

COPY

CK

PLAIN

STOCKHOLM

Dated May 14, 1940

Rec'd 9:45 p.m.

Secretary of State

Washington

503, Fourteenth.

FROM COMMERCIAL ATTACHE

Request cable advice conditions under which Norwegians  
resident Sweden having dollar balances New York banks can  
remove also would their future deposits be frozen.

STERLING

EMB

May 16, 1940

Dr. Feis

Mr. Jackson

Will you kindly send the following cablegram:

"AMERICAN LEGATION STOCKHOLM.

Reference your 503 May 14.

Cannot answer inquiry re removal of dollar balances  
New York banks in absence of applications for licenses  
filed through regular channels making full disclosure of  
facts. Future deposits will be subject to control of  
Executive Order 8405 of May 10, 1940.



TMC:mk:5.16.40

COPY

CK

PLAIN

Stockholm

Dated May 14, 1940

Rec'd 9:45 p.m.

Secretary of State

Washington

507, Fourteenth.

FROM COMMERCIAL ATTACHE

Please cable immediately can dollar account of Danes in Central Hanover Bank Trust Company be transferred to Stockholms Enskilda Bank's account in same institution and be drawn upon by Enskilda Banken, Stockholm, for transaction of depositors business in Sweden.

STERLING

EMB

May 16, 1940

Dr. Feis

Mr. Cochran

Will you kindly send the following cablegram:

"AMERICAN LEGATION STOCKHOLM.

Reference your 507 May 14.

License required before funds can be transferred from Danish account in Central Hanover Bank Trust Company to account Stockholm Haskilda Bank in same institution. Applications should be filed through regular channels making full disclosure of the facts."



WMC:cmk:5.16.40



P.P

TELEGRAM SENT

GRAY

May 14, 1940

4 p.m.

AMERICAN EMBASSY

PARIS

365

Your 803, May 10, 11 a.m.

Treasury advises that it is contemplated that licenses will be issued authorizing the payment of all checks drawn against the accounts in question.

HULL  
(HF)

040.51 Frozen Credits/74

Z.:L:MSC EU

(CONFIDENTIAL)

CONFIDENTIAL

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P A R A P H R A S E

A telegram of May 14, 1940, from the American Consulate General at Shanghai reads substantially as follows:

In accordance with instructions from the Department, the heads of the National City Bank, the Chase Bank and the American Express Company were informed of the Department's position in regard to the establishment of a new "central bank" and the issuance of a new currency in central China. The heads of each of the above-mentioned organizations agreed that from his own respective viewpoint it was desirable that a solid front should be maintained against the proposed new bank and each expressed willingness to cooperate along such lines. That there would be any effort at an early date to issue a new currency or set up a bank is thought by the several banks to be unlikely unless there should be another considerable drop in the Chinese dollar's exchange value. A similar opinion in regard to the situation is held by the head of the Hong Kong and Shanghai Bank, according to information received from a British official. The estimate of an informed Chinese banker also supports this opinion. It was found, also, that this was the point of view of an informed Japanese who came back a short time ago from Nanking where he was in contact with well-known political personages - Chinese and Japanese. It is thought that the moves in Central China are opposed by conservative

Japanese

CONFIDENTIAL

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Japanese businessmen.

It would appear that informed persons agree that at least six months would be necessary for preparatory work on account of technical difficulties which exist. It is reported that the Preparatory Committee has been operating; however, as yet no formal plan for controlling a new currency and the financial situation has been worked out, so far as is known. There is no information in regard to the relation of customs funds to the proposed new bank and issuance of new currency. Although the purport of a recent news report was that some funds for the projected new bank had been obtained already by the concerned authorities, the news item was ambiguous, probably deliberately so.

It might be reasonable to anticipate that until Japan's economic position improves and/or the situation in Europe is clarified Japan's policies will follow a conservative course. Naturally, if the present medium of exchange should collapse completely, this would of course have a tendency to force the Japanese authorities to look about for new means of control and might presumably give impetus to the carrying out of plans which are at present in undeveloped form.

PARAPHRASE

A telegram of May 18, 1940, from the American Ambassador at Chungking transmits a message from the Commercial Attaché which reads substantially as follows:

By way of comment on the statement contained in an article in the May 8 issue of Finance and Commerce (see telegram no. 402 of May 9, from Shanghai) the Financial Adviser to the Chinese Government (Dr. Young) confidentially informed the American Commercial Attaché that it was not until the evening of May 1, after the strain on exchange which had existed that day, that the decision was made by the fund temporarily to withdraw support.



May 14, 1940  
3:41 p.m.

H.W.Jr: Hello.

Operator: Senator Wagner.

H.W.Jr: Hello.

O: Go ahead, please.

H.W.Jr: Hello.

Robert Wagner: Yes.

H.W.Jr: How's my favorite Senator?

W: Yeah, you go chase yourself.

H.W.Jr: What do you mean?

W: You go chase yourself.

H.W.Jr: Now, what's the matter, Bob?

W: Huh?

H.W.Jr: What's the matter?

W: Why, yesterday I -- I didn't like that at all, Henry, when you said, "I didn't know how you stood so I went to somebody else."

H.W.Jr: No, I didn't say that.

W: Now, God -- yes, you did. Now, God damn it, every time that anything has come before my committee I've always stood with you and I -- I don't know of any reason that I'll ever change.

H.W.Jr: I -- I don't.....

W: Well, anyhow, I've got that off my chest.

H.W.Jr: (Laughs)

W: Everything went very nicely today. I'll tell you, the only thing I didn't like. Jesse made some unfortunate statesmen -- statements and now that

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we're in executive session we could wipe it out, but you can't. The newspaper boys got it and chances are they'll use it. One of those things like -- well, if the Treasury and the Federal Reserve are against it, why that's a good thing -- reason for being for -- you know.

H.M.Jr: Well, he made a lot of.....

W: It's very unfortunate, I mean, to have that out in public, to make those statements as if they were a real conflict between the different departments.

H.M.Jr: Yeah.

W: And the boys didn't like it either so that there wasn't much -- of course the -- you know, all that we report to the full committee is just those two things.

H.M.Jr: Yeah. No, I think.....

W: You've got the report.

H.M.Jr: Well, Ed told me, yes.

W: Yeah.

H.M.Jr: And I appreciate what you did, and I thought you were glad that I had gone to Glass.

W: What's that?

H.M.Jr: I thought that you were glad that I had gone to see Glass.

W: Well, no -- I'll tell you what I didn't like about that whole -- now, he's a little peeved at me -- but you'd be surprised how little I care a damn whether anybody's peeved if I think I'm right.

H.M.Jr: Well, I didn't say anything.

W: Outside?

H.M.Jr: Hello?



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W: I was just told that Governor Herbert Lehman is outside.

H.M.Jr: Oh, I see.

W: So I can't keep him waiting too long. No, what I didn't like, he went behind my back. Now, that isn't nice to do.

H.M.Jr: What did he do?

W: Well, I mean he ran to Glass and got him to introduce that bill and I didn't know a thing about it, until the next day when I -- when I was asked about it.

H.M.Jr: That's -- you mean Jesse?

W: Yeah.

H.M.Jr: Well, that.....

W: I say I don't like that and.....

H.M.Jr: Well, neither.....

W: .....so this morning I guess he noticed my attitude on the whole thing, and I don't like it.

H.M.Jr: Well, I called up to say thank you.

W: Say, I'm going to bring Herbert in and have him say hello to you. Have you seen him down here?

H.M.Jr: He's coming to have supper with me tonight.

W: Oh, is he?

H.M.Jr: Yeah. I saw him at noon today.

W: Yeah. Oh, did you?

H.M.Jr: Yeah.

W: I see. He's outside there.

H.M.Jr: Well anyway, thank you very much.

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W: Yeah.

H.M.Jr: And if you never can.....

W: (Aside: Don't have the Governor wait -- oh, come in.)

H.M.Jr: O. K., Bob.

W: (Aside: I was just talking to a friend of yours, Henry Morgenthau.) All right, Henry, the Governor just walked in on me here.

