bond matures. The lowest-priced bond in this group sells for \$100 and the highest-priced for \$10,000. Every year the Treasury Department mails out interest checks on these bonds amounting to 2.5 percent. At the end of 12 years the investor gets back the same principal that he put in.

The limit is \$50,000 for either F or G bonds, or for F and G combined.

The Secretary of the Treasury has recommended that as much as possible of the money needed for National Defense be got through current taxation in order to make a large part of the defense effort pay-as-we-go. The rest, of course, must come through borrowing. The Treasury hopes to borrow a large portion of this directly from the people of the country through the sale of Defense Savings Bonds. For although it would be easy for the Government to borrow the money at lower rates of interest from the banks, there are two reasons for not doing this.

In the first place, if the Government borrowed the money from the banks it might help to cause inflation, while getting the money directly from the people actually will help to prevent

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inflation. In the second place, it is important in a democracy for national defense to be a people's defense - for every citizen to have the feeling that he is playing his part.

So far Congress has appropriated 44 billion dollars for an army of 2,000,000 men, a two-ocean navy, air forces second to none, and armaments to lease or lend to other democracies. Building defense costs money in other ways; new plants and factories must be built, and in some cases even new towns for the factory defense workers to live in must be created, and these need government help.

The \$18.75 a month that the Government gets from the Brown family will only take up a very small part of such a figure. But when this is added to, month after month, and multiplied again by several million other families in the country, it will help to guarantee the success of the defense program.

(End of Italics)

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Barriers Against Runaway Prices

When somebody on the radio mentioned that if enough people bought bonds it would help prevent runaway prices, Mollie was keenly interested.

She remembered pictures of a German woman pushing a wheelbarrow full of marks to the grocery store to buy a loaf of bread after the first World War. That picture was pretty extreme and had made a lasting impression on her, and even though she was sure that it couldn't happen here, still she had a feeling that she wouldn't like "even a little bit" of inflation.

It seemed that the very products that Mollie had first wanted to buy when her husband started to make extra money were among those that so many other people wanted that prices were in danger of being forced up out of line. Often they were the same products that also competed directly with production for national defense.

Take automobiles, for example. Because materials and machines, skilled labor and management formerly used to make cars, are needed for National Defense, the Government has announced that it will be necessary to cut automobile production 20 percent next year. It has even been suggested

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that this is a conservative estimate, that the actual reduction will be much greater.

Now if the Browns, along with a lot of other consumers making more money as a result of the war boom, should decide to buy a new automobile with their larger earnings, there would be an increased demand for automobiles. At the same time fewer automobiles would be produced. As a result there would not be enough cars for all of the people who wanted to buy them and prices would rise.

This is likely to happen to all goods that compete directly with defense production. And if it does happen it won't be very long before wage-earners begin to demand more pay to meet the higher prices. If higher wages result in higher manufacturing costs, prices go up again. This may turn into a vicious circle, which if uninterrupted, will end in runaway prices on all types of goods. Then Mollie Brown may find herself paying \$5, say, for a pair of shoes that formerly sold for \$3, and Joe may have to pay \$15 for a tire and tube that used to cost him \$9.

Of course there is the possibility that the Government will set prices, as it has already done in some cases. But price-setting is hard to enforce. Even if it succeeds, it still does not solve the problem of providing a new car for everyone who wants to buy one. Should the Browns order a car, for example, they might have to wait a long time for delivery.

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Instead of buying now and forcing up the prices of products that are scarce, the Government urges the Browns and people like them to "Buy Defense Savings Bonds and save for the future." Then later, when there are plenty of automobiles and washing machines, radios and vacuum cleaners on the market, the same amount of money will buy more of these products than it does now. In addition there will be the accumulated interest to spend.

(Start Italies)

When we started to arm there were unemployed men and idle factories. As a result we have been able to increase our production of armaments, without disturbing our production of consumer goods.

But recent events have made it clear that we must greatly increase the speed with which we turn out defense materials. Soon we may be using all workers not needed in the army, and all available factories. Then if we are to get the guns we need, it may be necessary to cut down production of many types of consumer goods, just as it has already been necessary to cut down the number of automobiles to be manufactured next year.

When we reach this point, incomes will be large, but goods will be scarce. Then what may happen to the country as a whole

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can be illustrated by what may happen to Mr. Smith, an imaginary storekeeper.

Mr. Smith, we will say, has been keeping a general store where he has only been selling \$5000 worth of goods a year, because that was all that his customers could afford to buy. Soon these same customers may have \$6000 to spend. Mr. Smith would like to order more goods for them, and he tries to. But he finds that his orders can't be filled. The goods just aren't available because the supply has been limited by national defense.

Like Mr. Smith, storekeepers all over the country will be trying to buy more goods. As a result they will bid up prices, and Mr. Smith will find that instead of getting MORE goods, he will actually have to pay higher prices for the same goods. Eventually his customers will have to pay \$6000 for the same amount of goods that they used to get for \$5000.

But if Mr. Smith's customers, and enough other people, would put their extra earnings into Defense Savings Bonds, the same amount of money would probably continue to buy the same amount of goods. The customers at the general store would be able to get the goods available for \$5000, and have \$1000 put away in Defense Savings Bonds as well. Thus they would have something to show for their larger earnings, instead

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of having them used simply to bid up prices on a supply of goods fixed by the needs of national defense.

(End of Italic)

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Buying a Share in the Future

Like every normal mother Mollie was planning ahead for her children. She was willing to do without things for herself in order to put aside for their future. She wanted them to have more education and greater opportunities than she and Joe had had.

She had heard one person say, "You might as well splurge now, heaven knows how long you may have to enjoy it." But she realized that some people always said things like that. Particularly now, with the country meeting a crisis, it was an attitude that she rebelled against from the bottom of her heart.

"What kind of an American are you if you don't believe in America's future?" she had answered.

Already she had figured that if the national defense effort lasted for five years, and she was able to keep to her budget of \$18.75 a month for all of that time, that 10 years from now she would be receiving back from the Government \$300 annually for five years. That would pay tuition and then some for both of the children at the state university. And, of course, if an emergency should arise before that time, she would have ready cash simply by turning in the bonds.

Mollie remembered only too well the depression and what it had meant to the Browns. There had been years of living from hand to mouth, of living first off Joe's family and then



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hers, and finally relief. She had decided then that if ever there was any money to spare, she would put it aside for a rainy day! She knew that she couldn't save enough to last long, but at least for a time it would help tide them over.

She remembered when the World War was over, and the soldiers came back from the front, and defense industries closed down, - there had been a depression. Men who had been making guns had to find new jobs making consumer goods. Men who had been using guns had to find new jobs, too. Many couldn't get work.

Now if the Browns and other consumers have money to spend when the war is over, it will not only help to tide them over any period of depression that might follow, but it will also help to keep the wheels of industry rolling when the production of war goods has stopped. If people have money to put into consumer goods at that time, then the factories that produce those goods will be called upon to turn out more. And that will mean better times ahead.

More than anything else, Mollie wants security for young Joe and the little girl. She will scrimp and save to give them a better world to grow up in. She will endure any kind of hardship to make it possible for them to have healthy lives and free lives.

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(Start Italics)

The brutal black headlines that convey war news from Europe and Asia tell only part of the story. Mollie Brown realized that behind the marching armies certain important changes are taking place, bound to affect the lives of people everywhere. It is her hope - and the hope of her Government - that such readjustment as is necessary can be accomplished within the limits of democracy - limits that include free speech, free press and the right to vote; books, teachers and schools free from censorship; racial tolerance and religious freedom; childhood free from the shadow of a gun; family life free from spying and telling; a government that is the servant of the people, not people who are the slaves of the state.

To these President Roosevelt has added two other goals of democracy in this war: freedom from want, and freedom from fear. The first means world economic organization that will secure for all peoples healthy lives. The second aims at world-wide reduction of armaments so that no nation will be in a position to commit an act of physical aggression against any neighbor.

For all of these things Mollie, like other American women will support national defense. That she can best help the American effort at this time by diverting some of her budget to the purchase of Defense Savings Bonds is plain. In doing

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this she is not only playing her part, but is also helping to build a barrier against runaway prices, and is strengthening the national security against post-war depression.

It would not matter whether Mollie could only afford to buy a 50 cent Defense Stamp each week, or whether she were in a position to invest in a \$75 Defense Bond every month. The important thing is that she does her share. The President has said, "The character of the campaign is national in the best sense of the word - for it is going to reach down, we hope, to the individual and family in every community, and on every farm, in every State and every possession of the United States."

That is the essence of democracy - that every person shall participate. Women cannot wear a uniform and wield a gun, but they can buy a bond and get their friends to buy them. This is a part made for them to play.

(End of Italic)

## DEFENSE SAVINGS BONDS

## Series E

## Type of Bond:

It grows in value at an increasing rate the longer it is held.  
It is registered in the name of the owner and is not transferable.  
Dated first of month in which bond is bought.  
Matures ten years from that date.

## Interest Rate:

2.9 percent a year on both principal and accumulated interest if bond is held to maturity.

## Prices and Maturity Values:

Original cost	will increase in 10 years to	Maturity value
\$ 18.75	" " " " " "	\$ 25.00
37.50	" " " " " "	50.00
75.00	" " " " " "	100.00
375.00	" " " " " "	500.00
750.00	" " " " " "	1,000.00

## Registration:

This bond can be registered in the name of  
(1) One person.  
(2) Two persons as co-owners, or  
(3) One person, and another as beneficiary.

## Limitation on Holdings:

Not more than \$5000 of Series E bonds (maturity value) can be bought by any one person in a single year.

## Redemption:

Owner may turn in bond and get money back any time after 60 days of the date of issue. Table of accumulated interest appears on face of each bond.

## Tax:

Accumulated interest paid by Government when bond is cashed in, is subject to Federal income tax.

## Where to Buy:

At United States Post Offices.  
At banks and savings and loan associations.  
At other designated Sales Agencies.  
Direct by mail from the Treasurer of the United States,  
or from any Federal Reserve Bank.

## DEFENSE SAVINGS STAMPS

Cost of Stamp	Number of Stamps that fit in album	Value of Album When Filled
10¢	25	\$ 2.50
25¢	75	\$18.75
50¢	75	\$37.50
\$1.00	75	\$75.00
\$5.00	15	\$75.00

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

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DATE June 20, 1941

TO Ferdinand Kuhn, Jr.  
FROM Helen Dallas

As each state is organized in the Defense Savings program, the effects become apparent almost immediately in a rash of newspaper articles. These start with reports of speeches and committee appointments, and as the state is exposed to intensified organization, they spread to cover everything from stamp banks and payroll deduction plans to rallies-at-the-picnic ground, and in one case a State Defense Bond Day.

Newspaper clippings from the four states where field organizers have concentrated their heaviest efforts outnumber returns from other states three to one. Yet each of these states is different enough from any of the others to be able to classify the bulk of its clippings by type. Texas, stronghold of the independent storekeepers, runs to a booster type of campaign, with every local businessman "expected to do his part."

In Michigan, an industrial state, story interest has naturally been focused on payroll allotment plans and labor union activity. In addition to contributions from labor union

treasuries there has been widespread cooperation on the part of the labor press. For example, the "Detroit Teamster" last week printed a half-page appeal under the heading "America Preferred" urging teamsters to buy bonds. The "United Automobile Worker" has carried stories and pictures on the defense savings program.

More and more merchants are beginning to tie U. S. Savings Bonds and Stamps into their advertisements in places where state and local committees are functioning. One dry goods store advertises Cotton Week, and adds a plug for Savings Bonds. A drug store in a half-page ad announces that "to support National Defense Cunningham's Volunteers to Sell United States Stamps." A jeweler offers "\$5 worth of Defense Stamps free - with any diamond purchase of \$19.75 or over."

Although returns coming in from the organized states are comparatively greater than for others, this does not mean that there is no activity elsewhere. The Postmaster of Miami, Florida, did not wait for a state organization to be set up before he instructed his rural mail carriers to sell the stamps in outlying districts. And Boeing aircraft workers in Seattle, Washington, were the first union members to suggest during salary negotiations that the company deduct money from union members' pay checks for the purchase of bonds.

In some places, as the organizational effort is intensified,

there is newspaper evidence that participants are carried away by their own fervor and are using the kind of pressure that has been disapproved officially by the Defense Savings Staff. One hundred per cent drives among school children have been reported in Texas and Michigan and elsewhere. The El Paso, Texas, "Times" reports that "El Paso firms, employing seven or more persons, not complying with the program to place employes on regular salary deductions for the purchase of defense bonds or stamps, are to be reported under instructions from the U. S. Treasury Department." This is against the announced Treasury policy disapproving involuntary payroll deductions.

That preachers have been asked to deliver Defense Bond-selling sermons to their congregations, in spite of Treasury instructions to the contrary, is indicated in the stand taken by the Michigan annual conference of the Methodist church, in Kalamazoo. "The Church of Jesus Christ shall not be available to the use of those who would change it from a house of prayer into a rostrum for bond salesmen and minutemen," the conference warned. "The sale of 'defense bonds' or the practicing of any other secular finance schemes is strictly out of order in the Lord's House."

#### What Editorial Writers Say

The great bulk of newspaper editorials have urged their readers to help National Defense by buying Defense Savings Bonds and Stamps. Many of these have followed a line taken typically



in the Indianapolis "Star": "It is time to ask the questions now, each man and woman of himself and herself, and to get answers that can be repeated without shame at some future time when they might be asked by others in sorrow and in reproach. The unlimited national emergency is here! Where are you?"

Others continue to encourage the Treasury Department in its methods of conducting the Defense Savings program. The Hamilton, Ohio, "Journal-News" goes all out with the declaration that "the record of the first month's distribution of defense securities stands out as our best single job in connection with national defense."

More than before editorial and financial writers have turned to a discussion of inflation, and the part that can be played by defense bonds and stamps in staving it off. In this connection, New York financial columnists have pointed out that it is the public's earnings, even more than its savings, which the Treasury wants; that any discontent with the bond sales so far should stem from the fact that not enough people have bought bonds out of their current incomes.

A few anti-New Deal papers, while favoring the Defense Bond campaign, have used it as a springboard for comment on the failures of New Deal policies. One notes that the New Deal bogey of thrift has now become a virtue. Another points out

that the payrolls of the executive departments of our government are growing so rapidly that outgo in salaries and wages will soon eat up money almost half as fast as the people can lend it to the government.

Although, as was expected, sales of bonds have fallen off this month, there has been little comment on the figures. Financial writers commenting on the June sales have noted that Series E bonds, intended for the little investor, have held up well. Only two editorials of all of those examined suggested that more selling pressure should be brought. The Richmond "News Leader" says that if organization by state and locality doesn't work, then the nation might as well be prepared for compulsory savings as "the democratic way." The Cleveland "Plain Dealer" enlarges on the idea. Deploring "the failure of the defense program to engender a spirit of sacrifice," this paper suggests that savings should be drafted as well as man-power and property.

Several editorial writers have incorporated material critical of the defense strikes in editorials dealing with Defense Bonds. Only one so far, the Seattle "Post Intelligencer" has praised the cooperation of labor unions with the Defense Bond program. In this case the Aeronautical Mechanics Union at Boeing was singled out for special mention.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 20, 1941

TO Ferdinand Kuhn, Jr.  
FROM Herbert Merillat

LABOR AND THE EXCESS PROFITS TAX

A review of recent labor union publications and pro-labor periodicals indicates that labor organizations are carefully watching Congressional action and inaction on excess profits taxation.

While the conservative press professes to see developing in Washington a New Deal scheme to undermine the private enterprise system, the labor press does some viewing with alarm on its own -- looking, as one would expect, in quite a different direction.

The Wall Street Journal and papers of kindred philosophy see a pattern of corporate penalties in price controls, rising labor costs, and Treasury tax recommendations. Labor spokesmen, on the other hand, see a campaign against the workingman in anti-strike bills, failure to control prices of consumer goods, and Congressional failure to tax excess profits effectively.

The principle underlying the Treasury's EPT proposal has been endorsed expressly or impliedly in such papers as "Labor" (the weekly published by the Railroad Brotherhoods), the "CIO News,"

"PM," La Follette's "Progressive," and the "New Republic." The demand for an effective EPT and price control has become more insistent after the government's seizure of the North American plant. The New Republic remarks: "We use soldiers to break a strike; what are we doing to prevent profiteers from withholding essential goods and services, and then retaining their ill-gotten gains? . . . Mr. President, put the heat on Congress to act on excess profits and commandeering!"

After noting the Ways and Means Committee's veto of the Treasury's EPT plan, "Labor" asks whether Congress and the President are going to insist that employers too contribute to the common good. "Unless the prices of commodities and the profits of industry are curbed," it says, "the American worker . . . will be the principal if not the only bearer of the burden of the emergency." "Labor", in pushing the railroad workers' demand for higher wages, does not fail to point out large increases in railroad income almost untouched by the EPT.

La Follette's "Progressive" sees in Mr. Sullivan's statement on the EPT before the Committee a confirmation of the Senator's prophecy that the present EPT would play into the hands of wealthy vested interests.

All the papers and periodicals above mentioned agree that an EPT taxing high profits, whether or not they are war profits,

is necessary. These papers, through cartoons, editorials, and news items, point out that the present EPT does not substantially affect the earnings of many corporations which benefit greatly from the defense program and many others which have long enjoyed high incomes. It is a point for which the citizen would look in vain in the general press and one which could easily be missed in the complexities and obscurity of EPT discussions.

#### Broadening the Base

The Ways and Means Committee's decision to retain present personal exemptions has stirred up more newspaper comment than any other recent tax development. The majority of papers accuse the Committee of political cowardice and reiterate that a broader base is desirable for its psychological effect. However, in view of the almost universal demand for a broader base which developed earlier, there is a surprising amount of favorable comment in some small-town papers on the Committee's action. Such papers point out collection costs and present hidden taxes on low incomes as factors supporting the refusal to broaden the base.

#### Joint Returns

So far, almost no press comment has been received on the Committee's decision that married couples must file joint income tax returns. PM referred to the action as being designed to close one of the biggest loopholes in the income tax law.

Committee Tax Bill

It is too early for editorial reaction to the tax bill approved tentatively by the Ways and Means Committee. However, an editorial in the New York Journal of Commerce may give a hint of the comment to be expected. Although the initial surtax rate proposed by the Committee is less than half that recommended by the Treasury, the Journal speaks of "sweeping and very severe increases in surtaxes on individual incomes." It hits the failure to broaden the base. It says the bill will not raise two-thirds of the money needed to finance defense and does not curtail purchasing power of low income groups, and it looks for a second revenue measure later in the year to accomplish those ends unless the present bill is substantially revised.

HOLD FOR RELEASE

HOLD FOR RELEASE

HOLD FOR RELEASE

June 20, 1941

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis or intimation to be published or given out until the READING of the President's Message has begun in the Senate or the House of Representatives. Extreme care must therefore be exercised to avoid premature publication.

STEPHEN EARLY  
Secretary to the President

TO THE CONGRESS OF THE UNITED STATES OF AMERICA:

I am under the necessity of bringing to the attention of the Congress the ruthless sinking by a German submarine on May 21 of an American ship, the Robin Moor, in the South Atlantic Ocean (25° 40' West, 6° 10' North) while the vessel was on the high seas en route to South Africa.

According to the formal depositions of survivors the vessel was sunk within 30 minutes from the time of the first warning given by the Commander of the submarine to an officer of the Robin Moor.