H.M.Jr: Well, give me.....

W: I might get something. I can't get anything from up there in New York. He's as bad as you are, you know.

H.M.Jr: (Hearty laughter)

W: Can't get anything out of you fellows.

H.M.Jr: O. K.

W: All right. You're satisfied, aren't you?

H.M.Jr: Very well satisfied.

W: Fine.

H.M.Jr: Thank you.

W: All right. Goodbye.

H.M.Jr: Goodbye.

May 14, 1940  
3:46 p.m.

H.M.Jr: Hello.

George  
Harrison: Hello, Henry?

H.M.Jr: Yes, George.

H: I just thought you might be interested to know that the Chairman of the Bond Committee of the Stock Exchange has been in touch with us today a couple of times.....

H.M.Jr: Yeah.

H: .....saying that they've been going over all of their various plans for emergency such as they worked on last September.....

H.M.Jr: Yeah.

H: .....just to check up and see whether they're all geared up all right.

H.M.Jr: Yeah.

H: Not contemplating any action, but nevertheless wanting to be prepared.

H.M.Jr: Yeah.

H: One of the things that they discussed is what was discussed before in your office, the possibility of putting on minimum declines in any one day.

H.M.Jr: Yeah.

H: They have gotten to a point where if they should do it, and they're not contemplating doing it now, they would put on certain percentage declines for certain priced stocks and also for bonds.

H.M.Jr: Yeah.

H: They said obviously they didn't want to put on any restrictions about government bonds. We told them



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we thought that would be a great mistake and they agreed. Therefore, in any schedule they'll put out they'll say fluctuations in bonds over 100 -- say, 10 per cent and then with clear indication that that -- that that limitation applies to only corporate bonds.

H.M.Jr: Yeah.

H: So without mentioning government bonds it makes it clear that it doesn't apply to them.

H.M.Jr: Right.

H: And I thought you would be interested to know what is in their minds as a purely preparatory step in the event of an emergency.

H.M.Jr: It does not include government bonds?

H: It does not, and I wanted you to know that we took the position that it shouldn't.

H.M.Jr: Right. Well, we're in agreement again.

H: (Laughs) All right.

H.M.Jr: Now let me ask you this. I haven't had a chance -- what did you fellows do today in the way of buying?

H: Well, I'm glad you asked me because I was just going to tell you. You know when I talked to you two days ago -- three days ago, I told you I'd let you know if anything happened.

H.M.Jr: Yeah.

H: I didn't yesterday because in the morning when I was talking to Marriner he said that he thought there should be no conflict or crossing or wires between the Open Market Committee and the Treasury.

H.M.Jr: Yeah.

H: And that therefore he would take the responsibility of advising you if we bought anything, and when we bought and how much.

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H.M.Jr: Right.

H: I said, "That's all right, but if the Secretary of Danny Bell or anybody else asks me about the market or what we've done I'm going to tell them."

H.M.Jr: Yeah.

H: And he said, "Well that's all right too." So I wanted to explain personally that the reason I didn't call you was that he asked me not to. He said he would do it.

H.M.Jr: Well, that's all right. Dan will be back tomorrow and.....

H: But I hope you will feel just as free to call me or Danny will as any time in the past.

H.M.Jr: I understand. Let me ask you this - how much did you do today?

H: We bought today, Henry, six and three-quarters million. We bought yesterday six hundred thousand. Those are our total purchases.

H.M.Jr: What was the -- how would you say the health of the market when you talk -- this evening at the close, what was the.....

H: Well, it wasn't too good. Offerings all round, not many buyers, no very heavy offerings of any kind. The only really heavy offering was one issue of four million dollars in the intermediate bond which was taken up in the market itself. We didn't have to do anything with it.

H.M.Jr: O.K.

H: And -- but it doesn't look good. However, we are all convinced that the government bond market behaved better today than any other market that we know of - stocks or commodities or anything else.

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

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H: And on -- considering the jitters that are up here about everything, I think the bond market, the government bond market is behaving extraordinarily well.

H.M.Jr: Come down to Washington. Everybody's happy down here.

H: Well, we're.....

H.M.Jr: That's the.....

H: .....not unhappy except about this damn war.

H.M.Jr: That's slightly exaggerated, but.....

H: (Laughs)

H.M.Jr: All right, George.

H: All right.

H.M.Jr: Listen, George, I still -- if something goes bad tomorrow I expect you to call me or Dan.

H: I shall do so.

H.M.Jr: If you please. Now, I'm going to.....

H: I consider that a request.

H.M.Jr: It's a definite request.

H: Yeah, all right.

H.M.Jr: If something goes bad any time while this is on, I'd like a call from you for myself or Dan.

H: All right, I'll do it.

H.M.Jr: And I'm not going to wait -- they may be in a Board meeting over there having a discussion on the excess reserves.

H: Well, I told them that it was silly, because as a matter of fact when you talk to the market you want to know first-hand about what's really going on in the market.



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H.M.Jr: That's right.

H: And that we had a perfect right to tell you and they admitted that, but they just thought that if we bought or stopped buying that it was up to them to tell and not us, except that you have requested it and now you have.

H.M.Jr: Well, after all I don't expect to tell Kintner and Alsop.

H: (Hearty laughter) All right, Henry. I'm glad to hear you're feeling so well.

H.M.Jr: All right. Goodbye.

May 14, 1940  
3:55 p.m.

H.M.Jr: The President would like to have it

Robert  
Daughton: I never did -- it's too abstruse for me, this whole question of finance.

H.M.Jr: You.....

D: Silver and gold -- buy silver at more than it's worth and buy gold that is buried out here somewhere in the ground and keep paying out good money -- it's all been too deep for me. But you all understand why it is and we're just supposed to try to go along the best we can.

H.M.Jr: Well, between you and Jere Cooper and me, the President would just as leave see that bill die in the House.

D: Well, are you especially anxious -- interested in seeing it die?

H.M.Jr: Oh, I'm not especially anxious, no, but if.....

D: Anxious is one thing and desire is another.

H.M.Jr: But if you could let it die kind of easy-like.

D: Oh, we could send it back. We could just let it lie here and not take any action on it at all. If it came to our committee I suppose we could just be too busy on something else, or we could send it back on the account that it violates prerogatives of the House and it should originate -- should have originated at all in our committee and in the House.

H.M.Jr: Well, I -- I wouldn't know which way was best, but in discussing it the other day with the President I think he'd be quite pleased if the bill was buried and died at this session.

D: Well, my thought is this about it that if we could send back we'd have -- if we didn't have a fight -- if we could send it back by a majority vote or unanimously that would be the better thing, but

- 2 -

if they bring it up and have a motion to send it back and then be defeated why we'd be worse off than to let it go before our committee and just let it take a quiet sleep there.

H.W.Jr: Well, I don't know, Bob, but whichever way you think is best I'm sure is right.

D: No, I wouldn't be certain of that, but I'll tell you what I will do.

H.W.Jr: Yeah.

D: I'll confer with Jere Cooper our parliamentarian and the parliamentarian of the House and the Speaker and the Majority Leader.....

H.W.Jr: Yeah.

D: .....and we'll decide what's the -- wiser course to pursue and do that if it will be agreeable with you.

H.W.Jr: Absolutely, and you let me know and I'll come up and see you gentlemen.

D: I want to see you about another matter some of these days.

H.W.Jr: Well, any time. I'm always at your service.

D: How long have you -- are you going to be in the city now most of the time?

H.W.Jr: What do you mean, I'm here always. Don't you ever read about me in the papers?

D: Yeah, I read about you in the papers but I -- that's all right. I might run down and see you tomorrow a little while.

H.W.Jr: Any time you say. What time do you want to come?

D: Let's see, in the morning at ten o'clock?

H.W.Jr: Wonderful! I'll be here and waiting for you.

D: Well, if anything comes that I -- turn up that I don't know now I'll call you, but if you don't hear from me I'll be there at ten o'clock.



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H.M.Jr: As I remember, mint julep is your favorite drink.