The submarine did not display its flag, and the Commander did not announce its nationality.

The Robin Moor was sunk without provision for the safety of the passengers and crew.

It was sunk despite the fact that its American nationality was admittedly known to the Commander of the submarine and that its nationality was likewise clearly indicated by the flag and other markings.

The sinking of this American ship by a German submarine flagrantly violated the right of United States vessels freely to navigate the seas subject only to a belligerent right accepted under international law. This belligerent right, as is known to the German Government, does not include the right deliberately to sink a merchant vessel, leaving the passengers and crew to the mercies of the elements. On the contrary the belligerent is required to place the passengers and crew in places of safety.

The passengers and crew of the Robin Moor were left adrift in small lifeboats from approximately two to three weeks when they were accidentally discovered and rescued by friendly vessels. This chance rescue does not lessen the brutality of casting the boats adrift in midocean.

The total disregard shown for the most elementary principles of international law and of humanity brands the sinking of the Robin Moor as the act of an international outlaw.

The Government of the United States holds Germany responsible for the outrageous and indefensible sinking of the Robin Moor. Full reparation for the losses and damages suffered by American nationals will be expected from the German Government.

Our Government believes that freedom from cruelty and inhuman treatment is a natural right. It is not a grace to be given or withheld at the will of those temporarily in a position to exert force over defenseless people.

Were this incident capable of being regarded apart from a more general background, its implications might be less serious -- but it must be interpreted in the light of a declared and actively pursued policy of frightfulness and intimidation which has been used by the German Reich as an instrument of international policy.

The present leaders of the German Reich have not hesitated to engage in acts of cruelty and many other forms of terror against the innocent and the helpless in other countries, apparently in the belief that methods of terrorism will lead to a state of affairs permitting the German Reich to exact acquiescence from the nations victimized.

This Government can only assume that the Government of the German Reich hopes through the commission of such infamous acts of cruelty to helpless and innocent men, women and children to intimidate the United States and other nations into a course of non-resistance to German plans for universal conquest -- a conquest based upon lawlessness and terror on land and piracy on the sea.

Such methods are fully in keeping with the methods of terrorism hitherto employed by the present leaders of the German Reich in the policy which they have pursued towards many other nations subsequently victimized.

The Government of the German Reich may however be assured that the United States will neither be intimidated nor will it acquiesce in the plans for world domination which the present leaders of Germany may have.

We are warranted in considering whether the case of the Robin Moor is not a step in a campaign against the United States analogous to campaigns against other nations. We cannot place reliance on official declarations to the contrary.

Like statements, declarations, and even solemn pledges have been forthcoming in respect of many nations, commencing with the statement that the Government of the German Reich considered its territorial aspirations satisfied when it seized Austria by force. Evidence that the Government of the German Reich continues to plan further conquest and domination is convincing, and, indeed, scarcely disputed.

Viewed in the light of the circumstances the sinking of the Robin Moor becomes a disclosure of policy as well as an example of method. Heretofore, lawless acts of violence have been preludes to schemes of land conquest. This one appears to be a first step in assertion of the supreme purpose of the German Reich to seize control of the high seas, the conquest of Great Britain being an indispensable part of that seizure.

Its general purpose would appear to be to drive American commerce from the ocean wherever such commerce was considered a disadvantage to German designs; and its specific purpose would appear to be interruption of our trade with all friendly countries.

We must take it that notice has now been served upon us that no American ship or cargo on any of the seven seas can consider itself immune from acts of piracy. Notice is served on us, in effect, that the German Reich proposes so to intimidate the United States that we would be dissuaded from carrying out our chosen policy of helping Britain to survive.

In brief, we must take the sinking of the Robin Moor as a warning to the United States not to resist the Nazi movement of world conquest. It is a warning that the United States may use the high seas of the world only with Nazi consent.

Were we to yield on this we would inevitably submit to world domination at the hands of the present leaders of the German Reich.

We are not yielding and we do not propose to yield.

FRANKLIN D. ROOSEVELT



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TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE June 20, 1941

TO Ferdinand Kuhn, Jr.  
FROM Alan BarthTOTAL WARPrelude

The week's decisive measures -- establishment of guilt for the sinking of the Robin Moor, the freezing of Axis assets, the closing of German consulates here -- have had an inspiring effect. Axis reprisals have served only to sharpen American hostility. Both the news and editorial pages of the press are tingling with a sense of imminent danger. The sense of national direction, lost temporarily in the period of inaction which succeeded the President's fireside address, appears to have been recaptured.

Administration handling of the Robin Moor incident was applauded almost everywhere. The restraint exercised by the President at the outset disarmed those who were ready to assert that he welcomed the tragedy as a provocation to war. His message to Congress came only after the public itself had digested the facts and had called for a strong protest. And the message, which in itself recommended no action, paved the way for popular feeling to propel the Government into further firm measures.

The freezing of German and Italian funds in this country was greeted as a common sense piece of self-protection long overdue.

It is commonly believed that German dollar holdings were employed for subversive purposes. The retaliatory seizures by the German and Italian Governments were taken as a matter of course and evoked few groans. American property in the totalitarian states, it was recognized, had, in effect, been confiscated long ago.

Similarly, the typical editorial reaction to the closing of German consulates and other propaganda agencies was, "It's about time." There is no doubt in editorial minds that the Nazis grossly abused their diplomatic privileges here. Numerous commentators are in favor of a complete severance of diplomatic relations between the United States and the Reich.

These dramatic events are pretty generally regarded as the prelude to full-fledged war against the Axis. While the few remaining isolationist papers grumble about them on this account, the bulk of the press now faces the anticipated consequences philosophically and with only mild dismay. The hope that the defeat of Hitler can be purchased without full American intervention seems to have been almost entirely discarded.

Of still greater significance is the abandonment of the isolationist-inspired belief that the choice before the United States has been one of war or peace. There appears to be ever widening awareness that the genuine choice is between resistance or submission to Hitler. As to this choice, there is virtually

no hesitation.

The deepening editorial conviction is that it is folly to worry about hypothetical "states of war." The feeling implanted by the President's words is taking root -- that what is necessary is to proceed firmly along the course on which we have determined, gauging successive steps only by their feasibility and their effectiveness for the desired end. Editorial thought has been transferred from the philosophical to the pragmatic.

#### Tactics

American newspapers are beginning to grasp the meaning of total war. They have come to recognize that it has other than military and naval aspects. Consequently they have lost their absorption in the idea of convoys as the sole effective means of aid to Britain.

There is now belated acknowledgment that the President has been pressing the economic and political aspects of total war with a good deal of vigor and a great deal of acumen. The New York Herald Tribune, for example, has suddenly come to the conclusion that "for virtually the first time in his whole career, Herr Hitler has himself encountered the very technique which he used over and over again to 'soften,' divide and defeat his victims in detail. And it has proved as deadly against him as it was in his own hands." The press wants this economic and political warfare to be waged as

forcefully as possible.

The careful exclusion of Japan from its effects has occasioned some unfavorable comment. There were cheers for the action taken recently by Secretary Ickes to detain a shipment of oil destined for Japan from an eastern seaport. Eastern papers in particular voice objections to sending American petroleum to the Japanese in the face of threats of gasolineless Sundays here. Numerous commentators urge the imposition of a rigid embargo against the Japanese. Others, however, are inclined to view the favored treatment accorded to Japan as a justifiable maneuver in the strategy of economic belligerency.

It is important to note that criticism of this sort is criticism of tactics, not of purposes. The purposes of the Administration now seem to be overwhelmingly accepted. The recent implementation of them, both at home and abroad, has promoted a fresh buoyancy. The nation seems relieved to feel that it is on the march.

#### Notes

British seizure of the initiative in Syria and Egypt produced a rather short-lived wave of optimism. It was succeeded by serious disappointment over the stubbornness of French resistance and over the swift German repulse of the British attack at Salum. Again the setbacks suffered by British forces occasioned

a good deal of distrust here regarding the quality of British leadership.

The press has treated the tales of imminent Russo-German conflict with healthy skepticism. There is no doubt that it hopes for hostilities between the Nazi and Communist dictators. But it has not permitted its hopes to run away with its reason. On the contrary, it has engaged mainly in non-wishful thinking equivalent to downright pessimism. The prevalent view is that the Germans will achieve a bloodless conquest of the resources of the Soviet Union and will thereby be entrenched for a long and bitter war of attrition.

JUN 20 1941

My dear Mr. Secretary:

Ambassador Winant has urged me to recommend a Treasury representative at the Embassy in London. Accordingly, I am recommending Mr. V. Frank Coe for this post. Mr. Coe is Assistant Director of the Division of Monetary Research in the Treasury. He is, I believe, well qualified to advise with Ambassador Winant and also to furnish me, in the critical weeks ahead, with the kind of reports I would like to receive on financial conditions in England. I would wish him to return to report to me after a brief period.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of State,  
Washington, D. C.

By Messenger

HDW:iam  
6/20/41

June 21, 1941

File

Mr. Cochran

At 4 o'clock yesterday afternoon Mr. Leuben Clark, who was in Washington on business of the Foreign Bondholders Protective Council, telephoned me. He referred to our conversation of some days ago by telephone when he asked from Salt Lake City concerning formalities to be met in order that his church might make certain remittances to its members in various European countries. Mr. Clark is returning to Salt Lake City and will submit the applications through the Federal Reserve branch at Salt Lake and the district Federal Reserve Bank at San Francisco within the near future. The amounts will probably be limited to \$1,000 for Denmark and \$250 to each of the three following countries, Norway, Belgium and the Netherlands. I explained to Mr. Clark that since our last conversation Germany and Czechoslovakia, in which countries he had told me his church had balances, have now been included under our control regulations. Consequently any new remittances to those countries would have to be licensed. I told Mr. Clark that whenever his applications are received they will be given quick and sympathetic consideration by our Foreign Funds Control.



HMC: dm: 6.21.41

TREASURY DEPARTMENT  
UNITED STATES COAST GUARD**SECRET**

WASHINGTON

20 June, 1941.

From: Spagent, Hongkong, China.  
To : Secretary of the Treasury.

Message from Mr. Fox.

I arrived in Chungking on June 12th, and I had an immediate audience with Minister of Finance Kung. It is obvious that it would have been fatal error to go first to Shanghai. Kung holds the view that board activities must be tied in with economic measures and not confined to exchange operations. He was pleased with this evidence of American help which serves to bolster the spirit of the people in their resistance to Japan. Economic problems are serious, but he expresses willingness to exert pressures to accomplish results. Had lengthy discussions with K. P. Chen and Hsi Te-Mou on the board. Chen holds that there are three major problems:

1. Inflation and rising prices are cutting into the living standards and will result in the loss of military and civilian morale if continued unchecked. Note issue expanding at the rate of five hundred million yuan a month. By the end of 1941 issue outstanding expected to exceed sixteen billion yuan.

2. Foodstuffs shortages in Free China are critical. With a favorable weather situation, the crop is just adequate, but fears for this year due to insufficient rains. Hoarding, speculation, and rising prices are widespread and aggravated by military crop confiscations at government prices. Chen favors token imports in rice trucks over the Burma Road as a first step.



**SECRET**

- 2 -

3. Shanghai market. Flow of cash from Free China to Shanghai for conversion into foreign exchange estimated at thirty million a month, about one and a half million U. S. dollars. It is self-evident that the Japanese and speculation are profiting. Partially off-set by repatriation of Chinese funds from aboard and overseas remittances.

Chen wants to eliminate these disadvantages: still retaining Shanghai for foreign trade contacts in visible trade credits, blockade-running center, and anti-Japanese activities. He disagrees with the prevalent attitude here that Shanghai is of no value. Not quite ready to freeze Shanghai completely, but he is aware there is no alternative and therefore probably ready to recommend it. Under control, costs in Shanghai to board would be negligible. Chen believes that Rogers would be unacceptable under any circumstances. He revealed China had suggested as the British member Murray of the London office of Chartered Bank. As other alternative, possible, but not named, Thomas, of Hongkong office, Chartered Bank. British insistence on Rogers is not well received here. Chinese alternate members may be Dr. Lin from Hongkong and Y. C. Koo, Vice-Minister of Finance. The third is undecided. Before accepting the chairmanship, Kung gave Chen assurance of broad powers and full cooperation. Headquarters must be in Chungking. Offices established in Central Bank. Probable branch in Hongkong and agencies elsewhere thru Central Bank supervised by independent inspectorate. First meeting of board when Pei returns from Hongkong this weekend. Chinese members are anxious to organize board at earliest opportunity. Raise the question whether

**SECRET** - 3 -

it would be advisable to organize without British member, should there be a delay in his appointment even though provisions of agreements are clear that four constitute a quorum for normal operations.

Please let us have thru A. J. Campbell, Treasury Office, Hongkong, your early reaction. Will delay in giving definite opinion awaiting your reply.

We are seriously handicapped by the lack of a confidential secretary. Chen fully recognizes the necessity and urges us to obtain our own for confidential work. China is not prepared to offer a confidential secretary for obvious reasons, though she extends unlimited stenographic assistance for general work. Chen feels that thirty five hundred to forty hundred dollars a year and six dollars per diem allowance is fair. We must have such assistance immediately. My first choice would be my secretary at the Tariff Commission, Mrs. Garland. If she objects, then Charles Hewlett, reporter with the U. S. Army at Bermuda. Advise that you use every means to obtain his appointment. As soon as we are notified that terms are satisfactorily negotiated, Chen will notify his New York office to complete arrangements.

Conference with Generalissimo arranged.

**ALL DISPATCHES IN REPLY OR IN RESPONSE TO THIS  
DISPATCH MUST BE SENT TO THE COM**

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE June 21, 1941

TO Secretary Morgenthau  
FROM John G. Wiley

I learned by telephone this morning that Ambassador Messersmith has reported that, in a conversation with a prominent Cuban, the German Minister in Havana threatened the Cuban with boycott by the German and Spanish interests in Cuba if he did not collaborate with the Falange. The German Minister made the statement to the Cuban that he directed the Falange, which is the first definite confirmation the State Department has had that the Germans were in direct charge of Spanish Fascist activities abroad.

*JGW*

June 20, 1941.

MEMORANDUM FOR THE SECRETARY:

At noon Saturday, June 14, the President signed the Executive Order and Regulations extending freezing control to continental Europe and calling for a census of all foreign-owned property in the United States. At the same time the White House issued a press release pointing out the fact that it was aimed principally at controlling German and Italian funds in this country. The press release also mentioned that the transactions of the six neutral European countries would be freed upon receipt of adequate assurances that such General License would not be used to evade the purposes of the Order.

The Executive Order, Regulations and press release had been forwarded under sealed instructions the night before by airmail to all of the Federal Reserve Banks and confirmatory wires and instructions were sent to the Federal Reserve Banks at noon on Saturday. With the cooperation of the War and Interior Departments, instructions and documents were also sent to the outlying territories and possessions. At the same time a series of general licenses was sent to the Federal Reserve Banks covering certain categories of permissible transactions which would greatly facilitate the administration of the Order without impairing the effectiveness of the control on the Axis funds. By Saturday evening the Federal Reserve Banks were in a position to furnish the documentation to the public. On Sunday night a telegram was sent to all the Federal Reserve Banks asking them to contact as early as possible Monday morning the responsible official or partner in each of the principal banks and brokerage houses in their district and to advise them of a series of guiding principles laid down in the telegram. These included blocking all doubtful cases, blocking such accounts as Bund and Fascist League accounts and people

- 2 -

otherwise collecting funds for remittances and food shipments. The full cooperation of the banks and brokers was asked for. The same attitude was reflected in newspaper stories of Monday and Tuesday.

At the opening of business on Monday morning the banking institutions were prepared to handle the vast volume of inquiries and applications that were submitted.

This job was made possible by the full cooperation between State, Justice and Treasury Departments that worked continuously beginning last Thursday. These Departments are now having daily meetings as well as a close liaison concerning the problems arising from time to time in the administration of the Order. I want to take this opportunity to thank State and Justice Departments for their cooperation.

On Monday night, we cooperated with Justice and State Departments on the issuance of instructions to all Collectors of Customs to prevent the departure of any German nationals from the United States pending the determination as to whether such people were in any way violating the freezing control order in taking money out of the United States or in failing to report their assets in the United States.

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FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

Date June 20, 1941.

To CONFIDENTIAL FILES  
From L. W. KnobeSubject: TELEPHONE CONVERSATION  
WITH BANK OF ENGLAND.

Mr. Bolton called at 10 a.m. today. He would have to speak rather vaguely, he said, because he was under the impression that telephone conversations between London and New York could be overheard by outsiders. He wanted to get some information about the latest freezing order; this information was necessary for him because he had taken over the administration of the details as far as they affected dollar balances and security holdings in the United States held (in British names) on behalf of people not resident in the sterling area.\* I asked whether that was a problem for them in London and Mr. Bolton replied that it was as far as securities were concerned. He then requested that I cable him some information regarding the freezing order and particularly on the following points:

- (1) give him a list of newly affected countries
- (2) advise him whether nationals of the frozen countries were affected by the orders wherever such nationals might be
- (3) on what basis would the Treasury be prepared to give a release?
- (4) did American bank branches abroad have to observe the freezing order; for instance, was a German account carried by the National City Bank in Shanghai frozen under the order?

I promised that we would cable him the desired information although there was probably nothing that we could say on question No. 3. I stated that we had been in the habit regularly to send to all our friends abroad circulars covering these executive orders, licenses, etc. Had he received them? Mr. Bolton seemed to think that they had them all except, of course, the latest one.

LWK:KW

\* In this connection I attach copy of cable received from Bank of England, London, on June 16.

Copy:lg 6-21-41

INCOMING CABLEGRAM

Received on June 16, 1941

London, June 16, 1941

Federal Reserve Bank of New York

New York

No. 605 FOR KNOKE

For your information. We are issuing the following notice to the market today.

QUOTE At the request of HM Treasury the Bank of England inform banks and bankers that until further notice no United States Dollar balances held on behalf of persons not resident in the sterling area may be drawn on without the prior permission of the Bank of England. No permission is required for payment by debit of such a balance of a bill of exchange expressed in United States Dollars drawn on or before the 13th June 1941. Banks and bankers should also refer to the Bank of England before carrying out any instructions regarding securities held in the United States of America on behalf of persons not resident in the sterling area UNQUOTE

Bolton  
Bank of England

Copy:bj:6-21-41



DEPARTMENT OF STATE  
WASHINGTON

June 20, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses two copies of a paraphrase of telegram no. 418 dated June 17, 1941 to the American Embassy at Rome, requesting information regarding the effect of Italy's freezing action on the Banca d'America e d'Italia.

Enclosure:

No. 418, June 17,  
to Rome. (2)

lap:6/20/41

## PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Rome  
 DATE: June 17, 1941, 8 p.m.  
 NO.: 418

You are requested to make discreet inquiry and advise the Department by telegraph if the Banca d'America e d'Italia is receiving treatment which is more favorable than the other American-owned or controlled institutions in Italy with regard to the freezing control over American property by the Italians.

Please inform the Department in regard to the following:  
 Is the bank (referred to above) closed or "frozen"? Are its operations restricted?

HULL  
 (DA)

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MA: PAK

LAP: 6/20/41

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YDEPARTMENT OF STATE  
WASHINGTONIn reply refer to  
EA 840.51 Frozen Credits/1957

June 20, 1941.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses two copies of a paraphrase of telegram No. 843 from the American Embassy at Rome, under date of June 19, 1941, concerning the status of the Banca d'Americas d' Italia with respect to the Italian freezing control.