D: Mint julep?

H.M.Jr: Yea.

D: Well, if you haven't got anything stronger than that.

H.M.Jr: (Laughs)

D: I drink it straight. I don't dilute it any.

H.M.Jr: (Hearty laughter) Do you remember the day that we sent out for three quarts of whiskey for five dollars and passed it around up at the Committee?

D: Yeah, I remember that very well.

H.M.Jr: Yeah.

D: You proved your case too.

H.M.Jr: Absolutely.

D: All right.

H.M.Jr: All right.

H.M.Jr: O. K.

D: Listen now, Henry, then we understand that the Administration does not want this bill passed of course.

H.M.Jr: and four mint juleps.

Jere  
Cooper: Yeah, and -- so it's all right for Bob and Bankhead and Rayburn and myself to get together and pick whatever course we think best to see that it does not pass.

H.M.Jr: That's right.

C: All right.

H.M.Jr: Don't be so serious, Jere.

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C: (Laughs) All right.

H.M.Jr: When's that girl -- hello?

C: All right.

H.M.Jr: When's that girl going to bring up those strawberries again?

C: Well, I'm going to try -- try to see about that.

H.M.Jr: O. K.

C: All right.

H.M.Jr: Don't be selfish now.

C: Well, fine. Much obliged.

H.M.Jr: All right.

C: All right. Thank you. Goodbye.

May 14, 1940  
4:58 p.m.

H.M.Jr: Hello.

Carter  
Glass: Hello, Mr. Secretary.

H.M.Jr: Hello. Hello.

G: This is Glass.

H.M.Jr: Henry Morgenthau.

G: Yes.

H.M.Jr: I'm ever so much obliged to you, Senator.

G: Yes, we got by that mess.

H.M.Jr: It was terribly nice of you and I'll have a good night's rest now.

G: I tried to induce Jess to withdraw the thing, but he wouldn't do it.

H.M.Jr: He wouldn't do it?

G: No.

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

G: The Committee will meet next Tuesday to hear the report of the sub-Committee.

H.M.Jr: I see. And they'll accept it, won't they?

G: Oh, I think so.

H.M.Jr: Yes. But Jesse wouldn't withdraw those two amendments, huh?

G: No.

H.M.Jr: Uh-huh.

G: I tried to induce him to but he wouldn't.

H.M.Jr: Well, thanks for your support. I'm ever so much obliged.



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G: All right.

H.M.Jr: Hope to see you soon.

G: Thank you. Goodbye.

H.M.Jr: Goodnight.

May 14, 1940  
5:02 p.m.

Operator: Go ahead.

H.W.Jr: Hello.

Gerard  
Swope: Hello. Is this Mr. Morgenthau?

H.W.Jr: Talking.

S: This is Gerard Swope.

H.W.Jr: Yes, Mr. Swope.

S: I'm in Washington. I hadn't expected to call you  
and bother you .....

H.W.Jr: No bother.

S: .....but I just left Nathan Straus and he was  
anxious that I talk to you about a matter that I'm  
going to talk -- I'm going to see the President  
at luncheon tomorrow.

H.W.Jr: Yes.

S: And I wondered if you would have a few spare five  
or ten minutes that I could unfold this thing to  
you. I do it at request -- I mean, at Nathan  
Straus' request.

H.W.Jr: Oh, I'd love to see you even though he told you  
not to see me.

S: Thank you. I saw your father and mother Sunday  
and also your sister.

H.W.Jr: Fine.

S: And had a very pleasant time. Your father is per-  
fect and your mother -- are perfectly remarkable.

H.W.Jr: Fine.

S: I think if you and I can grow old like that we'll  
be very fortunate.

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H.M.Jr: Well, that's nice.  
S: Now when are you.....  
H.M.Jr: How about eleven-fifteen?  
S: Eleven-fifteen tomorrow?  
H.M.Jr: Morning.  
S: Eleven-fifteen will suit me first class.  
H.M.Jr: Be delighted to see you.  
S: I'll be at your office.  
H.M.Jr: Thank you.  
S: Thank you.  
H.M.Jr: Goodbye.

STRICTLY CONFIDENTIAL  
TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE May 14, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

Mr. Knoke told me by telephone this morning that his bank had discussed Mr. Catterne's attached cablegram with the Federal Reserve Board in Washington and had decided that there were three possibilities:

1. The lawyers advise that the Federal Reserve Bank of New York cannot open an account for a foreign government under existing legislation. Congressional action would be required to get around this point. When I mentioned the Siamese exception, Knoke pointed out that this was an earmarked account, as apart from a banking account.
2. A governmental account could be opened with the Federal Reserve Bank acting as fiscal agent of the United States.
3. Is the actual desire of the British to transfer the account to the market? This could be accomplished.

The Federal Reserve Bank has cabled the Bank of England yesterday that they were discussing this matter with Washington and hoped to be able to cable a reply today. So far nothing further has been sent. The Federal believes that it is up to Washington to pass judgment on the above listed alternatives. The lawyers of the Federal are somewhat sympathetic with the British desire to get more security for their funds.

Chairman Eccles telephoned me at 11:30 in regard to the British matter, which Harrison had talked over with him. Eccles said the Board wanted to facilitate the matter anyway that could be done within the law. He had asked Messrs. Wyatt, Goldenweiser and Gardner of his staff to study the question and they were available for consultation with us. He was not ready to commit the Board, but felt that the decision of the Federal Reserve Bank in New York to the effect that the law prohibited them from accepting a foreign government account was narrow. He thought there was no prohibition in the law against opening such account. He thought objections would only be raised if some congressman was unhappy, and that Congress would then have to pass legislation before the Federal could be stopped from accepting such an account. If we are not willing that the Federal Reserve Bank be instructed by the Board that the latter feels that the law does not prohibit such an account, and that it should be opened, then Eccles thought something might be done under our emergency powers. Mr. Eccles hoped we would discuss the policy involved before giving any definite answer to Knoke. Our Treasury committee thought we ought to await some word from the British Embassy before we take any decision here. I informed Knoke to this effect late this evening. If the Bank of England telephones him tomorrow he will state that the British Embassy here has not yet approached the Treasury, and that such step is being awaited before a decision is taken.

*J.M.P.*



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INCOMING CABLEGRAM—SERIAL NO. 3278

RECEIVED ON May 13, 1940

*Mr. Graham*

London, May 13, 1940

Federal Reserve Bank of New York

New York

No. 436/40 PERSONAL AND CONFIDENTIAL FOR ALLAN B. SPROUL

ONE

We have been considering possible steps which might need to be taken to protect British Government exchanges/ gold/ security holdings in the United States at present held in names of various British banks including ourselves against the risk of attachment at the instance of enemy interests. H M O's legal advisers in Washington have expressed the view that complete protection against attachment can only be obtained by

TWO

- A Transferring such assets into the name of a clearly identifiable nominee of H M O
- B Notifying the holding bank that such assets are held on behalf of H M O
- C The British Ambassador to acquaint the United States State Department of the designation of the accounts held and that the funds in question are owned by H M O

THREE

So far as the holdings in our name with you are concerned we fully appreciate that it is contrary to your policy to opening accounts in the name of a foreign government

FOUR

But both H M O and ourselves feel it is essential to take every precaution and I understand to this end H M O's diplomatic representative in Washington will inform Mr. Morgenthau

DIVISION

INCOMING CABLEGRAM—SERIAL NO. 3278

RECEIVED ON May 13, 1940

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of the necessity to protect our position as in No. 2 above.  
We felt that you would like to know before any such move is  
made in order that you may be aware of the back ground  
If we could have your reactions by cable we could then  
telephone you if that would be helpful.