Enclosure:  
From Embassy, Rome,  
No. 843, June 19, 1941.  
(2 copies.)

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rome.

DATE: June 19, 1941, 6 p.m.

NO. : 843

Reference is made to the telegram of the Department No. 418, 8 p.m., June 17, 1941.

The Banca d'Americae d'Italia is not closed. However, along with other banks, it is restricted from paying money to Americans-- including those in Italy -- pending clarification as to the intentions of the Government. (See No. 839 of June 18.)

Discreet inquiry has been made and there is no indication from the information obtained that the bank is receiving more favorable treatment than other American-owned or controlled institutions in Italy with regard to the Italian freezing control that is under question.

PHILLIPS

EA:PAK

840.51 Frozen Credits/1957

Copy:bj:6-20-41

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840.51 FROZEN CREDITS/1957

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YDepartment of State  
WashingtonIn reply refer to  
EA 840.51 Frozen Credits/1942

June 20, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses two copies of a paraphrase of telegram no. 2408 dated June 17, 1941 from the American Embassy, Berlin, regarding official German comments on the United States action in freezing German funds.

## Enclosure:

No. 2408, June 17,  
from Berlin. (2)eh:copy  
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PARTIAL PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin.

DATE: June 17, 1941, 6 p.m.

NO. : 2408

A DMB announcement issued at five thirty today states:

"The Government of the United States, by order of the President, of June 14th, blocked the property of German Reich citizens in the United States. By order of the German Government therefore the necessary measures will be carried out effective at once in connection with the property of citizens of the United States in the German Reich.

It is reported that a spokesman at the Ministry of Propaganda stated that his country could not be expected to refrain from taking action in the face of what he described as provocation by our Government. This spokesman further stated that no details were yet available with regard to the action Germany contemplates taking; as to when such action would be made public, he could offer no information.

The Treasury Department should be advised of the contents of this telegram.

MORRIS

EA:MSG

Copy:alm 6-20-41

June 20, 1941

Files

Mr. Cochran

At 10:45 yesterday morning, Mr. Spruik, of the Protocol Division of the State Department, (Extension 286) talked with me. He said that Kurt Fritsching, First General Secretary of the German Embassy, and a Career Officer, was scheduled to leave Washington at 6 o'clock last night on a courier trip to Mexico, Guatemala and certain South American countries as far as Bolivia and return. Mr. Fritsching had made this trip frequently in the past for the German Embassy. The Department of State had stamped his documents as satisfactory on June 5 (that is, prior to our freezing). The Embassy had certified that the pouches contained nothing other than diplomatic despatches and codes.

The question now arises whether the Treasury will permit the courier to proceed according to schedule. Mr. Spruik had been in touch with Mr. Severotti of the Department of Justice who was willing to give the necessary release for the Immigration officials to pass him at Laredo, the point of departure from the United States. Mr. Spruik wanted to know, therefore, whether the Treasury Department would see fit to instruct its Customs officials at the border to let him pass. The courier would be taking with him approximately \$600 in Travelers' Checks and \$300 to \$400 in cash to pay his expenses. I told Mr. Spruik that Mr. Dean Acheson of the Department of State was meeting with us regularly on freezing matters and that he was assisted by Messrs. Lathringur and Rice. Mr. Spruik said that he had already tried to get in touch with these three officials but had not succeeded and thought I might do something to help him out, since this appeared to be an urgent matter.

I telephoned Mr. Foley at once, who confirmed my feeling that this matter should first be cleared by Mr. Spruik through the officials of the Department of State who are now responsible for liaison on freezing problems. I telephoned this word back to Mr. Spruik and the question came up yesterday afternoon at the joint meeting of freezing officials in the Treasury Department.

EMG:lsp-6/20/41

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin, Germany

DATE: June 30, 1941, 4 p.m.

NO.: 2439

Yesterday large-scale negotiations were concluded in Berlin by Germany and Italy which had to do mainly with jointly exploiting Baltic resources, and allotment between Germany and Italy of the raw material supplies for the second half of 1941 which are available to the Axis. There were some 300 members in the Italian delegation. These included Italian representatives from all of the countries under German occupation, and at the head were Giannini and Favagressi, the War Under Secretary. The head of the German commission was Clodius. The two delegations agreed to follow the principle which was established in February - i.e., important deliveries between Germany and Italy should be made unreservedly regardless of what the clearing account status might be. Arrangements were made that payments due by one of the partners in connection with military matters on the other's territory should be carried by the latter for the time being, and at a later date settlement could be made.

From the foregoing, it is obvious that the discussions were dominated by the German commission. I understand that the Italians thought that from their point of view the negotiations were unsatisfactory. Evidently full use was

made



- 2 -

made by Germany of their beginning point of furnishing military equipment and raw materials for the war efforts of Italy as well as furnishing fighting units for Italian territory operations. In a sense, it appears that the costs of the German occupation have to be paid by Italy now, but the basis seems to have been laid for financing any increase which may be planned in war shipments to Italy by Germany, as well as military operations from Italian territory by Germany.

In substance, the negotiations have resulted in imposing Germany's financial and economic control on Italy more than ever.

INFORM TREASURY.

ENDS.

TO THE SECRETARY  
TECHNICAL ASSISTANT  
OFFICE OF THE

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TREASURY DEPARTMENT  
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June 20, 1941

File

Mr. DeLoach

Mr. Blayman, Financial Controller of the Japanese Embassy, came from New York and called on me at 15 o'clock noon, June 18. Mr. Blayman had two questions in regard to our latest freezing orders. I telephoned Mr. Peble and subsequently Mr. Inaford, and obtained a simplified explanation of one of the intricately complicated legislative sentences involved. As to the second point, that is, whether a diploma of a non-blacked country, Japan for example, should be required to report under our new census regulations, my colleagues in Foreign Funds Control preferred that this matter come up at a meeting, since the policy was not yet clear. Consequently I raised this question at the meeting of the joint committee of State, Justice and Treasury officials which met later on the day of June 18 in Mr. Foley's office. Mr. Adelson prevailed to consent his colleagues in the Department of State on this point and report back to our committee. At the committee meeting yesterday afternoon Mr. Adelson said that no decision had yet been reached. Consequently when Mr. Blayman telephoned me from New York this morning I told him that this matter was still having the consideration of the responsible officials in Washington, particularly the State Department, and that I would telephone him as soon as I might have any definite decision in the premises.

When Mr. Blayman was with me he spoke at some length in regard to what he considered exceptionally active investigation on the part of our Federal Bureau has people with respect to Japanese firms in New York. He had the impression that he and those agents were trying hard to find fault with the Japanese concerns, and he stated that several of the firms had been obliged to make increased payments on account of their 1938 and 1939 incomes. He had the feeling that there was some special move on the part of the Treasury toward "equipping" Japanese firms. I told Mr. Blayman that, insofar as I was aware, there was no prejudicial treatment being shown firms of Japanese or any other origin. He must realize that we do have inspectors who go into tax matters most thoroughly. I told him that if I learned of any special situation with respect to investigations of Japanese firms, I would let him know. Later I mentioned this conversation at the Staff meeting, on the morning of June 19.

June 20, 1941

Files

Mr. Cochran

At 2:45 yesterday afternoon Mr. Maurice St. Germain, formerly in the Paris office of the Guaranty Trust, telephoned me from the New York office of the Guaranty. He said that Mr. Brewster, who has been the representative for many years in Paris of the Texas Corporation and is now in New York, was preoccupied over the present situation. He had asked Mr. St. Germain to inquire whether the new freezing orders prevent shipping such as his people have been carrying on, involving their oil going to Spain on Spanish tankers, to be paid for under a ninety-day revolving credit. I told Mr. St. Germain that I was not aware of any change in the situation as far as our foreign funds control was concerned. I thought the matter of the clearance of the ships was one on which Mr. Gaston, Assistant Secretary of the Treasury, should properly be consulted. I told Mr. St. Germain that if Mr. Brewster came to Washington, as was being contemplated, I would be glad to present him to Mr. Gaston, or would place him in touch with any other appropriate officials. On the other hand, if he cared to write a letter to Mr. Gaston, the latter would either handle it or refer it to the appropriate officer of the Government.

Later yesterday evening I mentioned this matter to Mr. Bernstein, and this morning informed Mr. Gaston of the conversation, so that he would know the situation if Mr. Brewster endeavored to get in touch with him directly.

HMC:lap-6/20/41

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE June 20, 1941

TO Secretary Morgenthau  
 FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£42,000
Purchased from commercial concerns	£54,000

Open market sterling held steady at 4.03-1/4, and there were no reported transactions.

The Uruguayan free peso, which closed at .4265 yesterday, improved to a final quotation of .4310. The New York banks stated that the advance in this market reflected an appreciation of the peso in terms of our currency in Montevideo.

In New York, closing quotations for the foreign currencies listed below were as follows:

Canadian dollar	11-7/8% discount
Argentine peso (free)	.2380
Brazilian milreis (free)	.0505
Mexican peso	.2070
Cuban peso	1% discount

In Shanghai, the yuan was again quoted at 5-7/16¢, and sterling remained at 3.92.

We sold \$1,614,000 in gold to the Central Bank of Guatemala, which was added to its earmarked account.

No new gold engagements were reported.

In London, spot and forward silver were again fixed at 23-7/16d, equivalent to 42.55¢.

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

There were no silver purchases made by us today.

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BRITISH EMBASSY,  
WASHINGTON, D. C.

Personal and Secret.

June 20th 1941.

Dear Mr. Secretary,

I enclose herein for your  
personal and secret information a  
copy of the latest report received  
from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Frank B. Rowan*

The Honourable

Henry Morgenthau, Jr.,  
United States Treasury,  
Washington, D.C.

TELEGRAM FROM LONDON DATED JUNE 15th 1941.

Air reconnaissance reports Tirpitz Lutzow and Scheer at Kiel and one Hipper class cruiser. Isis and Ilex both damaged by bombs while supporting array off Syrian coast. Main losses of merchant tonnage sunk in May were by submarine chiefly in Freetown area and western Atlantic. 23 ships were sunk by aircraft.

2. His Majesty's submarine sank 4,000 ton ship south east of Sardinia on June 1st, 2,500 ton ship off south west coast of Italy June 8th and 500 ton auxiliary sailing vessel south of Sardinia.

Seven Beauforts attacked German destroyers off Cherbourg p.m. June 17th one hit claimed results not confirmed. Our fighters provided a heavy escort for these attacks also offensive operations destroyed 13 ME 109's probably destroyed 8 damaging 13 - 12 of our fighters missing 2 pilots safe.

3. Night of June 17th/18th. 195 aircraft (1 overdue) raided Dusseldorf, Cologne, Duisberg, Hanover, Rotterdam and Channel ports.

4. Libya and Egypt. June 15th/16th. Benghazi harbour and enemy landing grounds were successfully bombed. On June 15th and June 16th further fighters protected our forward troops from enemy air attack and attacked mechanical transport in Capuzzo area. One enemy fighter and probably two others were destroyed. We lost eight Hurricanes. By evening of June 16th enemy had assembled strong armoured forces in area of Sidi Azeiz, Bardia and about Sidi Omar. On June

17th/

- 2 -

17th they attacked our troops in Capuzze area and east of Sidi Omar. Considerable casualties inflicted on enemy. Our troops now withdrawing to positions east of Halfaya.

5. Syria. Free French maintaining pressure on Kiswe - Damascus road while our troops are attacking Mezze from Jebel Madani and have captured Aartouz. We have retaken Ezraa with 150 prisoners. Evening of June 16th Vichy French captured Quneitra holding up our advance from Harkayoun and entailing withdrawal from there. Vichy French now out off in Quneitra. Both places are being attacked by us but result not yet known. In Jessine operations, we inflicted heavy casualties and captured several armoured cars. On coast our troops are four miles north of Sidon with patrols further ahead. No contact with enemy forces.

RESTRICTED

MILITARY INTELLIGENCE DIVISION  
WAR DEPARTMENT  
Washington, June 20, 1941

TENTATIVE LESSONS BULLETIN  
No. 122  
G-2/2657-235

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and in no sense mature studies.

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction, see Letter TAG 350.05 (9-19-40) M-B-M.

MODERN GERMAN PRINCIPLES  
COMPARED WITH THOSE OF CANNAE AND AUSTERLITZ

SOURCE

This bulletin is based upon translations of two articles, one appearing August 23, 1940, in the Deutsche Wehr, and the other appearing November 15, 1940, in the Militar Wochenblatt. The magazines in which the articles were published are both semi-official periodicals issued for the German Army.

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1. GRAF SCHLIEFFEN'S CANNAE PRINCIPLES TODAY
2. A MODERN AUSTERLITZ
3. COMMENTS BY AN AMERICAN OFFICIAL OBSERVER

RESTRICTED



RESTRICTEDMODERN GERMAN PRINCIPLES  
COMPARED WITH THOSE OF CANNAE AND AUSTRALITY1. GRAF SCHLIEFFEN'S CANNAE PRINCIPLES TODAY

In a short article entitled The Story of the War, published June 7, 1940, in Deutsche Wehr, it was stated that the war of today indicates how valid still are the strategic principles of command imparted to the German General Staff by its great instructors, especially the elder Moltke and Graf Schlieffen. In discussing the foreign policy situation, General von Mentzsch expressed the same view when he pointed out that in contrast to World War methods, the Germans have successfully returned to the doctrines of Clausewitz, Moltke, and Schlieffen. The military collaborators of the Nazi daily press, as well as the foreign news correspondents, believe that the important military events of today are the results of quite a new strategy. Insofar as this belief refers to Graf Schlieffen and his military principles, it is plain that these experts misunderstand the former German Chief of the General Staff. Nor is this amazing, because General von Zoellner in his excellent little publication, Schlieffen's Bequest, has explained how often Graf Schlieffen, like most geniuses, has been misunderstood, or not understood at all.

The press correspondents have objected to Schlieffen because, they say, he taught only outflanking, without taking into consideration a break-through of long continuous fronts encountered in modern war. Such an article recently stated in part: "We must say, up to the time of the World War, the necessity of a break-through was not emphasized in the German Army, since the Cannae doctrine of outflanking predominated. Schlieffen's dual principle of tactical and strategical outflanking was the recipe of victory." This remark is seriously in error. Of course Schlieffen could not fail to recognize the fact that a war involving millions of troops would result in long continuous fronts, which in turn would necessitate break-through operations. With his war games, his General Staff trips, and particularly with his proposals for conducting war against France, such long continuous fronts were clearly contemplated. In the enlarged eastern theater of war, Graf Schlieffen also expected situations to arise necessitating a break-through. Experiments were conducted in break-through operations during manouevers as far back as the war games of 1905.

It is especially interesting to note also, that for break-through operations, Graf Schlieffen recommended a tactical theory which was used during the World War and is being used today. This theory involves an attack on the entire hostile front, with the break-through coming at the weakest point developed by the attack. In the World War these attacks generally failed, but in Poland, and later

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on the Western Front, they led to decisive successes. The reason for this can easily be seen. A break-through can be exploited successfully only if the attacker has strong reserves available to follow the initial forces through the gap. During the World War, rapid movement of strong reserves behind a front was difficult, since all reserve movements were accomplished only by foot-marches.

After 1918 the goal of all European high commands was to increase the mobility of their respective troops by extensive motorization. Increased mobility in itself, however, did not completely accomplish the desired result, for it was somewhat neutralized by a like increase in enemy mobility. An additional measure had to be taken. Not only must a nation make its own force more mobile, but at the same time it had to limit the mobility of enemy forces. Graf Schlieffen had this in mind when he prescribed a simultaneous attack against the entire hostile front, thereby preventing the opposition from moving its reserves to the point of the break-through.

During the World War a frontal attack could occupy only the enemy's foremost forces, thus permitting his reserve to retain complete freedom of movement. Only through the development of the air force as a first-class fighting weapon, could the mobility of hostile forces behind the front be retarded or stopped. The German Army Supreme Command was the first to use the air arm in this manner. In the final report on the campaign in France the following was said of the Air Force: "Disrupting railway lines and damaging railway materiel, it prevented the enemy from moving reserves to the point of the break-through." Air superiority was a prerequisite to successful intervention of the air force for this purpose. Hence, the initial struggle of the campaign was a battle between opposing air elements. Graf Schlieffen foresaw these duels of the individual arms, as well as the fight for air supremacy. The prudent foresight of the German armament program was proven when the battle for supremacy in the skies was won by the Nazis.

After air superiority was effected, the duel of arms was shifted to armored units. In this struggle, German units, effectively supported by the Air Force, were victorious, and with the aid of their auxiliary arms, were able to penetrate deeply into the enemy's flank and rear. Schlieffen had reserved this mission for the German Cavalry. "The cavalry," he remarked, "will try to bring the fire of its artillery, its machine guns, and its long range carbines into the enemy's rear." He apparently thought that the cavalry, whose fighting power had been materially strengthened since the war of 1870 by increased and improved weapons, would be able quickly to break the resistance of the enemy by operating against his rear. German cavalry, like German infantry divisions, was unable during the World War to break rapidly enemy opposition, backed up by artillery and machine guns effectively firing from covered positions.

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If German tanks today repeatedly win great victories with their auxiliary arms, it is just another indication of the splendid achievements in German armament. Commanders of German Schnelle Truppen\*, with motorized and mechanized units, can now accomplish successfully all the missions of which the cavalymen formerly could only dream.

The magnificent successes of German armament not only applied to motorized and mechanized units of the Schnelle Truppen, but also to the mounted ones, the horse cavalry. Throughout the World War, German cavalry lacked the armament and equipment to penetrate hostile resistance. This defect has now been remedied. A propaganda report throws some light on the pursuit operations of a Nazi cavalry division after the occupation of Paris. Despite strong enemy resistance on the Seine and Loire Rivers, and at Saumur, the division was able to travel 45 to 60 miles a day, thus beating the retreating enemy to the critical river crossings and permitting the rapid and uninterrupted advance of the army troops following. That modern German cavalry is equipped even for defense against a modern offensive enemy, is shown by an army communique which states that one cavalry division destroyed 34 tanks out of the 40 which were attacking.

Graf Schlieffen quite consciously had taken the break-through into consideration. Certainly, as even his critics admit, exploitation was given priority in his plan. And justifiably so, for the break-through is a tactical action, necessitated by long and continuous fronts, paving the way for exploitation. "The break-through," as General Krafft von Dellmensingen remarks, "is a preparatory action which can inflict heavy damage on the adversary; it is a detour to victory. The final triumph can be gained only by outflanking operations."

That the tactical fighting action of a penetration is subject to change, depending on the current situation with respect to armaments, is indicated clearly by a comparison of the penetration attacks in the World War with those of the present war. Exploitations, on the other hand, are subject to certain invariable principles. The present war, with its comprehensive enveloping operations and incomparable German victories, has amply demonstrated the truth of this statement. So it is not strange after all that Schlieffen, as Chief of the Army General Staff, in training his officers, should lay emphasis, not upon the preparatory penetration attack, but upon the operation following it which should lead to conclusive conquest.

## 2. A MODERN AUSTERLITZ

The engagement at Austerlitz and the operations on the Western Front in May, 1940, are similar in many respects. In both.

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the deciding factor was the interception of the enemy attack movement in its initial stage. The commanding general, in each case, was capable at a glance of grasping the situation and understanding the terrain. In each, an attack was made against critical hostile positions, the enemy front was broken, and his attacking flank forced against an obstacle and destroyed. Both victories were decisive of their respective campaigns, and in both cases the offensive began, not immediately after the decision to attack had been made, but after a specified time.