FIVE

Cattermole  
Bank of England

EA  
Postal 204 Code  
No Test

  
DIVISION



# STRICTLY CONFIDENTIAL

## TREASURY DEPARTMENT

244

### INTER-OFFICE COMMUNICATION

DATE May 14, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

Official sales of British owned dollar securities under the vesting order effective February 19:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
May				
6	6,350	235,891	5,000	3,420
7	21,180	788,904	93,000	80,944
8	40,191	1,810,863	369,500	258,155
9	34,945	1,316,741	238,000	224,713
10	17,850	795,993	9,000	7,027
11	1,170	71,989	N11	N11
<b>TOTAL FOR WEEK</b>	<b>121,686</b>	<b>5,020,381</b>	<b>714,500</b>	<b>574,259</b>
Sales from February 22 to May 4, incl.	<u>1,178,160</u>	<u>39,900,382</u>	<u>495,000</u>	<u>477,061</u>
<b>TOTAL FEBRUARY 22 TO MAY 11, INCL.</b>	<b>1,299,846</b>	<b>44,920,763</b>	<b>1,209,500</b>	<b>1,051,320</b>

Mr. Pinsent stated that a cablegram had been received by Mr. Gifford in New York to the effect that sales of non-vested securities during the preceding week (that is, the week ended May 5) amounted to \$2,000,000.

*B. M. F.*

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE May 14, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

Despite reports of further German gains in the Low Countries, sterling had a firmer tone in today's foreign exchange market. After opening at 3.14, it advanced to a high of 3.20-1/2 at noontime. The rate was steady in the afternoon, and it closed at 3.20-1/2.

The improvement may have reflected a market belief that the supply of sterling in the open market would be reduced by yesterday's British regulation prohibiting non-residents from selling securities in London unless granted a license to do so by the British Treasury. The leading New York banks, however, now feel that the sterling supply will not be greatly affected by the new measure, since cable advices received by them from London assert that licenses can be readily obtained so long as it can be shown that no enemy interest has been connected with the securities since September 2.

Mr. Pinsent of the British Embassy telephoned me this morning, indicating his surprise at what he considers an erroneous interpretation by the New York market of the British licensing regulation. He is cabling London to report this and to ascertain whether any explanation should be given to the Press.

Sales of spot sterling by the six reporting banks totaled £466,000, from the following sources:

By commercial concerns.....	£275,000
By foreign banks (Europe, South America and Far East).....	£191,000
Total.....	£466,000

Purchases of spot sterling amounted to £443,000, as indicated below:

By commercial concerns.....	£280,000
By foreign banks (Far East, Europe and South America).....	£163,000
Total.....	£443,000

The following reporting banks sold cotton bills totaling £10,000 to the British Control on the basis of the official rate of 4.02-1/2:

£6,000 by the Irving Trust Company
2,000 by the Chase National Bank
2,000 by the National City Bank
<u>£10,000 Total</u>

- 2 -

The Bankers Trust Company reported that it had purchased £5,000 for spot delivery from the British Control at the official rate of 4.03-1/2. The funds will be used to pay for a shipment of whisky.

Developments in the other important currencies were as follows:

The French franc moved with sterling on the basis of a cross rate of 176.40 francs per pound. It closed at .0181-3/4.

Since trading in Dutch guilders and belgas has been suspended, the New York market offers no quotations for those currencies.

Although a nominal quotation of .2242 was received from Zurich early this morning, the Swiss franc had a weaker tone in the New York market. Late in the afternoon that currency moved off rapidly to a low of .2190 at the close.

The Canadian dollar closed at a discount of 18%.

The reichsmark was steady and closed at .4005.

The yuan was firmer in Shanghai today. Against sterling, it was quoted at 3-3/4d, up 1/4d, and the rate against the dollar was 4-15/16¢, up 1/8¢. From cable advice received from Shanghai, it is learned that financial circles there believe that the Shanghai Control will allow the yuan to reach a natural level and then stabilize it at that point. It is further believed that the level is likely to be between 3d and 3-1/2d.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the South African Reserve Bank was shipping \$5,023,000 in gold from South Africa to the Federal, to be earmarked for account of the Netherlands Bank.

The Bombay spot silver quotation advanced the equivalent of 1/2¢ to 43.77¢.

In London, the prices fixed for spot and forward silver both rose 1-5/16d, to 22-1/2d and 22-3/8d respectively. The U. S. equivalents were 32.00¢ and 31.36¢. The rise in the London prices was attributed to speculative and Indian buying.

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

We made five purchases of silver totaling 715,000 ounces under the Silver Purchase Act. Of this amount 140,000 ounces represented sales from inventory, and the remaining 575,000 ounces consisted of new production from foreign countries for forward delivery.

CONFIDENTIAL 



TREASURY DEPARTMENT  
Office of the Secretary  
Technical Assistant to the Secretary

247

Date

5/14/40

TO:

*The Secretary*

Room

*030*  
*At 2:30<sup>45</sup> p.m.*  
*the System's*  
*purchases today*  
*amounting to*  
*\$6 $\frac{3}{4}$  millions*

From: MR. COCHRAN

*B. M. R.*



# TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE May 14, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Chairman Eccles telephoned me at 11:30 a.m. He said that with so much bad news, the Bond market was pretty weak. Buyers were fewer and sellers more numerous than yesterday. The result is that in the first 2 1/2 hours today the market was down 27/32 from last night, calculating on basis of 60 - 65 Bonds. The Open Market System is still decided against giving out any information to the effect that it is in the market. This would be too much of an invitation to sell. For today at least it is desirable to keep this news from the market. Mr. Eccles said that the System was purchasing on a scale down. During the first 2 hours they had purchased 2 1/2 million dollars of securities. The policy is to increase the amount gradually but to permit the decline for the day not to go further than 1 1/2 points. The preference is to keep the decline between 1 1/4 and 1 1/2 points. Towards this end the System would be ready to purchase from 20 to 25 million dollars, hoping this would avoid the market breaking wide open.

*B. M. F.*

May 14, 1940  
10:08 a.m.

H.M.Jr: Hello.

Operator: Mr. Hoover is out of the city until the last of the week.

H.M.Jr: Oh. Well, who is his assistant there?

O: I'll see.

May 14, 1940  
10:11 a.m.

H.M.Jr: Hello.

Operator: Mr. Tamm.

H.M.Jr: Thank you.

H.M.Jr: Hello.

Edward A.  
Tamm: Good morning.

H.M.Jr: Henry Morgenthau, Jr. Good morning.

T: Yes, Mr. Morgenthau.

H.M.Jr: Mr. Tamm, I have a letter before me Mr. Hoover dated May 8th in regard to alleged contribution of Mr. A. P. Giannini. I don't know whether you're familiar with it or not.

T: Yes, I am.

H.M.Jr: And in the end, the last paragraph, Mr. Hoover says that there's no violation within the investigated jurisdiction of this bureau.

T: Yes.

H.M.Jr: Well, in view of the -- first place, I appreciate very much his bringing it to my attention, but this controversy between Giannini and the Treasury has been going on for three or four years and this interests me very much.

T: Yes.

H.M.Jr: And as long as you people feel it isn't within your jurisdiction I'd like to turn it over to Chief Wilson.

T: Yes, sir. We have absolutely no objection to that at all.

H.M.Jr: Now, could you give the whole -- would you be willing to give a copy of the file to Wilson so he could get into the matter?

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T: Yes, we'll furnish him with a copy of anything we have on it.

H.V.Jr: Wellnow, how can he get that?

T: I'd suggest that he call me here this -- oh, any time after twelve o'clock and we'll arrange to have him come over and get it.

H.V.Jr: Fine. Will you tell Mr. Hoover I appreciate very much his letting me know about this but it -- in view of the big fight that the Treasury has had with Bank of America and A.P.Giannini, which has been raging for three years.....

T: Yes.

H.V.Jr: .....I am interested.

T: Righto.

H.V.Jr: Well, I'll have Mr. Wilson.....

T: You have Mr. Wilson call any time after twelve o'clock and we'll arrange to give him a copy of anything we have.

H.V.Jr: Thank you so much.

T: You're welcome.



May 14, 1940

9 am

Present:

Mr. McReynolds  
Mrs. Klotz

HM,Jr: Mac, two things. Number 1 is a thing you can answer easily, but this is not what I sent for you. We are all worried here about Norman Thompson. Do you suppose that -- I don't know how you are fixed -- I could borrow you for a week so Norman could get away and get a little rest and health?

Mr. McReynolds: I don't know any reason why it could not be done. The President is so tied up I am not getting at him very much.

HM,Jr: Do you want me to ask him?

Mr. McReynolds: I think you ought to ask him.

HM,Jr: Is it agreeable to you?

Mr. McReynolds: Entirely agreeable to me. I would be delighted.

HM,Jr: Your other work would not get bogged down?

Mr. McReynolds: They could call me whenever they wanted anything. You see, I see the Civil Service Commission every Tuesday. I don't want to break that up, because everything that happens down there comes up for review at that time.

HM,Jr: And you could take every Saturday afternoon off for golf. Well, I will ask the President

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when I go over this morning.

The other thing: I have two ideas. I am working with the President on this War Department budget, and he has come up again with the idea which nobody is ready for -- he wants 50,000 planes a year, just like that, which means, according to the War Department's first figures, building 30 plants of 1,000,000 square feet each. Well, nobody knows. That's the least of it, because the rest of the trouble is powder, guns, anti-aircraft searchlights, all those things are just as important and just as far behind.

Now, I've got two thoughts. I wanted to try them out on you. One, that he appoint a Committee: Assistant Secretary of the Navy, with alternates Admiral Towers and I think Krause because he's Procurement; Assistant Secretary of War, with alternates of General Arnold and Brett, who has charge of the thing, and then Hinckley, who's coming in at 9:15, head of C.A.A., and whoever his technical man is -- I don't know who he is -- and then my thought was in order to see that the Allies, who have put \$60,000,000 into the American aviation industry, don't get lost sight of for the time being to make me Chairman.

Now, this Committee could do it for aviation, or if he takes my other suggestion and asks for \$100,000,000 to be given by Congress to him with which he should build up or assist the plants to build extensions or build shadow factories in those industries where we can't get what we want in twelve months, this thing to do the two.

It has this effect, if you say to the machine tool people, who are as independent as they can be and won't put up any plant expansion, "all right, gentlemen, before you build airplanes you have to have machine tools. We will help you. We will build a factory for you, but if you won't then the Government is going to go into business. Now you have your choice," and with that weapon I think nine out of ten would go ahead and let the Government build plants for them, the way they do in England.

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Now, Mac, it could be either one Committee or it could be two Committees.

The Allies are scared to death and so am I that they will be sidetracked, which they shouldn't be. After all, they are our advance line. They are fighting and we are not and I go back to my original thing, as long as they are spending their cash we ought to give them the best tools we can give them and if you know what I know of the condition of the American Army. The Chief of Staff, General Marshall -- I have spent four hours with him in the last three days -- if he was given an order today to put the Army in the field, fully equipped, how many men do you think he has?

Mr. McReynolds: A couple hundred thousand?

HM, Jr: 75,000. And we haven't got one airplane today that has got the things they need if they went up against a German plane. Not one. Guns are of such small caliber that they can't pierce the armor of the Germans. We have not got one bomber flying that has a gun in the tail to defend itself. To show you how badly off they are, they are asking \$18,000,000 to remake our present air force of which only 250, they claim, is modern. It's terrible, Mac! I have never seen such a mess. And then, hell!, to sit down with Woodring and Johnson and neither talks to each other and neither shows each other the memorandum. Then he argues with the President and he gets me to get them in the Cabinet room and knock their heads together.

Mr. McReynolds: I don't see how he can let that continue.

HM, Jr: Would you have one committee or two?

Mr. McReynolds: I would have one committee.

HM, Jr: I tell you what I would like you to do. You go into Norman Thompson's room and draw me up a memorandum for the President and just leave it behind with Mrs. Klotz as a suggestion for me to sign.



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Mr. McReynolds: Army and Navy and C.A.A.

HM,Jr: Yes.

Mr. McReynolds: On the question of procurement, of expansion of plant in ....

HM,Jr: ... aviation.

Mr. McReynolds: Aviation.

HM,Jr: And where it is other than aviation, C.A.A. would not sit in. First it's a question of expansion of plant and production of guns, powder. What I am thinking is I would like a committee, if he wants a committee, and he needs somebody as an arbitrator. It just isn't aviation.

Mr. McReynolds: You have got an aviation problem primarily and expansion of plant for the production of military type of plane and the armor for the planes that are to be used in that line and then there is, in addition to that, there is the planning for the expansion of general Army equipment and ...

HM,Jr: ... and Navy.

Mr. McReynolds: Army and Navy both.

HM,Jr: And you could have two committees and on the committee which has to do with non-aviation it would be the same personnel except the alternates would be different. You would not have General Arnold when you are talking about powder. You would have the head of Ordnance, Colonel Burns, and in the Navy, Admiral Towers.

Mr. McReynolds: It's a question of ammunition and equipment on one side and the question of -- and not only that, as I see it, it's a question of Army ordnance.

HM,Jr: Maybe I am stupid. Maybe I had better let the Army and Navy act by themselves and not offer



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myself as Chairman. Be frank.

Mr. McReynolds: You know, if you had the right kind of man at the head of the War Department ...

HM, Jr: Which he hasn't.

Mr. McReynolds: .... we might have some prospects of getting it done. It's a crime for you to take the burden, but on the aviation development I don't think you can duck it with any hope that they will get anything done at all.

HM, Jr: Let me give you an example. Powder. I got an order from the President for the Navy that they should release 2,500,000 pounds of powder from Du Pont and put on a second shift at Indian Head. The Allies go to see Du Pont and they say, "Sorry. We need this for the Army." Finally Colonel Burns hits the ceiling and he tells the Du Pont man, "God damn it (if the ladies will excuse me) you do what I tell you," and that ends it, but I don't know how long it took and the Army and Navy acts like one is in Canada and the other in the United States. General Marshall told me he has not been able to get a joint maneuver of the Army and Navy on the Atlantic Coast and they have never had one, and the only way he got it in Hawaii was to go to Hawaii himself because he outranked by several times the Admiral in Hawaii and he said he went to call on him instead of waiting for him to call which flattered him, but if he had not gone to Hawaii he never would have got the joint maneuver.

Mr. McReynolds: The Army has a pretty good man in charge out in Hawaii. The Navy man is one of the old fellows.

HM, Jr: Mac, go in there and play with this for me. Have you got my idea?

Mr. McReynolds: Yes, I think I do. I will give you a memorandum as far as I can see the thing.

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HM, Jr: Don't forget my idea of \$100,000,000 for the President to use at his discretion to accelerate the manufacture of those items which takes more than twelve months and where they are lacking plant expansion.

Mr. McReynolds: Of course, you have to have that. I will give you something.

HM, Jr: Give me something for the President and then I can take a look at it. And Miss Chauncey is available.

Mr. McReynolds: O. K. I will do it.

HM, Jr: I am going to ask him to lend you back to me so Norman can take a rest. Bell is away and Norman is shot.

oOo-oOo

## GROUP MEETING

May 14, 1940  
9:30 a.m.

Present: Mr. Young  
Mr. Thompson  
Mr. Haas  
Mr. Gaston  
Mr. Stewart  
Mr. White  
Mr. Schwarz  
Mr. Foley  
Mrs Klotz  
Mr. Cochran

H.M.Jr: Norman, do you know when Dan Bell is going to be back?

Thompson: He was planning to be here Monday. I think he is in town.

H.M.Jr: He is in town? He had better report for duty Friday morning.

Merle, I like those piercing eyes of yours in this photograph.

Cochran: That is fine. Nothing worries me at all.

H.M.Jr: Herbert?

Gaston: Well, I don't think we have anything pending on the exchange line except the possibility of granting a general license also to the Belgian offices, which you may find advisable. It is practically a government institution, Bernie tells me, and they have heretofore made that request. Otherwise, things are moving pretty smoothly.

H.M.Jr: Tell Bell to be here Friday.

Gaston: We talked to Cy Upham last night about getting some officers from the Comptroller of the Currency to replace some of the men we are losing.