Owing to his small battlefield area, Napoleon could postpone his decision as to the time of attack until the last moment, but in 1940, that decision had to be decided upon much earlier.

The two engagements, however, were quite different in their scope. In 1940 there were thirty times as many combatants as in 1805. The Austerlitz operation was purely a war of movement, whereas the actions on the Western Front required the break-through of a line fortified during peace time. In addition, scientific developments gave to the war of 1940 a different color. Technical progress was utilized during the World War, but principally for defensive purposes; in 1940 the offense made use of it to effect a successful rapid break-through of a fortified zone and to exploit this success quickly by advancing in depth with mobile troops. Future situation maps showing the position of German army units at the time of the capture of Abbeville, will probably reveal an unprecedented disposition in depth of an attacking force. The entire recent action, despite the wide distribution of troops involved, must be considered as a single battle with a continuous front, and not as a series of separate operations. Not until the penetration had been accomplished could this fact be made clear and these engagements be compared with those of Austerlitz.

The action in northern France in May, 1940, was not the first break-through followed by an advance of mobile troops disposed in depth. But it was the first decisive battle of this kind in which an attacking force of millions operated against a defending force equally large. Cooperation of the latest scientific developments, both on the ground and in the air, was so well accomplished through modern military leadership that unparalleled results were effected.

Yorck von Wartenburg finds a marked similarity between Austerlitz and modern battles. He says: "All conspicuous points of difference between modern battles and those of the time of Frederick the Great can be detected immediately." He then goes on to compare the continuous line of Frederick's time with the coordinated flanks of the Napoleonic period. In the future perhaps, the great extension in depth which characterized the campaign of May, 1940, will be used as a descriptive term to cover all similar subsequent operations.

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Napoleon's contemporaries believed that Austerlitz was his "perfect battle," to quote Boyen. Later, it was stated that Napoleon's attack at Austerlitz could not be copied. From a tactical standpoint, this is perfectly true; a modern Austerlitz differs from the 1805 model. But in May, 1940, the German Army fought just such a battle on a gigantic scale, one having epoch-making significance for military history.

3. COMMENTS BY AN AMERICAN OFFICIAL OBSERVER

a. In each of the above two sections of this bulletin attention is called to the importance of the fact that the Germans in 1940 had strong reserves available to follow the initial forces through the gap created in the hostile front. If exploitation is to be effective, these reserves must not only be available, they must also be free to move. Increased mobility does not necessarily mean freedom of movement, since any increase in mobility on the part of the attacking force is likely to be neutralized by a corresponding increase in mobility on the part of the defending force. Air superiority, which is a vital factor in gaining freedom of movement for reserves of the offense and in restricting it for reserves of the defense, is essential for the attacking army, and the initial struggle must be the struggle to gain air supremacy.

The emphasis which is place on the strong reserve available seems to be in disagreement with paragraph 501, German Field Service Regulations, Volume I (tentative) Operations 1939, where it is stated: "Reserves sent in to exploit the success of a pursuit do not need the depth required in the attack on an unshaken enemy." However, it apparently is in agreement with paragraph 505 of the same text, which reads in part: "Every effort must be made to strike the main hostile forces by pushing forward reserves and, when necessary, by constituting a new striking force to continue the pursuit."

b. After the gap is created, armored units pour through to lead the pursuit and exploitation, taking over the role formerly assigned to the cavalry. These units may encounter and have to engage hostile mechanized and motorized units which have not been intercepted by the air force. The successful outcome of such an engagement near Cambrai on May 20, left the way clear for the German advance to Abbeville.

c. German officers recently suggested that in operations like those on the Western Front, advancing units deficient in motor transportation may employ cavalry units in conjunction with a motorized advance guard to operate between the leading motorized elements and the main body of foot troops. It is not known if German cavalry was used in such a manner in these operations, but the suggestion is given for consideration.

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G-2/2657-220 No. 422 M.I.D., W.D. 12:00 M., June 20, 1941.

SITUATION REPORTI. Western Theater.

Air: German. Scattered, subnormal activity over Great Britain.

British. Attacks on the Rhine-Ruhr industrial area were renewed on a scale of about 200 planes.

II. Mediterranean and North African Theaters.

Ground: Minor reconnaissance operations by both sides. Failure of the Tobruk garrison to participate in the recent British offensive is regarded as indicating decline of its combat power.

Air: Axis. Raids on Tobruk and Malta.

British. Attacks on Derna and Gazzala.

III. Syria.

Ground: Some fighting around Damascus. There are indications that the French are considering capitulation.

Air: The R.A.F. attacked Beirut.

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Paraphrase of Code Cables  
Received at the War Department  
at 8:45, June 20, 1941.

London, filed 15:00, June 20, 1941.

1. British Air Activity over Continent.

a. Night of June 18-19. A total of 2400 incendiaries and 74 tons of high explosive bombs were dropped over the Bremen industrial area and 17 tons on the railway yards there. Brast was also attacked with 22 tons of high explosive bombs, which included 17 armor piercing bombs of 2000 pounds each.

b. Day of June 19. Three squadrons of bombers with pursuit protection attacked Le Havre, dropping four tons of high explosive bombs. Nine enemy aircraft attacked the aircraft performing this mission. One Elenheim obtained a direct hit on a six thousand ton vessel off the French coast near Etaples. Fighters sent on offensive operations in the area of the Channel coast and Brast numbered nineteen.

c. Night of June 19-20. The British sent twenty aircraft of the bomber command to Dusseldorf and a like number to Cologne.

2. German Air Activity over Britain.

a. Day of June 18. The Germans operated in the Western Theatre with fifteen reconnaissance, twenty long range bombers and five fighter aircraft. Over Germany and the occupied countries defensive patrols were maintained, employing 290 pursuit aircraft.

b. Day of June 19. Principally in the area of Pas de Calais fighter patrols were maintained by the Germans.

c. Night of June 19-20. Operations on a small scale, in

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all numbering nineteen, were carried out on the coasts of Scotland and Cornwall.

3. Aircraft Losses Reported.

a. Two British bombers were reported missing from the operation against Busseldorf.

b. No report of Axis losses.

4. British Air Activity. Other Theaters.

a. North African theater. Bardia, Derna, Gassala, Benghazi, and Ardena were bombed by seventeen Wellingtons the night of June 17-18. During the day of the 18th an unnamed number of the same aircraft bombed shipping harbor facilities at Benghazi and water concentrations near Sidi Omar.

b. The British continued to attack concentrations of the enemy in the areas of Transjordan and Palestine.

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Correction to  
Paraphrase of Code Cablegram  
Received at the War Department  
at 8:45, June 20, 1941.

London, filed 15:00, June 20, 1941.

First sentence, paragraph 1-6 should read:

Day of June 19. Three squadrons of bombers with permit ✓  
protection were dispatched to Le Havre, nine attacked dropping 4 tons of  
high explosives.

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G-2/2657-220; No. 423 M.I.D., W.D. 12:00 H., June 21, 1941.

SITUATION REPORTI. Western Theater.

Air: German. Extremely limited activity over Great Britain.

British. Last night an estimated 125 bombers were employed against harbors from Kiel to Boulogne. Kiel was the principal target.

II. Mediterranean and North African Theaters.

Ground: Minor operations only.

Air: Normal raids on Benghazi and Tobruk.

III. Syria.

The Allies have captured Damascus. No important air activity.

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Paraphrase of Code Calligram  
Received at the War Department  
at 8:56, June 21, 1941.

London, filed 15:30, June 21, 1941.

1. British Air Activity Over the Continent.

a. Night of June 19-20. British bombers dropped three thousand incendiaries and twenty-three tons of high explosive bombs on Cologne and nineteen tons of the latter and three thousand of the former on Düsseldorf.

b. Day of June 20. On this day shipping off the coast of Holland was attacked, one vessel of one hundred tons being destroyed. Some pursuit activity in the Plymouth area was also reported. During the last week a considerable number of reconnaissance and photographic missions were performed over all of the occupied Channel ports, no results being given.

c. Night of June 20-21. Aircraft of the bomber command, numbering one hundred seventeen, attacked Kiel, two were sent to Cologne, and five to Boulogne and two to Essen. Two of the same aircraft dropped leaflets over Paris.

2. German Air Activity Over Britain.

a. Day of June 20 and night of June 20-21. German air operations were upon a very limited scale everywhere.

3. Aircraft Losses Reported.

a. British losses. Two bombers were listed as unreported from the operations during the night of June 20-21.

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1. Axis losses. Destroyed by fighters near Plymouth on the day of June 28 were two ME-109's.
  4. British Air Activity, Other Theaters.
  2. North African. Benghazi was bombed the night of June 19-20.
- All other operations in this and the middle Eastern theaters were on a very small scale.

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Paraphrase of Code Collection  
Received at the War Department  
at 08:06, June 21, 1941

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London, Filed 15:00, June 21, 1941.

Air Chief Marshal Freeman, Air Chief Marshal Portal and Chief of Staff Ismay were consulted yesterday afternoon with reference to the inquiry contained in cable number 1718. All indicated that they were in doubt as to the true significance to be attached to the recent want of operations on the part of German aircraft. The following explanations were offered, given in the order of their estimated tenability - that the German air force is being held in readiness in the west for a campaign against Russia, that the High Command contemplates huge simultaneous attacks upon Russia and England, with the idea of impressing everyone, including the people at home, with the Nazi ability to conduct operations on two fronts at the same time, and that British attacks over the continent had so damaged transport facilities as to make difficult the supply of squadrons based in occupied France, Belgium and Holland. Two additional suggestions have been made, both of which are thought to be very unsatisfactory. One is that the real strength of the German Air Force has been moved to some other theater, of which there is no creditable evidence, and the other of which is that the recent British successes against night bombers have disheartened the Germans. Wishful thinking is the rating which it is thought should be given this last.

END

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Paraphrase of Code Sublogram  
Received at the War Department  
at 20:07, June 21, 1941.

By authority A. C. of S., G-2  
Date JUN 25 1941 BPH  
Initials

Cairo, filed June 20, 1941.

On June 19, a Tomhawk received fourteen hits from 7.9 caliber guns while in combat with a JU-88 near Alexandria. Hits were as follows:

- 1 each landing gear strut fairing
- 1 inboard of gun right wing top leading edge
- 1 front rocker arm support, no damage
- 1 trailing edge propeller blade twenty four inches from tip
- 1 twelve inches from tip on leading edge of another propeller blade
- 1 outboard of gun left wing leading edge. Both guns jammed as ammunition box was hit.
- 1 left gun cover on front inside corner
- 2 gasoline overflow line fairings bottom of fuselage
- 1 fire wall upper left, continued on to position in front of throttle
- 2 fin- 1 brake upper rudder hinge

The plane returned to its base safely.

Repair overhaul will be required as most of hits in leading edge caused damage to front main spar.

The pilot's tactics were to try two attacks from the front quarter and then attempt to hit rear gunner from about 50 yards directly to rear. The majority of hits were received in this last position. In another Tomhawk the same pilot received hits from 50 caliber Italian guns on the leading edge of the left wing inside of the gun. These damaged the spar and went through the metal gasoline tank and rubber cover. In both of the fights Axis observation planes were shot down.

Hits received by another Tomhawk were two hits in fairing of left landing gear damaging the front spar, 1 in leading edge of main wing which jammed outboard gun and 1 left of windshield which was deflected off of bullet proof glass bracket back and out into glass over gasoline filler cap.

Two propeller blades were grazed on another Tomhawk and one other was damaged in the upper part and flap of left wing by its own antiaircraft. With the exception of the antiaircraft fire all damage

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was damaged in the upper part and flap of left wing by its own antiaircraft. With the exception of the antiaircraft fire all damage was done by observation planes in area around Alexandria. The above airplanes all returned to their bases safely.

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**SECRET**

June 21, 1941

James Landis called me at 9:30 and said yes, but he said I would have to clean up the following things for him: (1) get President Roosevelt to write President Conant of Harvard asking President Conant to give Landis leave of absence; (2) that the President tell Mayor La Guardia that he thinks it is more important for Landis to be with the Treasury than with La Guardia, and (3) he told me of his troubles with Senator Walsh.



Law School of Harvard University  
Cambridge, Mass.

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OFFICE OF THE DEAN

June 21, 1941

Dear Mr. Secretary:

Pursuant to our conversation this morning, I am enclosing herewith the materials on what might be called "The Parkman-Walsh-Landis Incident." They consist of my original letter to Patterson recommending at his request a few outstanding lawyers for work in his office, his reply, a letter from Senator Walsh to me and my reply to that letter.

Briefly, the incident was as follows: Pursuant to Patterson's suggestion, I gave him a list of a few lawyers that I thought were of unusual competence that might be used in the War Department. Among them was Henry Parkman, a Republican with outstanding interventionist leanings and a man who had demonstrated his capacity at the bar in this state. Patterson appointed him and shortly thereafter there was an outcry in this state by Chairman Burke of the Democratic State Committee and by Senator Walsh. Parkman, in order not to embarrass the War Department, placed his resignation in their hands, which was accepted by Patterson with much reluctance. At the same time the War Department announced - I suppose to put the onus where it would do the least harm - that he had been appointed upon my recommendation. That announcement precipitated Walsh's letter to me and my reply to him. For your information, I was not sympathetic with Walsh in his last campaign because of his strong anti-British attitude. I took no part, however, in any political issue in that campaign except on the national side (that is for Roosevelt) and except for putting through a program in municipal reform in the city of Cambridge that raised no partisan issues.

I am also enclosing some correspondence which I would like to have in your hands in the event that some question may be raised in connection with it. This correspondence consists of a series of interchanges between me, the Attorney General, and Mr. J. Edgar Hoover. They relate to

- 2 -

Mr. Hoover's public statement that I had no authority to administer oaths in the Bridges proceedings. The fact that his opinion did not take into consideration data essential to any proper legal conclusion, that it was substantially repudiated by the Attorney General, that he refused to do anything about it, is evident in this correspondence. Once again, to put it briefly, I thought it my wisest course to keep holding the bag. \* Hoover

With reference to the other question I raised this morning about my relations with Mr. Conant, I hope that it will be possible not to make public announcement of my acceptance of your offer until after the President has communicated with Mr. Conant and Mr. Conant has had a reasonable opportunity to communicate with the members of the Corporation of Harvard University. As he puts it, his position with them will be easier if they do not hear about my request for a leave of absence first in the newspapers.

Such other minor matters that come to mind are things that I need not bother you with now but I can take up in conversation with you Tuesday. I am sorry that I put you to such trouble to get a "yes" or a "no" from me, but it is a difficult, personal question which I have had to decide and I wish that the times were such that an answer in the negative would be possible. But when I came down to it, I just could not make that answer and stick to it.

Sincerely yours,



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

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8 April 1941

Dear Mr. Attorney General:

I am taking the liberty of enclosing a copy of a letter written by me to Mr. J. Edgar Hoover. I do so because I trust that the conclusions enunciated by him before the Subcommittee on Appropriations--seemingly so clearly untenable--do not represent the considered views of the Department of Justice on this matter.

Sincerely yours,

The Honorable  
The Attorney General  
Washington, D.C.

8 April 1941

Dear Mr. Hoover:

Because I have been away on vacation the last few days I have not had a chance before this to consider your testimony before the Subcommittee on Appropriations to the effect that no perjury prosecutions could be instituted against witnesses who testified at the Bridges hearing before me inasmuch as I lacked the power to administer oaths.

Needless to say I was surprised by this testimony since on December 18, 1940, I replied to a query from the Attorney General, setting forth several reasons that I thought would not warrant any such conclusion. Your statement, however, seems to make elaboration and reiteration of them necessary.

The argument that I lacked the necessary authority bases itself upon the conclusion that only "immigrant inspectors" under the Immigration Act have the power to administer oaths while my appointment was only that of a "special examining officer (contract labor investigator)" under Section 24 of the Immigration Act.

This argument seems wrong for the following reasons:

1. There is grave doubt, as I pointed out in my earlier letter, in view of the history of the Immigration Act and the administrative practice under it, that the power to administer oaths is limited to "immigrant inspectors".
2. Under Section 24 of the Immigration Act contract labor investigators are specifically authorized to be detailed to discharge duties under all the other provisions of the Immigration Act which would include the duties of immigrant inspectors. The record is clear that I was detailed to perform these latter duties in connection with the warrant proceeding against Harry R. Bridges. Not only does the letter of June 12, 1939, of the Commissioner of Immigration to me refer specifically to verbal instructions given to me in that connection, but I was instructed as to my authority in the premises personally by the Secretary of Labor in the presence of the Solicitor of the Department of Labor. No conceivable question of fact as to my having been properly detailed thus arises. It is immaterial that the detail was not in writing. None of the cases that I have been able to discover in the federal courts insist upon such a requirement, nor do they even hint that it is neces-

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- ary. Indeed, some of them go so far as to hold that technical deficiencies in an appointment are of no concern in a collateral proceeding such as that of perjury. (See, e.g., the opinion of Circuit Judge Soper in *Jordan v. United States*, 60 F(2d)4.)
3. Irrespective of whether I had the power to administer oaths, materially false statements made in connection with a matter within the jurisdiction of any department of the United States, have, regardless of whether they were made under oath, been made punishable by a fine of not more than \$10,000 and imprisonment not exceeding ten years, since the amendment in 1934 and 1939 of Section 35 of the Criminal Code. This section incidentally was only recently given a broad construction by the Supreme Court of the United States in *United States v. Gilliland*, decided Feb. 3, 1941, 61 Sup. Ct. 518.

Again, I was surprised by your further statement that because of the lack of authority to administer oaths the proceeding before me was "not conducted in accordance with law". This would seem to imply that the proceeding was a nullity. But even accepting your supposition that there was no authority to administer oaths, your conclusion is again clearly erroneous, for the courts have held that the taking of testimony under oath is not requisite for an effective and legal deportation proceeding.

Since no one can condone perjury it would seem desirable to be chary about admitting the validity of an alleged technicality, especially one such as this, whose invalidity seems demonstrable.

Faithfully yours,

Hon. J. Edgar Hoover  
 Director, Federal Bureau of Investigation  
 Department of Justice  
 Washington, D.C.

April 11, 1941

Mr. James M. Landis  
Harvard Law School  
Harvard University  
Cambridge, Mass.

My dear Jim:

I have your letter enclosing a copy of yours of April 8 to Mr. Hoover.

The first that I knew of this testimony was when it appeared in the newspaper.

There was a recommendation by the F.B.I. that one of the witnesses in the Bridges hearing be prosecuted for perjury. The record did not show an appointment as Immigrant Inspector, and it was the view of those who examined the case that the power to administer oaths was limited to Immigrant Inspectors.

The possibility of supplementing the record by testimony to establish an oral delegation seems not to have been considered.

The broad construction by the Supreme Court of Section 35 had not at that time been announced and no consideration was given to a prosecution thereunder. A written memorandum was sent to Mr. Hoover, however, by one of the attorneys considering the matter, in which he expressed the opinion that the case could not be prosecuted because of failure of authority to administer oaths. The matter was never considered by me and the commencement of the new deportation case introduced other and more important considerations.

There was clearly no justification for the conclusion that the proceeding before you "was not conducted in accordance with law." The proceeding was certainly not a nullity and would doubtless have constituted a legal basis for deportation, had you concluded that cause therefor was established.