H.M.Jr: Are you losing some men?

Gaston: Yes, two of the New York men, Edmunds and Lewis. They had an opportunity to take permanent jobs in New York and one of them is leaving next Monday and the other next Wednesday.



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H.M.Jr: Those are clearing house fellows?

Gaston: I believe so and we can take care of that.

H.M.Jr: During the time I am at the White House - I go over there at 10:30 today - I would like Mr. Stewart to sit in on the conferences that have to do with this foreign exchange.

Gaston: Yes.

H.M.Jr: I would like him to sit in, so if there are any meetings going on that have to do with the foreign stuff, I would like him in on them.

Gaston: We can very readily have a meeting.

H.M.Jr: Can you sort of stage a meeting for him?

Gaston: Yes. We might as well have it sooner as later. Walter Lippmann is well worth considering this morning.

Schwarz: Mark Sullivan, also.

H.M.Jr: I didn't see that. I didn't know who put on the silk duty thing. I took it off. Whoever did it, the Romans are very much pleased over it.

Gaston: If they are pleased, maybe I did it.

H.M.Jr: Did you?

Gaston: I don't know whether it came to me for signature or not.

Schwarz: You signed it.

H.M.Jr: Mr. Welles takes the trouble to write a special letter. Today is the day we are nice to the Italians.

Gaston: Bill Johnson did it, I guess.



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H.M.Jr: Ed?

Foley: We are getting ready to go down at half past ten.

H.M.Jr: You are going, aren't you?

Foley: Yes.

H.M.Jr: None of this appeasement stuff.

Foley: O. K.

H.M.Jr: What is the matter with Leo?

Foley: I told him what you said and he said okay. He is going to be back before half past nine or a quarter of ten and will call us and tell us what he said.

Klotz: I said I had heard you tell someone --

Foley: He told me and I didn't call him.

Klotz: I said you would.

Foley: I will call him.

H.M.Jr: Yes, Foley, will you?

Foley: Yes. I think maybe, Mr. Secretary, I ought to take Bill Hefflefinger with me when I go down this morning. He is Dan's assistant and he is the fellow that would know if they - how much further borrowing there is.

H.M.Jr: Is Hefflefinger --

Foley: Yes, he knows it. Don't you think so, Norman?

Thompson: Yes, he has worked on that.

H.M.Jr: Have him go down.

Thompson: He is supposed to be in a Budget meeting, but he can sidestep that all right.

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H.M.Jr: Who else is going up with you?

Foley: Delano and Murphy, Henry Murphy.

H.M.Jr: Henry Murphy? George Haas' Henry Murphy?

Foley: Delano wants to take him, because he knows more about the requests for preferred stock in the situations where we have refused to go along with the RFC and why we didn't go along with them, more about that than anybody else.

H.M.Jr: Fine. He will give them that baby stare and knock them over.

Foley: He is all right.

H.M.Jr: Yes, he is a smart boy. Now, go on up there, Ed, and as I said last night, we have got the votes, why should we appease them? We have got the guns. We are not like Chamberlain.

Foley: Sure. We are liable to kill the bill, because the Republicans will all vote against the bill.

H.M.Jr: Well, they would anyway.

Foley: They would as long as it involves the debt limit problem.

H.M.Jr: It goes on as a rider to the war thing, anyway.

Sullivan: Sandy Klein was in yesterday. He said he had talked with you about post-war tax legislation and he wanted to know - he said that he had gotten the impression from you that there was a continuing study that went on all types of taxes and I said that is right and he said, "What I want to know is whether there is any abnormal activity," and I said, "Not that I know of." He said, "You would know, wouldn't you?" I said, "I think so." He said, "I would like to find out from you the objects of additional taxation," and I said, "Well, I just haven't been in touch with that at all." And he said, "Will you look it up and tell me tomorrow?" And I said, "I think I would have to discuss that with the boss."

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I don't think we have gotten that far, have we?

H.M.Jr: No, any more than we have on doing anything about the Johnson Act.

Gaston: Alcohol.

H.M.Jr: Sandy knows it. I don't think anybody has got any idea of putting on a new tax. We want to fatten them up before election.

Sullivan: Pass the carving knife, pappy.

H.M.Jr: What else?

Sullivan: That is all, sir.

H.M.Jr: Chick?

Schwarz: Roy Blough called me on the same thing with the same kind of a query and we agreed on the same kind of an answer.

H.M.Jr: Wonderful. That is teamwork. Anything else?

Schwarz: That is all.

H.M.Jr: Phillip?

Young: I haven't any problems. George and I may want to talk to you a minute sometime later after we find out what happened in New York yesterday.

H.M.Jr: Well, I am going to ask George to tell us about it. Incidentally, you are going over with me at 10:30 to Cabinet.

Young: If I can borrow that list of figures you have, I might be able to correct it.

H.M.Jr: Aren't you fussy?

Young: I don't think it does you any good the way it is.

H.M.Jr: I don't care particularly about having it corrected. I would rather wait until we get the new figures



and then underline in ink - but you can hang onto that, just to show the differences.

George, tell us about your trip to New York?

SAAB: Well, I went over to see the Anglo-French Purchasing Board, I think that is what they call it --

H.M.Jr: That is the part I want to know about.

ENAS: I didn't have time for anything else. I spent two nights on the train, so I might have to sleep now.

H.M.Jr: Would you rather tell it to us lying down?

SAAB: I am afraid I would stop talking if I got horizontal. Purvis and Bloch-Laine seemed to be very cooperative. They really had some difficulty, not only up there but requests coming from Washington and I spent a day with them and they had some good men up there, by the way. Purvis' first assistant is Vice President of the Canadian Bell Telephone Company and they have the Chief Statistician of the Bell Telephone Company. I don't know how long he has been there, but I worked out a system of the type of material I thought you needed and they are going to take that and use it in turn, because that is the type of thing they need, too, and they are going to use those reports to report to the Canadian Board on, so it is a question of working it out with them and they are very cooperative. There are a good many things that I don't think we will get for a long time, items like airplanes and engines and munitions proper. They have the whole business coming through them, but other things like steel and so on, they don't know whether they are getting ten percent of the orders coming through there or whether it is fifty or what it is, but they are trying to build up that information by reports from London and elsewhere.

H.M.Jr: Well, what does this statistician do, prepare data for Mr. Purvis?



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Haas: Yes. You see, they have got 300 people up there and it grew just like a mushroom and they were glad that I came up there. Now, they have got to go ahead because you are asking for it to set this thing up and get it done and their results - the fact that they are in the shape they are is just labor pains from rapid growth, I think that is all it is. They have good men there.

H.M.Jr: They have?

Haas: Yes.

H.M.Jr: Why didn't you go up Sunday afternoon? Why did you take a train up Sunday night?

Haas: I went up Sunday night.

H.M.Jr: Why didn't you go up earlier?

Haas: Oh, I don't know. I can tell you why I came down on the sleeper, to be here this morning.

H.M.Jr: Well now, George, this man that keeps bothering them over there in Procurement, do you want me to kill him off?

Haas: I will tell you something humorous about that. I had a meeting of these different officials, Air Mission and several others, and I was explaining what you wanted and I explained, too, that it would be channelized through one source. While I was in the midst of that, the telephone rang asking for their statistician who was in the meeting, and it was Mr. Bowens on the telephone asking for something down here.

(Telephone conversation with Captain Collins follows:)

May 14, 1940  
9:45 a.m.

H.M.Jr: Hello.

Operator: Captain Collins.

H.M.Jr: Hello.

Harry Collins: Good morning, sir.

H.M.Jr: Hello, Harry.

C: Yes, sir.

H.M.Jr: From now on I don't want Bones or anybody in your office bothering the Allied Purchasing Mission.

C: No, that won't happen -- that won't happen, sir, any more.

H.M.Jr: Well, it happened as yesterday.

C: Yes, sir.

H.M.Jr: It happened yesterday.

C: Yes, sir.

H.M.Jr: Give Bone something else to do, and if you want to know anything -- why does Bone want to know anything about gasoline?