No one knows better than I do the difficulties of the task that Secretary Perkins had in dealing with the Bridges case or the great service that you rendered. I should either be the last of men to approve any attack on either of you or I should be the meanest of men. In the light of these facts, however, the wisest way of dealing with the matter is not clear to me. At the moment I want to make clear to you regret at the whole incident and a willingness to consider any suggestion for making amends for my vicarious offending.

With best wishes.

Sincerely yours,  
Bob (Signed)  
Attorney General

April 11, 1941

Dean J. M. Landis  
Law School of Harvard University  
Cambridge, Massachusetts

My dear Dean Landis:

I was delighted to receive your letter of April 8, 1941, commenting upon my testimony recently before the Subcommittee on Appropriations because I do desire that you understand exactly my position in this situation. It is true that, as you point out in your letter, I in substance testified that no perjury prosecutions could be instituted against witnesses who testified at the Bridges hearing before you because you lacked the power to administer oaths. The statement which I made was not of my own construction nor was it based upon either my personal interpretation of the circumstances surrounding your appointment or such interpretation of your powers by any representative of the Federal Bureau of Investigation. The full facts surrounding this situation were referred by me to the legal staff of the Department of Justice, who advised me by memorandum after a review of these facts that no prosecution could be undertaken of persons committing perjury at the hearings held before you because you lacked the power to administer oaths.

I was specifically asked by members of the Appropriations Committee about this situation and expressed to them the opinion which had been furnished to me by members of the legal staff of the Department of Justice. I did not then and do not now desire to place myself in the position of evaluating or interpreting the legal validity or significance of any set of facts. It is my function as the Director of the Federal Bureau of Investigation to direct investigations and to seek legal advice upon matters requiring legal opinion from designated officers of the Department of Justice. This was the practice which I followed in this case and the testimony offered by me about the possibility of perjury proceedings against witnesses who testified falsely before you was the opinion which had been expressed to me in writing by Department of Justice officials designated to act as legal advisers to the Federal Bureau of Investigation.

Your comments concerning the possible applicability of Section 35 of the Criminal Code interpreted in the light of the Gilliland case will, of course, be referred by me to the Departmental officers who rendered the opinion outlined above for their information and such action as they deem appropriate.

I hope that this rather lengthy statement explains to you my position in this matter.

Sincerely, J. Edgar Hoover (Signed)



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April 15, 1941

Dear Bob:

Thank you for your thoughtful and generous letter.

In the light of the overwhelming significance of other matters that are your concern these days, I hate to waste even a minute of your time on what is, perhaps, an unimportant thing.

Unfortunately both the Department of Labor and I have been taking it on the chin pretty badly as a result of Mr. Hoover's statement, but I do not wish to intimate thereby that I or anybody else as individuals matter in any determination of what is the wisest course to pursue in that connection. These considerations apart, it still remains true, however, that serious prejudice to existing proceedings may have been occasioned by that utterance besides the suggestion explicit on the record that bad faith and waste may have attended the honest and genuine desire of the Department of Labor to dispose of the Bridges matter with only a concern for what law and justice ought dictate.

As for suggestions, I received a letter from Mr. Hoover to which I am replying and enclosing a copy of my reply. It contains a suggestion which calls for appropriate action by him - rightly, I believe, since the difficulty stemmed from him. I hope that he will be convinced that it is his duty to correct whatever impression he may have erroneously conveyed.

Let me repeat my appreciation of the forthrightness and courteousness of your reply and from my simple assurance that I am always at your service, I hope you may infer the warm regard in which I have ever held you.

Sincerely yours,

Mr. Robert H. Jackson  
The Attorney General  
Washington, D.C.

*E. A. Tamm  
Copies*

April 15, 1941

Dear Mr. Hoover:

Thank you for your letter of April 11th.

I am somewhat surprised that your legal advisers did not consider the effect of Section 35 of the Criminal Code on the question as to whether prosecutions could be brought against witnesses who may have testified falsely before me. I am also informed that they did not, in the opinion they rendered to you, consider either the facts or the legal bearing of the facts relating to my detail to perform the functions which I did perform in San Francisco. These are, as I stated them, in my last letter.

The failure to consider these matters would seem to render valueless the opinion upon which you relied. It would, therefore, appear appropriate to request a thorough reconsideration of the question. If then the conclusion be different, I think it would be a simple matter of justice and fairness to all persons concerned to give currency to that conclusion. Particularly, would a prompt statement of this character be desirable because the present statement, especially if erroneous, is very likely to prejudice the interests of the Government or of the alien or both in the present pending proceedings against Harry R. Bridges. Moreover it would permit appropriate action against the crime, if it occurred, of giving false testimony.

May I add also that whatever the conclusion of law may be on the points outlined above, your statement that the proceedings were not conducted according to law and therefore inferentially had no validity deserves correction. That statement - all those with whom I have conferred agree - has not even a suspicion of being valid and unfortunately it seems to have reflected, more than ever, upon the good faith and capacity of the Department of Labor in this connection.

Sincerely yours,

Honorable J. Edgar Hoover  
Director, Federal Bureau of Investigation  
Department of Justice  
Washington, D. C.

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FEDERAL BUREAU OF INVESTIGATION  
UNITED STATES DEPARTMENT OF JUSTICE  
WASHINGTON, D.C.

April 25, 1941

Dean J.M. Landis  
Law School of Harvard University  
Cambridge, Massachusetts

My dear Dean Landis:

This acknowledges your letter of April 15, concerning the effect of false testimony given at the hearings in the Bridges matter, which were conducted before you.

I can only reiterate my prior statement that the function of the Federal Bureau of Investigation is purely investigative and does not involve the examination of questions of law or the reaching of legal conclusions. As heretofore explained, in accordance with the usual procedure, the factual reports of the Bureau in this matter were transmitted to one of the legal divisions of the Department, over which I have no jurisdiction, but the status of which is coordinate with that of the Federal Bureau of Investigation. The Bureau was later formally advised that no prosecution for perjury would be instituted for the reason heretofore stated.

It may be assumed that the effect of Section 35 of the Criminal Code was not overlooked in that connection. I have been recently advised that in the Gilliland case, to which you have referred, Chief Justice Hughes expressly stated that this section applied to the presentation of false written statements, the inference apparently being that it does not comprise oral testimony. No opinion is expressed by me, however, regarding this question of law.

I am afraid that in the third paragraph of your letter you misconstrue my testimony before the House Committee on Appropriations, which was given in reply to questions directed to me by Members of the Committee. It had reference to the conclusion of the Department that you did not have the necessary authority to administer oaths, and that, consequently, no prosecution for perjury would lie because of false testimony given before you. I did not say that the proceedings themselves were invalid (see pp. 194-195 of printed Hearings).

I have no authority to comply with your request for a reconsideration of the question of law, since, as explained above, the Bureau has no jurisdiction over such matters.

Sincerely yours,

SGD J. Edgar Hoover

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30 April 1941

Dear Bob:

In my letter to you of April 15, I enclosed a copy of my letter to Mr. Hoover. I enclose herewith a copy of his reply and my answer to it.

I am sorry to bring these to your attention. I had hoped that he would have exhibited the courage and decency to deal openly with the problem that he himself raised.

I do not know what to do about it. There is, of course, no chance to catch up with the unfortunate headlines that he let loose; nor do I wish to try to make some of my own.

I have not sought to deal with his reliance upon the Chief Justice's dictum in the Gilliland case. Its meaning seems obviously limited to the situation then before the Court, because there is certainly nothing in Section 35 of the Criminal Code that authorizes such an interpretative tour de force.

Sincerely yours,

The Honorable  
Robert H. Jackson  
The Attorney General  
Washington, D.C.

30 April 1941

Dear Mr. Hoover:

Your letter of April 25 is a disturbing letter for it raises issues beyond those involved by my challenged authority to swear witnesses in the Bridges hearing.

The matter now stands in the following light. The legal opinion upon which you relied in making your statements before the Subcommittee on Appropriations admittedly failed to consider two important matters--the first a matter of fact, namely, ~~my~~ actual designation to act; the second a matter of law, namely, Section 35 of the Criminal Code. To my request for a reconsideration of this opinion because of these significant lacks, you now reply that you have no jurisdiction over the matter.

The insufficiency of the reply is patent on its face. Surely you cannot assert that you, as Chief of the Federal Bureau of Investigation, are powerless to request legal advice from the Department of Justice of which the Bureau is a component part. If your statement is true, it reflects seriously upon the whole organization of the Department of Justice--a matter of more moment than the specific legal issue itself.

I am afraid that what you mean to say is that you choose to do nothing about this matter. That, I submit, is a serious reflection upon those standards of fairness that should characterize the administration of your office.

One further word, I stated that you were in error in testifying that, because of my challenged authority to swear witnesses the proceedings were "not conducted according to law and therefore inferentially had no authority". To sidestep that issue you now deny making such a statement, saying that I "misconstrued" your testimony. On that I submit the record. Your closing remarks read as follows:

*"Mr. Hoover. It means that practically the whole first proceeding was not conducted in accordance with law, because none of the witnesses were really testifying under a legally administered oath."*

The italics are mine; the language is yours.

I regret extremely having to reply to your letter of April 25 in this manner, but you have left me no other choice.

Faithfully yours,

Hon. J. Edgar Hoover  
Federal Bureau of Investigation  
Washington, D.C.

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November 16, 1941

Hon. Robert P. Patterson  
Assistant Secretary of War  
Washington, D. C.

Dear Bob:

Here are some other top-notch men. I don't know what the attitude of any of them would be towards a particular job, but they are certainly as good lawyers in that category as one would want.

Lloyd W. Dinkelspiel, LL.B. 1922, 14 Montgomery Street, San Francisco, California.

William H. Jackson. LL.B. 1928, 2 Wall Street, New York City. (He was an associate of Roland Redmond when Redmond was counsel of the Exchange and everyone who dealt with Jackson had a high regard for his character and his ability.)

Bailey Aldrich, L.L.B. 1932, 30 State Street, Boston, Mass. Now with Choate, Hall and Stewart but I believe he could be induced to take a leave of absence.

Henry Parkman, LL.B. 1918. Former Corporation Counsel of the City of Boston and just defeated for the U.S. Senate. He is not only extraordinarily able but in my judgment a man with the greatest sense of public service that this state possesses at the present time - the kind of a man who might be induced to undertake a task that he thought was necessary for the defense of the country.

If I get any more ideas and if you want any further names, I will be glad to exercise my brains a little more.

With my best regards,

Sincerely yours, J.M.Landis (Signed)

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WAR DEPARTMENT  
OFFICE OF THE ASSISTANT SECRETARY  
Washington D. C.

November 20, 1940.

Dear Jim:

Thank you very much for your letter of November 16th. I will get in touch with several of the men you suggest.

With best regards, I am

Sincerely yours,

(Signed) Bob

Honorable James M. Landis,  
Law School of Harvard University  
Cambridge, Massachusetts

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## UNITED STATES SENATE

13 December 1940

Clinton, Massachusetts

James M. Landis, Dean  
Harvard University Law School  
Cambridge, Massachusetts

My dear Mr. Landis:

It came to me as a distinct shock to learn through the press that you recommended for a legal position in the War Department my recent opponent and one of the President's most bitter and unfair critics during the recent campaign.

This action of yours was all the more surprising to me because I had reason to believe that though you may not have agreed with all my political principles, that at least you did entertain some appreciation of the service I rendered you and the part I took in defending you under severe attack at the time your name was before the Senate for confirmation.

Regardless of your personal feelings for my opponent, I cannot understand your approval of the kind of a campaign that he waged against me and the President. Especially his attempt to raise a religious issue on the very last day of the campaign by an advertisement appearing in the press when there was no opportunity to reply. Surely, you are not unmindful of the attempts made by him and the names he called me in his literature and speech.

While I had reason to assume you differed with me on the war issue, I could not believe that you would be a party seeking to humiliate me and the more than million of Democrats who voted for President Roosevelt by making yourself the instrument for placing the one man responsible for bitter criticisms of both President Roosevelt and myself in an important Government position. Apparently you did not know of any good lawyer among the more than one million Massachusetts voters who supported President Roosevelt or any Republican lawyer who was not a political opponent, whom you could recommend for a \$5,600 position to the War Department.



- 2 -

You must have known, if you observed the course of the recent campaign at all, that his whole method of approach was characterized by a willful, deliberate, misrepresentation of my position not only with regard to national defense, but in regard to national defense, but in regard to almost every other issue before the country today.

You must have known, that he accompanied Mr. Willke on his tour of Massachusetts, and delivered speech after speech in severe castigation of President Roosevelt and his economic policies and repeatedly ridiculed persons like yourself who are known to the public at large as advisory members of the New Deal Brain Trust.

The only explanation I can make of your action is that you are so blinded by your feelings on the war situation that it has disturbed your equilibrium and balance on all other questions.

Again I wish to say I am deeply shocked and grieved that you should have reciprocated my generosity and kindness towards you when you were under fire, by giving encouragement, support, and honors, to the one person of all I have encountered in my whole public career whose methods and utterances have been personally obnoxious to me.

Furthermore, I am confident that in all the years I have been in public service, you cannot assume that I have not been sympathetic with you and have repeatedly given unquestionable regard for you and personal loyalty to you.

Sincerely yours,

David I Walsh (Signed)

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December 14, 1940

My dear Senator Walsh:

I beg to acknowledge your letter of December 13, 1940.

You completely mistake my conception of my duty in responding to such inquiries as may uninvitedly come to me, when you suggest that in recommending persons to non-policy-making legal positions their political views or their attitudes toward political issues should be governing considerations.

You also mistake my conception of my function by your further suggestion that such political obligations as you insist I owe you should dictate my judgment upon the legal qualifications or public-spiritedness of particular individuals. I am glad to acknowledge any obligation I may owe you, for though I never sought public office I enjoyed the opportunities it gave me to serve my country. But I must insist that I must respond honestly to such inquiries as may be made of me and govern my judgments upon the legal qualifications of people by reference to those qualifications and not to others.

I am deeply sorry that you have seen fit to take the position you have in this matter. From a purely personal standpoint, an exhibition of generosity on your part would seem to me to have immeasurably increased your stature. From a national standpoint, you could have made unequivocally clear the principle that the War Department, particularly in these days, should be entitled to select its non-policy-making personnel without regard to political qualifications. Such a declaration on your part would have made clear to the country that the issue of national defense is above party and above personalities.

I can only say I am sorry that you did not choose this course, for as a Democrat I want the party always to prove by word and deed that it clearly deserves the trust that the nation has continued to place in it.

Sincerely yours,

Hon. David I. Walsh  
Clinton, Massachusetts

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE June 21, 1941

TO Secretary Morgenthau  
 FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

At 10 o'clock this morning Mr. Howland Shaw, Assistant Secretary of State in charge of personnel and administrative matters, telephoned me with reference to Secretary Morgenthau's letter of June 20 to Secretary Hall concerning the temporary assignment of Mr. Frank Coe to London.

Mr. Shaw said that the letter did not cover certain points which should be settled. He asked whether it was contemplated that Mr. Coe should resign from his Treasury position; whether the Treasury would pay his salary and transportation; and what Mr. Coe's title should be while serving in this new capacity. The alternative to the Treasury paying the salary and expenses would be for the State Department to request the President to allocate the necessary sums from the President's special allowance. I talked over the situation of our London Embassy with Mr. Shaw, and particularly the task which Mr. Coe is to undertake. I told him that I would have an opportunity to clear this matter definitely with the Secretary either later this morning by telephone, or on Monday when the Secretary returns from the farm.

At 10:30 this morning I reported the above conversation to the Secretary when he had me on the phone. It was agreed that Mr. Coe should not resign, but should continue on our payroll at his present salary. The costs of transportation and a per diem allowance would be, however, a proper charge to the Stabilization Fund. I recommended to the Secretary that Mr. Coe should receive the title of "Special Assistant to the Ambassador" rather than that of "Treasury Attache", since the latter title is that commonly given to our Customs officers. I told the Secretary that Mr. Shaw had promised that full diplomatic status would be accorded Mr. Coe if he has the title of "Special Assistant to the Ambassador". I made the point to the Secretary that this particular arrangement might be of value to us as a precedent on some future occasion.

At 10:45 I telephoned Mr. Shaw and gave him the above information, that is: (1) Mr. Coe will not resign, but continue on the Treasury's payroll; (2) The Treasury will pay his salary, transportation expenses and grant him an allowance; (3) The Treasury would appreciate Mr. Coe receiving the title of "Special Assistant to the Ambassador", with full diplomatic status. Mr. Shaw told me that I did not need to confirm this in writing, since he understood the arrangements were made under the Stabilization Fund on which I work.

- 2 -

Mr. Shaw said there was just one remaining point. Was he to assume that Secretary Morgenthau had discussed with Ambassador Winant the proposal for sending Mr. Coe? I told Mr. Shaw that I understood there had been conversations between Secretary Morgenthau and Ambassador Winant on the subject of an expert financial assistant at London, and that I thought Mr. Shaw could go ahead on the assumption that this is the arrangement which will best suit the Ambassador's needs.



TO:

Miss Chauncey 289

Secretary has the  
original.

Photostat positives  
have been given to:

Bell

White

Cochran

Faley

Oscar Coy to get 2  
positives. (sent to him  
by  
messenger 5 30 6/23

From: LIEUT. STEPHENS

Received - June 23, 1941

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THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7860



Box 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.

21st June 1941.

Mr. Keynes

*D. White*  
*This supplements in greater detail*  
*some of the points I mentioned the other*  
*day.*

U.S. TREASURY'S MEMORANDUM ON  
INFORMATION TO BE SUPPLIED

JMK

23.6.41

Page 3, Item 2(c)

"Itemised U.K. and sterling area exports to third countries paid for in U.S. dollars or gold." It is correct to say that we have no exports for which we receive payment in U.S. dollars. The reason for our estimates showing the outgo of U.S. dollars and gold to third countries as "net" is -

- a) on certain commodities which have cost us dollars, we require dollars from third countries in cases of resale. The most notable example of this is oil and oil products. We have a certain oil output within the sterling area, but it does not come near to sufficing for our needs, so that all marginal oil costs us dollars. Consequently we require British oil companies to charge dollars to any third country to whom they may sell.
- b) Our arrangements with certain countries provide for gold being earmarked against accumulation of sterling over and above a given level. It sometimes happens that the total of such balances falls during the course of a month, so that gold previously earmarked for the country in question is released back to the U.K.

The above two types of transaction explain the need for our referring to receipts from third countries as "net".

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Page 4. Cash Position (2). British private dollar balances.

In returns made to the U.S. Treasury the description "private balances" has been somewhat loosely applied to cover

- 1) the minimum working balances required by the British banking system,
- 2) dollars in "permitted accounts" i.e. accounts of traders which the Exchange Control has permitted those traders to retain for the essential purposes of their business. These are dealt with in the immediately following note. (Cash position 3.)
- 3) dollars held by British banks in cover of dollar deposits made with them by persons not resident in the sterling area. Such dollar deposits are not, of course, available to the British Exchange Control.

No analysis of these balances is available, but the Exchange Control has from time to time made a rough check of the information available to us against the U.S. statement of banking liabilities to residents in the U.K. The result of the check, which can only be very rough, was inconclusive, and it is possible that there may still be some undeclared balances of U.K. residents with U.S. banks -- though it would be surprising to find any significant number. If, however, the recently introduced U.S. regulation requiring foreigners to make a return of their properties in the U.S.A. should reveal any U.K. private balances which do not appear to be those of traders, the U.K. Exchange Control would be grateful to have the information.