C: That was a breakdown we started on last week, sir.

H.M.Jr: For whom?

C: For our records here.

H.M.Jr: Well, why gasoline?

C: Well, the quantity of it was included in with -- with the miscellaneous item there and it was rather large for a miscellaneous item.

H.M.Jr: Well, if you want anything from now on from the Allied Purchasing Mission, ask George Haas, will you?

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C: Yes, I shall.

H.M.Jr: And tell Bones to go buying pencils, or something.

C: Yes, sir.

H.M.Jr: Please.

C: Aye, aye, sir.

H.M.Jr: But take him off this thing.

C: Yes, I shall.

H.M.Jr: Because he's just got them nuts up there.

C: Yes, sir.

H.M.Jr: Anything that you want you ask Haas and he'll get it.

C: I'll do that, sir.

H.M.Jr: That has to do with statistics.

C: Yes, sir.

H.M.Jr: If Haas can't get it nobody can. Thank you.

C: Thank you, sir. Goodbye.

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Haas: I talked to him on the phone. I took the phone.

H.M.Jr: I don't know anything about gasoline. I never heard why they are interested.

Haas: The reason for it - well, I am responsible for it because he was working on this other - we are trying to get all the items that they were buying and we had them classified in certain groups. Gasoline was one rather large item in a monetary way.

H.M.Jr: I had the British Ambassador last night for supper and explained to him why I wanted Sir Frederick Phillips to come over here and he said, "Is it because you want to get the net position of what they sell and spend?" and I said, "Well, that is part of it." "Or do you really want to talk to him?" I said, "I want to talk to him, that is really what I want, and I want to tell him some of my difficulties," but he was quite worried - and his coming over here would be interpreted that they were coming over to arrange for loans and I said I would take care of that and as long as I wasn't worried, I didn't see why they should be worried, so he got off the message last night saying I wanted Sir Frederick Phillips and I think we can help them on this business and they can help us and help themselves. The thing is just at sixes and sevens. Steel is a good example, isn't it?

Haas: That is right. There must be somebody over there that has this whole picture.

H.M.Jr: I don't know, George.

Haas: Maybe not.

H.M.Jr: No, take food for example. Do they know anything about food up there?

Haas: Yes, they have some information but they don't know whether it represents five percent or fifty percent or what.



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H.M.Jr: Walter, you don't think that they really know?

Stewart: No, I don't think they do. I am perfectly sure Purvis doesn't know and I don't think anybody in London does. I don't think you will find out by getting Phillips over here, either.

H.M.Jr: No, but Phillips will get the picture and go back and he is a powerful enough man, I think - if I can get a Cabinet member over here - that Phillips is powerful enough that he will put his teeth into it, wouldn't he? He certainly can give me a net position on the expenditures and receipts on a fortnightly basis, which I can't get, which certainly is a British Treasury matter.

White: Of course, we get it on their exports, but that is a month or two or three later, but we know exactly what they are exporting to them so there is a lag, but --

H.M.Jr: You know, Bell was to give me the form which they used during the World War. He said once a week they got such a thing here in the Treasury. Will you (Thompson) look that up?

White: He showed it to us. It is much like the weekly statement, but a little bit more comprehensive.

H.M.Jr: Excuse me, Harry, I would like to talk to somebody in the British Treasury that I know and is certainly intelligent and we will let him get the picture. If their buying is at all illustrative of the rest of their ways, it is terrible. All right, George?

Haast: I have this - I brought in this map you asked for.

H.M.Jr: You might circulate it. I had him do the black spots for the blast furnaces which are working and the white ones are the blast furnaces which are not, pig iron. Strategically, they are located very well. Anything else, George?

- 10 -

Haas: That is all.

H.M.Jr: Harry?

White: Senator Russell called you, I take it, and you said you were going to give him figures with respect to the holdings of all countries that are fighting Germany. Is it your intention to give him figures that are not published?

H.M.Jr: No.

White: Then we will give him just published data.

H.M.Jr: Right.

White: Secretary Wallace sent Ezekiel and Mr. Robbins over with a proposal that they are going to present to you at Cabinet meeting.

H.M.Jr: Wednesday at lunch.

White: Wednesday at lunch, and we went over it and suggested some changes and they asked that if you could familiarize yourself with it sometime before he comes --

H.M.Jr: Impossible.

White: It would only take ten or fifteen minutes.

H.M.Jr: I haven't got that, Harry. I never was pressed so in my life. Just what is the subject?

White: It is a proposal to sell agricultural commodities on credit, the credit to be paid back with certain strategic materials. The nearest thing to it is the plan that you worked out with China. There is some important difference, namely that the basis for the credit is supposed to be gold, a portion of the gold in the stabilization fund, until the raw materials are imported here instead of it being, in other words, just a credit of the borrowing government, they would pay for it with the gold that we lend them and they are to use that gold in the purchase of agricultural commodities.

- 11 -

H.M.Jr: Secretary Wallace called up and said Ezekiel had been away for a week and he had just come back and he found there was a war and he was quite excited about it and wanted to talk to me about it.

White: Well, that isn't fair to Ezekiel. They have been excited about it for some time. There is some merit in this plan. After some discussion they agreed to change it in this important characteristic. They allocated the funds to be used in the purchase of agricultural commodities and I insisted that if it had any merit at all it ought to be agricultural commodities in addition to what they are buying now so they changed that.

H.M.Jr: Didn't they go through with a cotton and corn deal?

White: Cotton and rubber deal.

H.M.Jr: Cotton and corn, giving the corn --

White: I don't think they went through with that. I haven't heard anything more about that.

H.M.Jr: That was a suggestion for Italy, you know, to sell them the cotton at the full price and give them the corn as a bonus.

White: Because they can take the loss on the corn and they can't on the cotton. They also - incidentally, were you interested or did you already receive information of how much rubber we received in return for how much cotton? You asked that question and they have the information.

Hans: They told me yesterday there was a lot of trouble with Americans rejecting large quantities of rubber. The British have rubber on their hands.

H.M.Jr: George, when you walk through this place do you get the impression it is a very well run place or is it helter-skelter?



- 12 -

Haas: Oh, they have pushed 300 people into an organization and they are just beginning to settle down, that is the way it is, but individually they have some good men around, as soon as they get going.

White: Well, I will leave this copy. It is a carbon copy of a memo which is a very brief one which they are going to present to the President.

H.M.Jr: In the first place, I won't read a carbon copy and in the second place, I haven't got the time to read anything.

White: Well, that is the gist of it. There are about 990 million dollars worth of imported commodities which they feel they could buy, rubber, tin, metal, manganese, chromium, tungsten, et cetera.

H.M.Jr: I will go over it with them. After all, in 45 minutes, they can tell me.

White: Yes. Here is a report of the foreign economic developments.

H.M.Jr: All right.

White: This is something that may interest you.

H.M.Jr: Anything else?

White: I still would like a couple of minutes to clear up two letters sometime today and that is all.

H.M.Jr: Merle?

Cochran: Bonds were off 12/32nds. Federal Reserve purchased 200,000 in the same type of operations that occurred yesterday.

H.M.Jr: The Federal bought about four million dollars, didn't they?

Cochran: No, it was 600,000.

H.M.Jr: I thought it was four million. Do you mind if I check on that?



- 13 -

Cochran: No.

White: I said I still would like a couple of minutes. I am not sure I heard your answer.

Klotz: I put your name down, Harry.

H.M.Jr: You have got your answer.

Cochran: That is all.

H.M.Jr: Norman?

Thompson: I have prepared a little tabulation on the appropriations for strategic materials which shows that the total estimates were 127 million submitted to the Budget. The President approved 52 million and Congress appropriated 22 million 500 thousand.

H.M.Jr: Submitted by the departments, 127 million. I signed the one for 90 million, didn't I?

Thompson: Yes.

H.M.Jr: I thought I did.

Thompson: The War Department submitted the 25 million dollar estimate.

H.M.Jr: I upped them 90.