Page 4. Cash Position (3).

The private dollar accounts under this heading are those described under Clause 2 of the immediately preceding note, i.e. traders "permitted accounts". In general traders are required to make a quarterly return to the Exchange Control on a form prescribed by the Control. In certain cases, however, a monthly return is required. With large international concerns this return may be very full and a detailed reconciliation required. The Exchange Control has always had to bear in mind that in wartime conditions of reduced staffs it is most desirable to adapt such returns to the ordinary accounting rates and practice

- 3 -

of the companies making them. <sup>vayj</sup> The returns are, therefore, made up to ~~following~~ dates and on ~~following~~ <sup>vayj</sup> bases so that it is not possible to keep comprehensive running analysis of the returns as a whole. Sample analyses have, however, been made for the purpose of determining how much trade passes through such accounts, and a rigorous control is applied to the permitted accounts of individual traders with a view to ensuring that the retained balances are not greater than are necessary for the conduct of the business. There is a special section of the Bank of England concerned solely with supervision of these accounts.



THE WHITE HOUSE  
WASHINGTON

June 21, 1941

My dear Mr. Secretary:

I find that:

(1) The defense of the United Kingdom is vital to the defense of the United States;

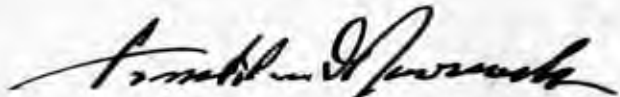
(2) Sections 4 and 7 of the Act of March 11, 1941 have been complied with by the necessary agreement on the part of His Majesty's Government in the United Kingdom;

(3) It would be in the interests of our national defense to transfer the defense articles set forth in the annexed schedule.

I therefore authorize you to make the transfer to His Majesty's Government in the United Kingdom of the defense articles set forth in the annexed schedule.

I should appreciate it if you would arrange with the Chairman of the British Supply Council in North America for the time, method, and other details of the disposition.

Very sincerely yours,



The Honorable

The Secretary of Treasury

Defense Articles Authorized  
for Transfer to the United Kingdom  
by the Secretary of Treasury

Requisition Number	Articles	
	Quantity	Description
500	20	Model K White Manufacturing Stone Heaters and 12 months supply spare parts
643-A	Such quantities of caffeine covered by this requisition as become available for transfer by September 30, 1941	Caffeine
1079	20,160 lbs.  6,000 ft.	Columbian Stabilized Stainless Steel Sheets Type 347, 2B Finish Stainless Steel Tubing 18 Gauge
133	Such quantities of 435,000 short tons Phosphate Rock covered by this requisition as become available for transfer by September 30, 1941	Phosphate Rock
2330	750,000 ft.	In 50' lengths of 2 $\frac{1}{2}$ " single jacket cotton rubber lined fire hose, coupled with instantaneous snap on couplings with ex- pansion ring tails
1762	20	6 Volt, 72 AMP., 39 Plate, 10" x 7 $\frac{1}{2}$ " x 9 $\frac{1}{2}$ ". Batteries, Secondary (Unfilled and Uncharged)

JUN 21 1941

June 21, 1941.

CONFIDENTIAL

Dear Mr. Knabe:

Permit me to acknowledge, on behalf of the Secretary, the receipt of your letter of June 19, 1941, enclosing your compilation for the week ended June 11 showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Faithfully yours,

H. Merle Cochran,  
Technical Assistant to the Secretary.

L. W. Knabe, Esquire,  
Vice President,  
Federal Reserve Bank of New York,  
New York, New York.

HMC:dm:6.21.41

**FEDERAL RESERVE BANK  
OF NEW YORK**

June 19, 1941.

**CONFIDENTIAL**

Dear Mr. Secretary: Attention: Mr. E. Marle Cochran

I am enclosing our compilation for the week ended June 11, 1941, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

(Signed) L. W. Knack

L. W. Knack,  
Vice President.

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

Enclosure

dm - COPY - 6/21/41

**ANALYSIS OF BRITISH AND FRENCH ACCOUNTS**  
(In Millions of Dollars)

Week Ended June 11, 1941.

Strictly  
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)								BANK OF FRANCE						Net Incr. (+) or Deer. (-) in Balance
	DEBITS			CREDITS			Net Incr. (+) or Deer. (-) in Balance	DEBITS			CREDITS				
	Total Debits	Gov't Expendi- tures (a)	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities Official (b)		Other Credits (c)	Total Debits	Gov't Expendi- tures (d)	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	
First year of war (8/23/39-8/28/40)*	1,753.2	605.6	1,147.6	528.8	1,356.1	52.0	420.1	+ 35.0	866.3 (e)	416.6 (e)	449.7	1,055.7 (e)	900.2	195.1 (e)	+229.0
1940															
Aug. 29 - Oct. 2	516.0	244.3	271.7	271.7	271.7	6.0	31.4	- 7.9	8.6	4.4	4.2	1.3	-	1.3	- 7.3
Oct. 3 - 30	196.7	167.8	28.9	168.5	168.5	6.0	30.0	+ 1.8	0.5	0.3	0.2	0.5	-	0.5	-
Oct. 31 - Nov. 27	341.0	201.1	139.9	249.5	219.0	18.0	31.5	+ 18.5	0.8	0.1	0.7	0.7	-	0.7	- 0.1
Nov. 28 - Dec. 31	234.6	206.6	28.0	199.0	111.4	22.0	60.6	- 36.6	2.7	-	2.1	0.6	-	0.6	- 1.5
Worked through Dec. 31, 1940	2,782.3	1,425.6	1,356.7	793.1	2,109.5	106.0	576.6	+ 10.8	878.3	421.4	436.9	1,098.4	900.2	196.2	+220.1
1941															
Jan. 2 - 29	197.4	162.7	34.7	255.9	176.2	52.0	31.7	+ 62.5	1.7	-	1.7	0.3	-	0.5	- 1.2
Jan. 30 - Feb. 26	164.5	137.8	26.0	101.4	26.6	26.0	48.8	- 63.2	0.2	-	0.2	0.2	-	0.3	-
Feb. 27 - Apr. 2	289.7	157.6	132.1	237.2	128.7	72.0	62.2	+ 8.2	0.7	-	0.7	1.6	-	1.6	+ 0.9
Apr. 3 - Apr. 30	126.0	101.9	24.1	218.9	125.6	15.0	75.3	+92.9	0.9	-	0.9	0.9	-	0.9	-
May 1 - May 29	122.6	90.6	32.0	91.0	6.3	32.0	52.7	-31.6	0.4	-	0.4	0.8	-	0.8	+ 0.4
May 30 - July 2															
July 3 - July 30															
July 31 - Aug. 27															
Second year of war (8/29/40-8/27/41)															
Aug. 28 - Oct. 1															
Oct. 2 - Oct. 29															
Oct. 30 - Dec. 3															
Dec. 4 - 31															
WEEK ENDED:															
May 21	29.3	21.6	7.7	11.5	-	6.0	5.5	-17.8	0.1	-	0.1	0.2	-	0.2	+ 0.1
28	27.0	19.6	7.4	34.6	-	4.0	30.6	+ 7.6	-	-	-	0.3	-	0.3	+ 0.3
June 4	35.3	30.0	5.3	33.9	-	4.0	25.9	- 1.4	0.2	-	0.2	0.2	-	0.2	-
11	23.2	16.8	6.4	11.7	-	2.0	9.7 (f)	-11.5	0.2	-	0.2	0.1	-	0.1	- 0.1

Average Weekly Expenditures since Outbreak of War  
France (through June 19, 1940) \$19.6 million

England (through June 19) " 27.6 million  
England (since June 19) " million

\* For monthly breakdown see tabulations prior to April 25, 1941.

Transfers from British Purchasing Commission to  
Bank of Canada for French Account

Week ended June 11, 1941 \$ - million  
Cumulation from July 5 \$ 162.7 million

(See footnotes on reverse side)

Regraded Unclassified

PERIOD	DEBITS				CREDITS				BALANCE							
	Total Debits	Transfers to Official British A/C		Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits	Net Incr. (+) or Decr. (-) in Balance	Total Debits	Transfers to Official British A/C		Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
		Official British A/C	Other Debits			For Own A/C	For French A/C				Official British A/C	Other Debits				
First year of war (8/29/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	35.1	30.0	5.1	+ 4.9
1940																
Aug. 29 - Oct. 2	44.3	-	44.3	43.9	15.4	-	27.3	0.2	- 0.4	8.7	2.5	6.2	8.0	6.7	1.3	- 0.7
Oct. 3 - 30	26.7	-	26.7	28.6	14.0	-	14.3	0.3	+ 1.9	10.1	7.5	2.6	7.9	6.5	1.4	- 2.2
Oct. 31 - Nov. 27	35.2	-	35.2	59.6	49.2	-	16.7	3.7	+ 34.4	3.1	0.6	2.5	3.6	2.1	1.5	+ 0.5
Nov. 28 - Dec. 31	48.0	-	48.0	60.6	42.5	-	13.7	4.4	+ 12.6	4.8	-	4.8	5.8	4.8	2.0	+ 2.0
War period through Dec. 31, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
1941																
Jan. 2 - 29	33.7	-	33.7	33.9	16.9	-	15.0	2.0	+ 0.2	4.8	-	4.8	5.1	1.7	+ 2.0	
Jan. 30 - Feb. 26	31.1	-	31.1	24.3	14.3	-	6.8	3.2	- 6.2	5.0	1.7	3.3	3.2	0.6	2.6	- 1.8
Feb. 27 - Apr. 2	60.9	-	60.9	46.0	23.1	-	19.1	3.8	- 14.9	9.8	0.8	5.0	13.7	12.5	1.2	+ 7.9
Apr. 3 - Apr. 30	14.9	-	14.9	35.9	12.5	-	10.5	12.9	+ 1.0	2.8	-	2.8	5.9	4.6	1.3	+ 3.1
May 1 - May 28	39.2	-	39.2	25.6	15.8	-	0.5	9.3	- 13.7	5.4	-	5.4	4.9	4.1	0.8	- 0.5
May 29 - July 2																
July 3 - July 31																
July 31 - Aug. 27																
Second year of war (8/29/40-8/27/41)																
Aug. 28 - Oct. 1																
Oct. 2 - Oct. 29																
Oct. 30 - Dec. 3																
Dec. 4 - 31																
WEEK ENDED:																
May 21	9.4	-	9.4	4.6	4.5	-	-	0.1	- 4.9	1.7	-	1.7	4.3	3.9	0.4	+ 2.6
28	12.5	-	12.5	4.4	4.1	-	-	0.3	- 8.1	1.8	-	1.8	0.4	0.2	0.2	- 1.4
June 4	11.3	-	11.3	9.9	3.6	-	-	6.3	- 1.4	2.1	-	2.1	0.2	-	0.2	- 1.9
11	5.7	-	5.7	4.0	3.8	-	-	0.2	- 1.7	1.5	-	1.5	0.6	-	0.6	- 0.9

Weekly Average of Total Debits Since Outbreak of War  
 Through June 11, 1941 \$ 7.5 million  
 \* For monthly breakdown see tabulations prior to April 23, 1941.

- [REDACTED]
- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply, Timber Control, and Ministry of Shipping.
  - (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
  - (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
  - (d) Includes payments for account of French Air Commission and French Purchasing Commission.
  - (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
  - (f) Includes \$1.3 million received from the Netherlands Purchasing Commission.

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3

Comparison of individual surtax rate schedules  
under present law and proposal of the  
Committee on Ways and Means

Surtax net income (\$000)	Bracket rate (percent)		Total surtax cumulative	
	Present law	Proposal	Present law	Proposal
\$ 0 - 2	-	5%	-	\$ 100
2 - 4	-	8	-	260
4 - 6	4%	11	\$ 80	480
6 - 8	6	15	200	780
8 - 10	8	19	360	1,160
10 - 12	10	22	560	1,600
12 - 14	12	25	800	2,100
14 - 16	15	28	1,100	2,660
16 - 18	18	31	1,460	3,280
18 - 20	21	33	1,880	3,940
20 - 22	24	36	2,360	4,660
22 - 26	27	39	3,440	6,220
26 - 32	30	42	5,240	8,740
32 - 38	33	45	7,220	11,440
38 - 44	36	48	9,280	14,320
44 - 50	40	50	11,780	17,320
50 - 60	44	53	16,180	22,620
60 - 70	47	55	20,880	28,120
70 - 80	50	57	25,880	33,820
80 - 90	53	59	31,180	39,720
90 - 100	56	61	36,780	45,820
100 - 150	58	62	65,780	76,820
150 - 200	60	63	95,780	108,320
200 - 250	62	64	126,780	140,320
250 - 300	64	66	158,780	173,320
300 - 400	66	68	224,780	241,320
400 - 500	68	70	292,780	311,320
500 - 750	70	71	467,780	488,820
750 - 1,000	72	72	647,780	668,820
1,000 - 2,000	73	73	1,377,780	1,398,820
2,000 - 5,000	74	74	3,597,780	3,618,820
Over 5,000	75	75	-	-

Treasury Department, Division of Tax Research

June 21, 1941



Comparison of present and proposed individual income taxes  
on net incomes of selected sizes 1/

Single person - no dependents

Net income before personal exemption 2/	Amount of tax 3/		Effective rates		Increase in tax under proposal
	Present law	Proposal	Present law	Proposal	
\$ 1,000	\$ 4	\$ 15	.4%	1.5%	\$ 11
1,500	24	63	1.6	4.2	39
2,000	44	110	2.2	5.5	66
2,500	64	157	2.6	6.3	93
3,000	84	211	2.8	7.0	127
4,000	123	339	3.1	8.5	216
5,000	172	473	3.4	9.5	301
6,000	255	634	4.3	10.6	379
8,000	449	1,008	5.6	12.6	559
10,000	686	1,470	6.9	14.7	784
12,500	1,043	2,147	8.3	17.2	1,104
15,000	1,476	2,935	9.8	19.6	1,459
20,000	2,666	4,827	13.3	24.1	2,161
25,000	4,253	7,073	17.0	28.3	2,820
50,000	14,709	20,715	29.4	41.4	6,006
75,000	28,481	36,769	38.0	49.0	8,288
100,000	44,268	54,168	44.3	54.2	9,900
500,000	330,933	347,605	66.2	69.5	16,672
1,000,000	718,404	737,340	71.8	73.7	18,936
5,000,000	3,917,390	3,936,326	78.3	78.7	18,936

Treasury Department, Division of Tax Research June 21, 1941

1/ Under the proposal of the Committee on Ways and Means the attached surtax rate schedule is substituted for the present schedule.  
 2/ Maximum earned income assumed.  
 3/ Includes 10 percent defense tax.

Comparison of present and proposed individual income taxes  
on net incomes of selected sizes <sup>1/</sup>

Married person - no dependants

Net income before personal exemption <sup>2/</sup>	Amount of tax <sup>3/</sup>		Effective rates		Increase in tax under proposal
	Present Law	Proposal	Present law	Proposal	
\$ 2,500	\$ 11	\$ 39	.4%	1.6%	\$ 28
3,000	31	86	1.0	2.9	55
4,000	70	180	1.8	4.5	110
5,000	110	308	2.2	6.2	198
6,000	150	436	2.5	7.3	286
8,000	317	757	4.0	9.5	440
10,000	528	1,166	5.3	11.7	638
12,500	858	1,804	6.9	14.4	946
15,000	1,258	2,545	8.4	17.0	1,287
20,000	2,336	4,338	11.7	21.7	2,002
25,000	3,843	6,505	15.4	26.0	2,662
50,000	14,128	20,002	28.3	40.0	5,874
75,000	27,768	35,963	37.0	48.0	8,195
100,000	43,476	53,310	43.5	53.3	9,834
500,000	330,156	346,806	66.0	69.4	16,650
1,000,000	717,584	736,520	71.8	73.7	18,936
5,000,000	3,916,548	3,935,484	78.3	78.7	18,936

Treasury Department, Division of Tax Research

June 21, 1941

- <sup>1/</sup> Under the proposal of the Committee on Ways and Means the attached sur-tax rate schedule is substituted for the present schedule.
- <sup>2/</sup> Maximum earned income assumed.
- <sup>3/</sup> Includes 10 percent defense tax.

Comparison of present and proposed individual income taxes  
on net incomes of selected sizes <sup>1/</sup>

Married person - two dependents

Net income before personal exemption <sup>2/</sup>	Amount of tax <sup>3/</sup>		Effective rates		Increase in tax under proposal
	Present law	Proposal	Present law	Proposal	
\$ 2,500	\$ -	\$ -	-	-	\$ -
3,000	-	11	-	.4%	11
4,000	35	101	.9%	2.5	66
5,000	75	202	1.5	4.0	127
6,000	114	330	1.9	5.5	216
8,000	246	625	3.1	7.8	379
10,000	440	999	4.4	10.0	559
12,500	741	1,585	5.9	12.7	844
15,000	1,118	2,290	7.5	15.3	1,172
20,000	2,143	4,030	10.7	20.2	1,887
25,000	3,571	6,127	14.3	24.5	2,556
50,000	13,741	19,527	27.5	39.1	5,786
75,000	27,293	35,427	36.4	47.2	8,134
100,000	42,948	52,738	42.9	52.7	9,790
500,000	329,637	346,273	65.9	69.3	16,636
1,000,000	717,036	735,972	71.7	73.6	18,936
5,000,000	3,915,986	3,934,922	78.3	78.7	18,936

Treasury Department, Division of Tax Research

June 21, 1941

<sup>1/</sup> Under the proposal of the Committee on Ways and Means the attached surtax rate schedule is substituted for the present schedule.

<sup>2/</sup> Maximum earned income assumed.

<sup>3/</sup> Includes 10 percent defense tax.



TREASURY DEPARTMENT  
WASHINGTON

Columbia, S. C.  
June 21, 1941

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

Dear Mr. Morgenthau:

Going on four months ago now, I went to Washington, at your request, to try to assist in the program for the sale of defense securities. You requested me to spend about five days a week on this work until May 1, which I endeavored to do, and since that time I have put in considerable time in Washington and elsewhere about the country doing the best I could.

For your information, I have visited the following places and made addresses:

March 20-22	A. B. A. Regional Conference, Louisville, Kentucky.
April 12-13	Federal Home Loan Bank - annual meeting, Winston-Salem, North Carolina.
April 22-23	Group Meeting, New York State Bankers, Syracuse, New York.
April 24	Organization Meeting for South Carolina State Committees, Columbia, S. C.;
also,	Group Meeting, South Carolina Bankers, Columbia, S. C.
April 26	Group Meeting, North Carolina Bankers, Concord, North Carolina.
April 27-29	Executive Council Meeting - A.B.A., Hot Springs, Virginia.
May 3	Organization Meeting for North Carolina, State Committees, Raleigh, North Carolina.
May 6	Reserve City Bankers Convention, Hershey, Pennsylvania.
May 7	Group Meeting, Maryland Bankers, Hagerstown, Maryland.

Honorable Henry Morgenthau, Jr. -2

June 21, 1941

- |            |   |
|------------|---|
| May 8      | Joint Meeting, Directors - Federal Reserve Bank,<br>Richmond, Virginia. |
| May 9-10   | North Carolina Bankers Convention,<br>Pinehurst, North Carolina.        |
| May 14-16  | Kansas Bankers Convention,<br>Kansas City, Kansas.                      |
| May 27-28  | New York State Bankers Convention,<br>Buffalo, New York.                |
| June 2-3   | South Carolina Bankers Convention,<br>Myrtle Beach, S. C.               |
| June 4-5   | Ohio Bankers Convention,<br>Cincinnati, Ohio.                           |
| June 12-14 | Minnesota Bankers Convention,<br>St. Paul, Minnesota.                   |
| June 19    | Organizing County Committee,<br>Newberry, South Carolina.               |

In addition, I am planning to attend the Michigan Bankers Convention at Mackinac Island on June 27 - 28.

Since I went to Washington, I have handled practically all of the correspondence with bankers and bankers associations relating to the defense program and some other matters. In addition, I have done considerable work with respect to the preparation of the regulations and the offering of circulars, etc. in regard to the issuance and sale of these securities. In other words, I have tried to keep busy and do the best job that I could, and I sincerely hope that I have been of some value to you in this great work that you are undertaking to do.

I will be in Washington from Monday through Wednesday and would like very much to talk with you sometime Tuesday or Wednesday concerning what further I can do to serve in this program.

Of course, you understand that I have a job to do with my bank, and I am not what you would term altogether an executive in that institution. I am more of what you would term "a working foreman", and I actually perform - or at least I think I do - a very substantial amount of the work in connection with

Honorable Henry Morganthau, Jr. -3

June 21, 1941

the affairs of our bank. I feel that I am needed here, and the Directors have that same opinion. If, however, I really am of substantial help to you, all of us, of course, would like to give you some part of my time, at least for a while. Yet, at the same time it is quite probable that you would be better served by getting someone into your organization who could give it his full time and attention.

With my sincere regards and best wishes, I am

Very truly yours,

A handwritten signature in cursive script, appearing to read "B. M. Edwards".

B. M. Edwards.

BME:mtb

DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

SATURDAY - JUNE 21, 1941

Time: 11:30 A.M. - 12:30 P.M.  
Program: National Farm & Home Hour  
Dr. Joseph W. Fichter Speaks  
in behalf of Defense Savings Bonds  
and Stamps.  
Station: WJAL

Time: 6:30 - 7:00 P.M.  
Program: Wayne King & His Orchestra  
Station: WJSV

Time: 8:00 - 8:45 P.M.  
Program: Lucky Strike "Hit Parade"  
Premiere of "Any Bonds Today",  
song written by Irving Berlin  
for Treasury Department.  
Station: WJSV

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS.

DEFENSE SAVINGS STAFFADVANCE NOTICE RADIO PROGRAMS

SUNDAY - JUNE 22, 1941

Time: 6:15 - 6:30 P.M.

Program: Lindsay Bradford, President  
City Bank Farmers Trust Company of New York  
Interviewed by Theodore R. Goldsmith,  
Financial Reporter

Station: WOL

Time: 7:00 - 8:00 P.M.

Program: Chase & Sanborn Hour  
with Charlie McCarthy

Station: WRC

Note: In addition to the above, each of the 868 radio stations in the United States, territories, and possessions are broadcasting five Defense Bonds and Stamps announcements each day.

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS.



DEFENSE SAVINGS STAFFADVANCE NOTICE RADIO PROGRAMS

MONDAY - JUNE 23, 1941

Time: 9:00 - 9:15 A.M.

Program: Kathleen Norris

Station: WJSV

Time: 11:30 A.M. - 12:30 P.M.

Program: National Farm & Home Hour  
Secretary Morgenthau will Speak  
from 4-H Encampment in Washington, D. C.

Station: WMAL

Time: 1:45 - 2:00 P.M.

Program: Kate Hopkins

Station: WJSV

Note: In addition to the above, each of the 868 radio stations in the United States, territories, and possessions are broadcasting five Defense Bonds and Stamps announcements each day.

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS.

# FIELD ORGANIZATION NEWS LETTER

DEFENSE SAVINGS STAFF - U. S. TREASURY DEPARTMENT

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WASHINGTON, D. C.

JUNE 21, 1941

NO. 5

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TO THE FIELD STAFF:

The most encouraging development of the past week is in the field of salary allotment.

To the impressive list of corporations that have announced plans, many names of widely known corporations have been added during recent days.

Several of the new plans are to be inaugurated by companies that have branches in many States, the effect and benefit of which will be far-reaching.

In the automotive field, Chrysler and General Motors, among others, will shortly announce details of plans which will become effective on July 1.

In the steel industry, the United States Steel Corporation will shortly present a plan.

The aviation industry will be represented in early announcements by such firms as Boeing Aircraft Corporation, American Airlines, and TWA.

The Aeronautical Mechanics Union which has a contract with Boeing has advised its company of an almost unanimous desire among the members for a systematic plan. Also, the union of Nash Kelvinator employees has publicly announced that it is "100 per cent" in favor of the Defense Savings Program and the salary allotment method.

Employers and employees alike tell us that salary allotment plans provide the most convenient, systematic, automatic, and "painless" methods for continuous thrift.

Please advise of plans and any interesting details as there are developments in your State.

Sincerely yours,

GALE P. JOHNSTON  
Field Director, Defense Savings Staff

## NEW JERSEY, TENNESSEE AND VERMONT GOVERNORS

## JOIN ROSTER OF HONORARY CHAIRMEN

The following Governors, in addition to those named in the last NEWS LETTER, have accepted Secretary Morgenthau's invitation and will serve as Honorary Chairmen of Defense Savings Committees.

## NEW JERSEY

The Honorable Charles Edison  
Governor of New Jersey

## TENNESSEE

The Honorable Prentice Cooper  
Governor of Tennessee

## VERMONT

The Honorable William H. Willis  
Governor of Vermont

## MINNESOTA COMMITTEE ORGANIZES

Governor Harold E. Stassen, Honorary Chairman of the Minnesota Defense Savings Committee, called the committee's initial organization meeting in St. Paul, June 13.

O. J. Arnold, President, Northwestern National Life Insurance Company, was named Chairman.

Arthur D. Reynolds, State Administrator, presided over the meeting, which was marked by attendance of members of the committee from many sections of the State. Committee members will be announced in a subsequent issue of the NEWS LETTER.

Governor Stassen pledged his wholehearted support and announced that he would take steps to organize a plan for the systematic purchase of Defense Savings Bonds by employees of the state government.

Lief Gilstead, popular newspaper man, has been appointed Deputy Administrator. State headquarters have been opened in Room 612, Post Office Building, St. Paul, Minnesota.

## ENTHUSIASM IN MASSACHUSETTS

Governor Leverett Saltonstall, Honorary Chairman of the Massachusetts Defense Savings Committee, sounded the keynote for Massachusetts in the initial meeting of the State Committee, held in Boston on June 18.

Edwin C. Johnson, President of the H. A. Johnson Company of Boston, Chairman of the Massachusetts State Committee, was host to the meeting which was attended by the members of the State Committee and Mayors from many Massachusetts cities.

State Administrator Daniel J. Doherty presided over the meeting in the fashion which has made him so widely known in such capacities, particularly when he was National Commander of the American Legion. Mr. Doherty, reporting on the many activities that already have taken place in Massachusetts, advised of arrangements for a Speakers Committee, and for a Publicity Department to cooperate with the newspapers and radio stations in this important phase of the work.

Members of the State Committee, whose names will be given in a later NEWS LETTER, Mayors of the various cities, and others present, pointed out the important role which Massachusetts has played in the nation's history and gave assurances that the Commonwealth would distinguish itself in the Defense Savings Program.

## OKLAHOMA

## Committee Organizes; Chairman Selected

Governor Leon C. Phillips, Honorary Chairman, Law Wentz, Chairman, and H. C. Jones, State Administrator, will hold the first meeting of the Oklahoma Defense Savings Committee on June 24.

Chairman Law Wentz, in a letter of acceptance to Mr. Jones, said:

"I have carefully considered the suggestion that I accept the position as Oklahoma State Chairman of an advisory committee to cooperate with you as State Administrator in an educational campaign to encourage universal interest in the purchase of government bonds as a patriotic duty, and as a program of thrift..... I can always subscribe to a program of thrift and I feel it my duty to respond to this patriotic call."

Letters and telegrams from people in all parts of Oklahoma have flooded the office of H. C. Jones, Internal Revenue Collector, and Oklahoma State Administrator for Defense Savings, offering their support in the campaign. This voluntary response came as a result of an announcement which appeared in newspapers throughout the State, telling of Jones being named head of the Defense Savings Program in Oklahoma and the acceptance by Governor Leon C. Phillips of the Honorary Chairmanship of the State Committee.

\* \* \*

—KIWANIS CLUB GOES ALL OUT FOR U. S. DEFENSE BONDS—

Pauls Valley, Oklahoma. Members of the Pauls Valley Kiwanis Club, at their weekly meeting, subscribed 100% to the Defense Savings Program, and each one agreed to invest in Series E, Defense Savings Bonds.

\* \* \* \* \*

NEWS FROM GEORGIA

June 10 to July 10 has been designated Defense Savings Bond and Stamps month by Marion Allen, State Administrator, and Mayor Roy LeCraw of Atlanta, Georgia, has accepted the chairmanship of the Atlanta Defense Savings Committee.

Mayor LeCraw, in announcing that city employees would cooperate to the fullest extent with the Defense Savings Program, challenged other municipalities of Georgia to set a better record of "patriotism and thrift" than the employees of Atlanta.

TEXAS

"Defense Bond Day" Celebrated

Mayor Tom Miller of Austin, Chairman of the Defense Savings Committee for Texas, called upon all mayors of the state to proclaim Flag Day, Saturday, June 14, as National Defense Bond Day as well.

The Panhandle Bankers Association at its recent convention voted to invest some of the organization's funds in Defense Savings Bonds. John M. Griffith, Deputy Administrator, addressed this convention on the Defense Savings Program.

Chairmen of County Committees in Texas have been asked by Frank Scofield, State Administrator, to assemble and forward to State Headquarters, twice a month, reports on the progress of the Defense Savings Program in their counties.

" . . . When you buy one of these bonds, you are buying confidence in your country, your neighbor, your family, and yourself. You are making money for yourself and, by lending it to the Government, you are making it work for your country.

"I could think of no more fitting memorial to those who gave their lives in the last war than to ask that all Texans do their bit now towards preparing defenses which we hope will protect us and save the lives of our native sons."

--Frank Scofield, State Administrator,  
Texas Division, Defense Savings Staff.

The Fort Worth National Bank has devised this form for use by depositors who desire to purchase Defense Savings Bonds regularly:

The Fort Worth National Bank  
Fort Worth, Texas  
Gentlemen:

This will be your authority to charge my checking account on the \_\_\_\_\_ of each month, for the purchase of United States Defense Savings Bonds, Series \_\_\_\_\_ having a maturity value of \$ \_\_\_\_\_.

PLEASE REGISTER BONDS AS FOLLOWS:

These instructions shall remain in force until I notify you in writing to the contrary.

Date \_\_\_\_\_ Name of Account \_\_\_\_\_  
Signature \_\_\_\_\_

RECORD OF PURCHASES

Date	Checked	Date	Checked	Date	Checked	Date	Checked

F  
R  
O  
N  
T

B  
A  
C  
K

Depositors show an enthusiastic appreciation for this service, we hear in many reports from all over the nation.

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FORT WORTH COMMITTEE SETS A FAST PACE

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THE TARRANT COUNTY COMMITTEE in Fort Worth, Texas has a most extensive program of activities under way. The committee consists of six working groups:

- 1) General Committee, appointed by State Administrator Scofield, and the following additional groups appointed by J. Lowell Lafferty, the Tarrant County Chairman:
- 2) Publicity;
- 3) Speakers Bureau;
- 4) Industrial;
- 5) School;
- 6) Junior Chamber of Commerce.

Publicity:

Is composed of 14 men, all active members of the Advertising Club. Newspaper publicity, outdoor posters, movie trailers (a one-frame trailer of the official poster was made for the committee by a local theatre), radio programs, statement stuffers and stickers, postage meter dies, window and counter posters, window displays, and a house organ for the Tarrant County Defense Savings Organization are some of the matters which keep this group busy.

Speakers Bureau:

Has a membership of 18, divided into three sections: a) civic and luncheon clubs; b) civic leagues and men's clubs; c) women's clubs.

Industrial:

Is headed by a chairman, vice chairman and secretary and has 17 sub-chairmen. The 300 firms in Fort Worth employing 25 or more persons have been divided into 17 groups, each in charge of a sub-chairman who has the responsibility of getting in touch with the firms in his group and making arrangements for the installation of voluntary salary allotment plans for the purchase of Defense Savings Bonds. This committee already reports that salary allotment plans installed by several concerns have been accepted by all employees. Among these 100% concerns are:

- two department stores, one with 600 employees;
- two banks;
- a chain store.

School:

Has not yet developed a full program of activities because of the ending of the school term. However, a meeting of all principals and teachers (more than 1,000) was held, at which the Program was explained.

Junior Chamber of Commerce:

Will be used to supplement the work of other committees and to assume important duties not otherwise assigned.

With this organization, the success of the Defense Savings Program in Fort Worth and Tarrant County appears to be assured.  
Hats Off to Mr. Lafferty!

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 NORTH CAROLINA
 

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 City and County Committees Cover State
 

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126 LOCAL COMMITTEES for Defense Savings are now active in the 26 cities of 10,000 population or more and the 100 counties of the state.

CHAIRMAN AND COMMITTEE MEMBERS were selected by State Administrator C. H. Robertson, after consultation with Governor Broughton, members of the North Carolina State Committee, and officers of various state organizations. In most cases, these committees consist of a chairman and seven committee members. However, -

IN THE LARGER CITIES AND COUNTIES the Committees are much larger upon the recommendations of their chairmen. The committee for the City of Charlotte, for example, consists of some 25 persons. Wood Wood, President of the American Trust Company of Charlotte, is the Chairman of this active committee.

CONVENTIONS TO BE HELD throughout the state this Summer will hear a great deal about Defense Savings, Administrator Robertson reports. He has already addressed state conventions of bankers, lawyers and postmasters.

BANKERS throughout the state are cooperating heartily with the program. Edward H. Wayne, secretary of the North Carolina Bankers Association, has been loaned by his Association to the Program and has traveled extensively with State Administrator Robertson and Deputy Administrator Miles to assist in the organization of city and county committees. Bankers throughout the state are enclosing official Defense Savings folders with their monthly statements.

"100% FOR DEFENSE SAVINGS." Several business houses in the state are displaying signs in their windows announcing that they are "100% for Defense Savings." One of the first concerns to report that it was "100% for Defense Savings" was the Jefferson Standard Life Insurance Company, the President of which is Julian Price, Chairman of the North Carolina Committee for Defense Savings.

"We are really just beginning to 'go places' in this Division," reports Administrator Robertson. "However, already there appears a sense of contagious enthusiasm for the success of the Program in North Carolina."

\* \* \* \* \*

## SECOND 100% TOWN

Shelbyville, Missouri, is believed to be the second town in the United States to go "all-out" for Defense Savings. The first was Meddybemps, Maine (population 100), as reported in the NEWS LETTER, May 23.

Shelbyville is a city of 756. W. C. Hewitt, chairman of the Shelbyville Defense Savings Committee, reports that every family in the town has purchased a Defense Savings Bond or Stamp. And, what's more, they are going to purchase regularly.

## AMERICA'S LARGEST INDUSTRIES

## INSTALL PAYROLL ALLOTMENT PLANS

The adoption, by some of the largest industrial establishments in the country, of the simple and convenient payroll allotment procedure for the systematic purchase of Defense Savings Bonds is a most encouraging and gratifying development. Here are a few of the nationally known concerns which have recently announced that voluntary payroll allotment plans for the purchase of Defense Savings Bonds by their employees either had been or soon would be installed.

BOEING AIRCRAFT CORPORATION  
 CHRYSLER CORPORATION  
 EX-CELL-O CORPORATION  
 FEDERAL MOTOR TRUCK COMPANY  
 GENERAL MOTORS CORPORATION  
 LOUISVILLE & NASHVILLE RAILROAD  
 NASH-KELVINATOR CORPORATION  
 PUBLIC SERVICE CORP. OF N. J.  
 U. S. STEEL CORPORATION

In addition, the following concerns named in previous NEWS LETTERS, are understood to be extending their Defense Savings allotment plans to their offices and branches throughout the country:

AMERICAN TELEPHONE AND TELEGRAPH COMPANY  
 ARMOUR & COMPANY  
 GENERAL ELECTRIC COMPANY  
 INTERNATIONAL HARVESTER COMPANY  
 METROPOLITAN LIFE INSURANCE COMPANY  
 NEW YORK LIFE INSURANCE COMPANY  
 STANDARD OIL OF NEW JERSEY  
 UNITED STATES RUBBER COMPANY

Other firms which are making it possible for their employees to acquire Defense Savings Bonds through voluntary payroll allotments have been listed in previous NEWS LETTERS, and many more will be added to the growing list as reports are received from the field.

\* \* \* \* \*

EMPLOYEES WELCOME THE BENEFIT afforded by these plans for the systematic purchase of Defense Savings Bonds which help them save regularly.

Officials of the Aeronautical Mechanics Union, A. F. of L., which has a contract with Boeing, told company executives, according to the Seattle Times, that there was an almost unanimous demand among union members for such a plan.

The union of Nash-Kelvinator employees in Grand Rapids, Michigan, has publicly announced that it is 100% in favor of the payroll allotment method of purchasing Defense Savings Bonds.

\* \* \* \* \*

—OIL COMPANY SETS \$1,000,000 GOAL—

The Tide Water Associated Oil Company recently gave each of its 10,019 employees a \$1 Defense Savings Stamp (NEWS LETTER, June 7). according to the New York Sun, as a result of this action, the company received many requests from its employees to provide some means for them to purchase additional stamps periodically so they would not have to go to banks and post offices for them. George J. Murray, Jr., public relations manager, has been placed in charge of the company's Defense Savings Program, through which he hopes Tide Water employees will raise \$1,000,000 for national defense.



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 BONDS ARE GOOD TROPHIES
 

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GOLF--

Defense Savings Bonds were given as prizes in lieu of the usual golf trophies at the first Annual Golf Tournament of the Hotel Association of New York City, Inc. In a letter given to the winners of the tournament, Mr. Frank L. Andrews, President of the Association, said:

".....The selection of the United States Defense Savings Bonds as golf prizes was decided upon in order that the day of pleasure for our members might have coupled with it a feeling of added compensation - the realization that on this day we contributed toward preserving the freedom which permitted this fellowship - the freedom with which this country and its people are so richly blessed....."

BASEBALL--

Defense Savings Bonds instead of trophies will be awarded victors of the Maine State semi-pro baseball tournaments, Ralph Miller, New England commissioner of semi-pro baseball has announced.

AUTO RACING--

\$9,200 of Defense Savings Bonds were given in extra prizes at the 500-mile Memorial Day Race at the Indianapolis Speedway by Firestone Tire and Rubber Company and Borg-Warner Company. Co-winner Maury Rose has announced that he will invest his entire winnings (about \$10,000) in Defense Savings Bonds.

ALL FIVE NEWSREEL COMPANIES have indicated that they will cover events where prizes are awarded in Defense Savings Bonds or the winner of a cash prize purchases a Defense Savings Bond, and will use these shots in their regular weekly releases.

As this can mean an immense amount of Motion Picture Screen publicity, please notify Defense Savings Staff (by wire or phone if necessary) of any events of this kind which are going to take place in your vicinity.

## STATE OFFICERS AND COMMITTEE MEMBERS PLEASE NOTE

Banks Sponsor Essay Contest

Twelve \$25 Defense Savings Bonds, contributed by the banks and building and loan associations of Charlotte, N. C., will be prizes for the best essay on "Why Defense Bonds Should Be Purchased." The contest is open to all school children.

Stamps as Prizes

The Philadelphia Inquirer is now awarding \$1,000 weekly in Defense Savings Stamps as prizes in its picture puzzle contest.

## RADIO

MRS. FRANKLIN D. ROOSEVELT conducted a round table discussion on the Defense Savings Program on June 11. Also participating in this radio broadcast from the White House were: Miss Louise B. Morley, Conference Secretary, International Student Service; Mrs. Dorothy J. Bellanca, Vice-President, Amalgamated Clothing Workers of America; Mrs. Anne O'Hara McCormick, writer on foreign affairs, N. Y. Times; Miss Helen Hayes, stage and radio star; and Miss Edna Ferber, author and playwright.

EMIL LUDWIG, distinguished biographer, will make an address on behalf of the Defense Savings Program over a nationwide National Broadcasting Company hook-up Tuesday evening, July 1, at 5:30 P.M. (EST). He will speak from Los Angeles, California.

\* \* \* \* \*

The Year's Most Outstanding Radio Program:

"MILLIONS FOR DEFENSE"  
Begins July 2.

Fred Allen, Al Goodman and his orchestra, Judy Garland, Mickey Rooney, Charles Laughton, Clifton Fadiman, Oscar Levant, Franklin P. Adams, John Kieran and Grace Moore will participate in the first of a series of programs dedicated entirely to Defense Savings which will be heard for the first time on Wednesday evening, July 2, 8:00 to 9:00 P.M. (EST) over the Columbia Broadcasting System network.

On July 2, and for the next 12 weeks, "Millions For Defense" will take the place of the Texas Company's popular "Texaco Star Theatre." On this program, which the Texas Company contributes to the Defense Savings effort, such well-known guest stars as Jack Benny, Bing Crosby, Lily Pons, Eddie Cantor, Al Jolson, Bob Ripley, George Jessel, Bob Hope, Dorothy Lamour, Deanna Durbin, Bette Davis and Abbott and Costello will be heard.

\* \* \* \* \*

BASEBALL BROADCASTS to be heard throughout the Summer will carry frequent reminders to "Buy Defense Savings Bonds."

General Mills, The Atlantic Refining Company, P. Lorillard Company, Socony-Vacuum Oil Company, and other sponsors of baseball broadcasts have volunteered to plug Defense Savings Bonds and Stamps.

Announcements about Defense Savings Bonds and Stamps were made between rounds in the Joe Louis-Billy Conn fight, sponsored by the Gillette Safety Razor Company.

ONLY A FEW of the many sponsors who have voluntarily boosted Defense Savings Bonds and Stamps in their radio programs have been listed in this and previous issues of the NEWS LETTER. Others will be mentioned in future issues. Needless to say, however, the Treasury Department has been extremely gratified by the way in which business executives and all connected with the radio industry have rallied to the support of the Defense Savings Program.

IN ADDITION to the many mentions of Defense Savings Bonds and Stamps on commercially-sponsored programs, all of the 868 radio stations in the United States broadcast several such announcements each day.

RURAL MAIL CARRIERS TO SELL DEFENSE SAVINGS STAMPS

Postmasters who have been authorized to sell Defense Postal Savings Stamps and from whose offices rural delivery service is operated have been authorized by Smith W. Purdum, Second Assistant Postmaster General, to extend to rural carriers a credit of such stamps to an amount not exceeding \$3 and to instruct the carriers to sell the stamps to patrons of rural routes who wish to purchase them.

By this action the Post Office Department provides a simple and convenient way for millions of families throughout rural America to participate in the Defense Savings Program.

Farmers to Receive Special Literature

Special pamphlets and other publicity and educational materials will bring the Defense Savings Program to the attention of various types of farmers. This material is being prepared in cooperation with the U. S. Department of Agriculture and will be distributed through meetings of AAA committees, farm organizations, etc. During the next six months, more than 6,000,000 farmers will be reached through these channels.

Depositor Purchase Plan For Savings Banks

The New Milford Savings Bank of New Milford, Connecticut, is helping its depositors save for the purchase of Defense Savings Bonds by providing for the opening of special Defense Savings Bond Accounts. Elmer H. Worthington, assistant treasurer of the bank, explains the bank's plan, the forms used, and other details of operation in the June issue of Banking, journal of the American Bankers Association.

"During the next few months, more and more emphasis will be put on buying (Defense Savings Bonds) from current income," comments Mr. Worthington. "It is the job of savings banks to encourage a steady habit of thrift. The use of a plan 'for saving to buy a defense bond' combines patriotism and this virtue of thrift with a benefit to the depositor, the bank, and the country."

NEW PUBLICATIONS  
of the  
DEFENSE SAVINGS STAFF

IT IS NOT TOO LATE

Radio address of Miss. Eve Curie, daughter of the discoverers of radium. A most eloquent plea for support of the defense program.

DEFENSE SAVINGS FOR AMERICAN WORKERS

DEFENSE SAVINGS FOR AMERICAN FARMERS

DEFENSE SAVINGS FOR AMERICAN RAILROAD WORKERS

Pamphlets to explain the Defense Savings Program to workers in different fields.

**"THE STAMP OF APPROVAL"**

In Glens Falls, N. Y.

The First National Bank of Glens Falls, New York has hit upon an unusual way to welcome visitors to that city. It affixes a Defense Savings Stamp to a small folder in which the following message appears:

"EVERY LIBERTY-LOVING AMERICAN, rich or poor, regardless of creed, color or party affiliation, will respond to the call to help defend this nation and the principles on which it was built.

"PURCHASE OF U. S. DEFENSE BONDS is more than just an investment. It is evidence of your approval of and desire to participate in the defense of your country.

"THE ATTACHED STAMP is presented to you by The First National Bank of Glens Falls with an invitation to adopt it as your 'Stamp of Approval' and as evidence of your enrollment in the Defense Bond Program. . . .

"BUY A BOND TODAY!

"The First National Bank of Glens Falls by means of this folder welcomes you, not as a delegate to a convention, but as a visitor to this city of which we are proud."

**BANKS ADVERTISE DEFENSE BONDS**

Many thousands of dollars of newspaper advertising space was used during the first week of May by the banks of the United States to launch the sale of Defense Savings Bonds, according to Morle E. Selecman, Deputy Manager and Director of Advertising of the American Bankers Association.

The aggregate circulation of the newspapers which carried this Defense Savings Bond advertising exceeded 22,000,000 copies, which means that it reached more than 50,000,000 readers. In addition to bank advertisements appearing in daily papers, many of the 11,000 weekly newspapers carried ads prepared by banks in small communities to bring the Defense Savings Program to the attention of persons in towns, villages, and on the farms.

This sizeable outright expenditure by banks, which receive no profit or remuneration in the sale of Defense Savings Bonds, is further evidence of the magnificent cooperation which bankers are extending to the Defense Savings Program.

\* \* \* \*

The National Bank of Detroit is distributing a red, white and blue blotter advertising Defense Savings Bonds with the following wording: "SAVE. Enlist your Savings for Defense. Include U. S. Defense Bonds in Your Savings!"

**SALESMEN COMPETE FOR DEFENSE SAVINGS BONDS**

Great Falls, Mont.—\$8,000 worth of Defense Savings Bonds and Stamps will be awarded as prizes to dealers and salesman by the Chevrolet Dealers Association of the Great Falls Area, according to Bradley Sizer, zone manager.

C  
O  
P  
YDEPARTMENT OF STATE  
WASHINGTONIn reply refer to  
EA 862.20215/32

June 21, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of a strictly confidential despatch (no. 1396) dated June 3, 1941 from the American Legation at Tegucigalpa, stating that the German Legation at Tegucigalpa obtained the remaining balances, in Lempiras, of amounts owed to German firms.

## Enclosure:

No. 1396, June 3,  
from Tegucigalpa.

C  
O  
PY Tegucigalpa, D. C., Honduras, June 3, 1941.  
No. 1396

Subject: German Legation at Tegucigalpa Obtains  
Remaining Balances, in Lempiras, of  
Amounts Owed to German Firms.

STRICTLY CONFIDENTIAL

The Honorable

The Secretary of State,  
Washington.

Sir:

I have the honor to report that yesterday the clerk of the German Legation at this capital, Gerhard SCHWENN, on instructions and with the power of attorney of the German Minister in Guatemala, withdrew 5,500 Lempiras from the Banco Atlantida and 1,121 Lempiras from the Banco

- 2 -

de Honduras, these amounts representing the balance of payments due to German firms by Honduran importers, for which foreign exchange has not been obtainable from the Honduran Exchange Control Commission.

The background of these transactions may briefly be outlined as follows: in the latter part of 1939, the German Consul at Tegucigalpa, Robert MOTZ, approached both banks with a letter from the German Legation in Guatemala, which empowered him to take charge of all funds owed to German firms in Honduras; neither bank would deliver the Lempira balances without specific instructions, for each draft due, from the German houses concerned; and such instructions were finally received in about 85 per cent of the cases affected, as well as confirmation from the German banks that proper credit had been given to the German houses by the German Government. It is known that in October 1940 the value of such Lempira balances at the Banco de Honduras alone totaled about L. 28,000: the disposition of this amount, as well as of the small balance recently withdrawn, can only be surmised.

There is no doubt that the withdrawal of the 6,621 Lempiras mentioned above indicates that the German Legation feared the Honduran Government might freeze the funds credited to German exporters in Honduras, because of the tense situation accentuated by President Roosevelt's recent speech. I suggest that these funds may now be used for one or all of the following purposes:

- 3 -

- a) To purchase dollar exchange on the "black" market.
- b) To purchase Honduran goods which, when exported to the United States, can create dollar credits for German firms in Honduras.
- c) To support some of the German firms at this capital, whose financial conditions have been growing progressively worse, especially since some of them have lost all their American agencies.
- d) To finance locally those members of the anti-Carias (Liberal) group who may be disposed to cooperate in any attempt to create difficulties for the present Government (cf. my strictly confidential despatches Nos. 1293, 1308, and 1355 of March 11, April 1, and May 3, 1941, respectively).

The Honduran authorities are aware of Schwenn's activities in this matter and the Department will be informed of any further developments which may arise.

Respectfully yours,

John D. Erwin

820.02/851.51  
RDG/MMcC

Copy:lg 6/23/41



**PARAPHRASE OF TELEGRAM RECEIVED****FROM: American Embassy, Berlin, Germany****DATE: June 21, 1941, 2 p.m.****NO.: 2677**

The Chief Syndic of the Deutsche Bank, Doctor Simon, has published a statement on recent developments regarding the German standstill debts in which he reveals that German indebtedness to foreign banks has been reduced from Reichsmarks 6,200,000,000 in July, 1931, to "substantially less than a tenth" of this amount at the end of February, 1941, including obligations to British and French creditors. Indebtedness to Dutch banks is no longer included since free transfer is now in effect with that country. With the few remaining Belgian creditors it is stated that an arrangement has been made "on basis of long term credits". In the new arrangement with Swiss creditors Germany achieved a reduction in the interest rate by an average of one-quarter percent and Swiss credits to debtors in the annexed eastern areas and the protectorate are included.

Note should be taken of the fact that Germany found it necessary to assume liability for former indebtedness by Poland to Swiss banks, in order to get a reduction in interest from Swiss creditors. In the countries under occupation, it is Germany's policy to exploit its monetary bargaining advantage in order to liquidate or convert the standstill indebtedness on terms favorable to Germany. It may be that

- 2 -

there is in the making some such arrangement with the French creditors.

INFORM TREASURY.

MORRIS.

TO THE SECRETARY  
TECHNICAL ASSISTANT  
OFFICE OF THE

10 51 AM 22 JUL 1941

RA:LV

TREASURY DEPARTMENT  
RECEIVED

AF

GRAY

Berlin

Dated June 21, 1941

Rec'd 5:38 am; 22nd

Secretary of State,  
Washington.

2482 June 21, 5 p.m.

While there is no indication as yet of the specific nature of the measures to be taken by the German Government in reply to the freezing of German assets in the United States, the newspapers this morning discuss in their financial pages the significance and effects of the latter action. It is stated that the American assets affected in Germany alone amount to Reichsmarks 1,700,000,000 as against German assets in the United States of only some Reichsmarks 120 million. It is explained that in view of Germany's efforts in recent years to obtain all possible foreign exchange as well as its more recent action the German holdings of securities in the United States are relatively nil, mortgages and the like are of little importance, German firms have liquidated most of their participation in American enterprises, and commercial debts which

WERE

-2- 2482, June 21, 5 p.m. - from Berlin.

were incurred before the present war have been collected except for an insignificant remnant. Regarding the legal aspect, it is asserted that the American action is discriminatory between Germany on the one hand, and neutral European countries and particularly Great Britain on the other, and is therefore "a flagrant violation" of the most favored nation provisions, as well as the guarantees of the free disposition of property contained in the Treaty of Commerce of December 8, 1923.

INFORM TREASURY.

MORRIS

HTM

REPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL  
FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN  
AS SHOWN BY DEPARTURE PERMITS GRANTED

Week ended June 21, 1941

	JAPAN	RUSSIA	SPAIN	GREAT BRITAIN
<b>PETROLEUM PRODUCTS</b>				
Fuel and Gas Oil (including Diesel Oil)	--	--	--	334,000 Bbls.
Crude -				
Blended or California High Octane Crude*	69,840 Bbls.	--	--	56,000 Bbls.
All Other Crude	--	--	--	--
Gasoline -				
Gasoline A**	--	--	--	241,000 Bbls.
Gasoline B*	210,773 Bbls.	--	--	215,000 Bbls.
All Other Gasoline	--	--	--	--
Lubricating Oil -				
Aviation Lubricating Oil***	--	--	--	40,548 Bbls.
All Other Lubricating Oil	1,906 Bbls.	--	--	95,549 Bbls.
Tetraethyl Lead***	--	--	--	--
"Boosters", such as Iso-Octane, Iso-Hexane, or Iso-Pentane	--	--	--	--
<b>SCRAP IRON AND SCRAP STEEL</b>				
Number 1 Heavy Melting Scrap	--	--	--	5,450 Tons
All Other Scrap	--	--	--	22,800 Tons

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

June 23, 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, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940.  
Aviation Gasoline.

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

For Miss Chauncoy

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE June 21, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£ 9,000
Purchased from commercial concerns	£27,000

Open market sterling held steady at 4.03-1/4, and there were no reported transactions.

The Canadian dollar improved to a final quotation of 11-5/8% discount, as compared with 11-7/8% last night.

In New York, closing quotations for the foreign currencies listed below were as follows:

Argentine peso (free)	.2380
Brasilian milreis (free)	.0505
Uruguayan peso (free)	.4310
Mexican peso	.2070
Cuban peso	1-1/16% discount

In Shanghai, the yuan remained at 5-7/16¢, and sterling was again quoted at 3.92.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$2,961,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

The State Department forwarded a cable to us which stated that Lloyds and National Provincial Foreign Bank, London, shipped \$57,000 in gold from England to the Bank of London and South America, New York, for sale to the New York Assay Office.

We were advised that a shipment of 128 boxes containing gold arrived in San Francisco on or about June 19, the value of which was in the neighborhood of \$2,000,000. This gold was sold to the San Francisco mint and the advance payment was credited to a British Government dollar account at the New York Federal Reserve Bank. While the country of origin is not yet known, it is interesting to note that 108 boxes bore the marks CBI Singapore, 15 boxes were marked MBI, 4 boxes were marked CBI Penang, and the remaining box bore the mark HK. We understand that the Bank of England arranged for the shipment of the above gold.

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BRITISH EMBASSY,  
WASHINGTON, D.C.

June 22nd, 1941.

Personal and Secret.

Dear Mr. Secretary,

I enclose herein for your  
personal and secret information a copy  
of the latest report received from  
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Avila Butler*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

Telegram from London dated June 19th.

1. Vanessa hit amidships by bomb off East Coast on 19th, boiler rooms flooded, being towed into harbour. Gorleston and Landguard ex-United States cutters have arrived at United Kingdom.
2. Netherlands submarine sm/18 sunk 7,000 ton tanker and another 500 ton ship in the ~~area~~ <sup>area</sup> Genoa.
3. Coastal ~~area~~ southwest of Ushant 18th believed scored two under water hits small merchant ship.
4. Libya and Egypt. Our forces have withdrawn successfully to original positions Sidi Barrani area without being followed up by the enemy. Fighters destroyed twelve JU 87 four ME 109 two G 50 for loss of seven Hurricanes.
5. Abyssinia. Gondar area. Surprise night attack on Wolcheat Fort north of Debarech resulted in 100 enemy casualties. Gimma area our troops captured prepared enemy positions 15 miles west of Lechemti killing 160 enemy and taking about 150 prisoners four guns and twenty M.G.'s.
6. Syria. Operations against Merjayoun are continuing June 18th Quneitra recaptured without any real resistance.
7. Over France 18th during bombing operations our fighters shot down nine ME 109 six ME 109 probably. We lost four fighters with pilots.
8. Night of 17th/18th. 164 tons of high explosives and 16,220 incendiaries dropped on enemy targets. Night of 18th/19th Royal Air Force sent 165 bombers to Bremen and Brest; majority attacked their targets but have prevented observation of most results. Six bombers missing. Enemy air activity United Kingdom very small.



CONFIDENTIAL

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Paraphrase of Code Cablegram  
Received at the War Department  
at 9:14, June 22, 1941.

London, filed 15:25, June 22, 1941.

1. British Air Activity over the Continent.

a. Night of June 20-21. British planes dropped 115 tons of high explosives on Kiel. ✓

b. Day of June 21. In an attack on St. Omer Desvres airdromes fighters escorted bombers. Fighters also carried out offensive patrols over airdromes in Holland and North France. Two vessels were attacked near Ushant by the Coastal Command. ✓

a. Night of June 21-22. R.A.F. bombers were dispatched as follows: Dusseldorf, Railroad Center, 56; Boulogne, 18; Dunkirk, 10; Cologne, 39; Paris, 2 dropping leaflets. ✓

2. German Air Activity over Britain.

a. Day of June 21. Strong defensive patrols by German fighters were carried out in the Pas de Calais area and against day offensives of the British.

b. Night of June 21-22. Southampton and Portsmouth area was attacked on a slightly increased scale. There was some activity over the Shetland and Orkney Islands.

3. Aircraft Losses Reported.

a. British losses. Day of June 21, 3 Hurricanes and 4 Spitfires were lost. One bomber is unreported from those dispatches night of June 21. ✓

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b. Axis losses. Day of June 21, 20 ME-109's and 8 ME-109F's were destroyed as a result of R.A.F. Fighter Patrols. 6 ME 109's were damaged and 7 probably destroyed. 4 airplanes were destroyed by night fighters night of June 21.

4. British Air Activity, Other Theaters.

a. Middle Eastern Theater. Bombing attacks on shipping and motor vehicles concentrations, fighter patrols and continuous reconnaissance on a limited scale have been carried out in all sections of the Middle East.

LEE

Distribution:

Secretary of War  
State Department  
/ Secretary of Treasury  
Under Secretary of War  
Chief of Staff  
War Plans Division  
Office of Naval Intelligence  
GHQ  
Assistant Chief of Staff, G-3  
Air Corps

-2-

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