Thompson: And then just last week we submitted an estimate for 12 million 500 thousand, which has been approved by the President and sent to Congress.

H.M.Jr: What else?

Thompson: Here is a report that Mr. Wilmerding has given to Mr. Bartelt.

H.M.Jr: You stay behind a minute and I will talk to you about it.

Do you (Stewart) think you can amuse yourself from now until 1:00 o'clock, Walter?

- 14 -

Stewart: I think with this company I will be very happy,  
Mr. Secretary.

H.M.Jr: I am going over to the White House at 10:30  
and I doubt if I get back before lunch time.  
All right?

Ed, feeling fighting?

Foley: Sure.

H.M.Jr: Want me to take care of Cox today?

Foley: That is his (Sullivan's) problem.

Sullivan: I didn't get the name.

H.M.Jr: How are all the collectors up in New Hampshire?  
Shall we change any?

Sullivan: Boy, I have been waiting for that for a long  
time. We will get Cox and take care of that  
guy.

H.M.Jr: O. K.

JR

GRAY

Milan

Dated May 14, 1940

Rec'd 1:45 p.m.

Secretary of State,  
Washington.

28, May 14, 5 p.m.

For Treasury Department.

Today's prices as follows: 193; 337; 506.50; not  
listed; 975; 201; 1639; 62.25; 221. Volume 172,535.

Market very active. Increased selling due to  
rumors of war forced prices steadily downward until near  
close of market when they rallied slightly.

SHOLES

RR

MA

CORRECTED COPY

PLAIN

London

Dated May 14, 1940

Rec'd 1:30 p.m.

Secretary of State

Washington

1210, fourteenth.

FOR TREASURY FROM BUTTERWORTH.

The rapidity of the German advances in Holland and Belgium has depressed the city and all British security markets were down with noticeable liquidation in British Government securities.

KENNEDY

ALC



HSM

GRAY

The Hague

Dated May 14, 1940

Rec'd 8:23 a. m.

Secretary of State,  
Washington.

RUSH

8, May 14, 11 a. m.

Foreign Office has just requested me to ask you with utmost urgency if, as it hopes, under the Credit Freezing Emergency Act as extended the Netherlands it is necessary to obtain a license to effect a valid transfer of either principal or interest of the frozen asset. Foreign Office further inquires if the answer to the foregoing is in the affirmative whether or not that constitutes as effective protection as the destruction of securities under the conditions outlined in Department's 86, May 13, 1 p. m.

GORDON

RR

*Answered today by State  
Dept after consulting Treasury  
JMK*

PAP

TELEGRAM SENT

277

GRAY

May 14, 1940

3 p.m.

AMERICAN LEGATION

THE HAGUE (NETHERLANDS)

ST.

Your S, May 14, 11 a.m.

Under credit freezing emergency act as extended, it is necessary to obtain a license to effect a valid transfer of either principal or interest of securities registered in the name of a known Dutch national or Dutch resident. It is impractical by this means to block transfer of bearer obligations or certificates, as such securities may appear in other markets.

We cannot undertake to say that this constitutes as effective protection as destruction of securities, since the problem remains as to how the holder of these securities may later be able to prove his ownership, and there is always the possibility that an apparently valid transfer made under compulsion might appear, and it is possible that such a transfer might be licensed. However, in the event of Dutch governmental action transferring title to the Dutch government or some specified agency, the Dutch would

be

PAF -2- 57, May 14, 3 p.m. to the Hague

be in a better position both from the point of view of blocking transfer and of realization. This, of course, does not apply to bearer securities unless the securities themselves, or proofs of their destruction, are in the possession of the Dutch government.

HULL  
(AAB)

840.51 Frozen Credits/85

A-B:AAB:ES EA

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: May 14, 1940, 4 p.m.

NO.: 656

FOR THE TREASURY DEPARTMENT.

This afternoon the Brussels Embassy telephoned to ask that the Paris Embassy furnish them with dollar bank notes. They stated it is impossible for them to obtain sufficient Belgian francs from the Brussels banks in order to meet their current expenditures because withdrawals from deposits are limited. The Embassy also stated that shopkeepers were not willing to accept payment for purchases in French banknotes.

END SECTION ONE.

BULLITT.

EA:LWW



JR

GRAY

Paris

Dated May 14, 1940

Rec'd 2:29 p.m.

Secretary of State,  
Washington.

656, May 14, 4 p.m. (SECTION TWO)

Barrett of the Guaranty Trust has just telephoned a member of my staff to say that all bourses in Switzerland have been closed until further notice.

Both Barrett and Pearce of the National City Bank said that they had received instructions from the Bank of France to convert into francs at the official rate all Belgian bank notes offered for sale to them by refugees. Pearce called on Rueff this afternoon and ascertained from him that the Bank of France was preparing instructions regarding the clearance of checks drawn on Dutch and Belgian banks.

Pearce said that the activities of his bank had been entirely normal today and yesterday and that there had been no movement on the part of depositors to withdraw their funds. Barrett confirmed this information as regards the Guaranty Trust.

BULLITT

DDM

COPY FOR SECRETARY

*Miss Chauncey*

GRAY

PARIS

Dated May 14, 1940

Rec'd 4:52 p.m.

Secretary of State,  
Washington.

656, May 14, (SECTION THREE)

The securities market which was closed yesterday for Whitsuntide tended downward today but losses were considerably less than those experienced in Friday's session. Rentes lost on an average of one franc. Shares of enterprises in northern France particularly those of coal mines dropped about 10%. The average losses in other French securities as well as in internationals did not exceed 3%. The belga and the florin were again unquoted.

(END OF MESSAGE)

BULLITT

NPL

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, The Hague.

DATE: May 14, 1940, midnight.

NO.: 207.

RUSH.

Refer to Legation's no. 206 of May 14, 1940, 8 p.m.

It has just been announced by British transoceanic radio that Dutch and Belgian credits in the U.S., which were frozen by our action on last Friday, have been released now. Considering the developments of this afternoon, it is presumed that the freezing will be reimposed at once.

GORDON

EA:MSG

ED  
PARTMENT

INCOMING  
CABLEGRAM

Rec'd.: May 14, 1940

Dated: Amsterdam  
May 14, 1940

To: Federal Reserve Bank of New York.

#171.

\*Zenyt

(Signed) De Nederlandsche Bank

\*Zenyt - Netherlands, means:

In accordance with Netherlands cable #163 May 10:

"We request you after receipt of that message (message containing word "Zenyt") no longer to execute any instructions sent to you on our behalf if and when such instructions are dispatched to you from the Netherlands."



*United States Steel Corporation*  
*71 Broadway, New York.*

CHAIRMAN  
BOARD OF DIRECTORS

May 14, 1940

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

Dear Mr. Secretary,

Upon my return to New York this morning I find your letter of May 8. I am indeed glad to know that some of the information given you has been helpful.

I will do everything possible to be of further assistance in the matter this week, and as I contemplate being in Washington next week, I shall drop in on you at that time, in the hope of having an opportunity of reviewing the facts with you personally.

With best wishes,

Sincerely yours,

*E. G. Stettinius, Jr.*  
E. G. Stettinius, Jr.

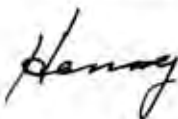
May 14, 1940.

Dear Mr. Welles:

Thank you for your note of May 13th, which  
encloses a copy of the telegram you have received  
from Rome. I appreciate your sending this to me  
so promptly, and I am most interested in reading  
the Ambassador's comment on the Treasury decision.

With warm regards,

Sincerely,



Honorable Sumner Welles,  
The Under Secretary of State,  
Washington, D. C.

GEF/dbs

May 14, 1940.

Dear Sumner:

Thank you for your note of May 13th, which encloses a copy of the telegram you have received from Rome. I appreciate your sending this to me so promptly, and I am most interested in reading the Ambassador's comment on the Treasury decision.

With warm regards,

Sincerely,

*Henry*

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The Under Secretary of State,  
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GEV/dbs

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encloses a copy of the telegram you have received  
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The Under Secretary of State,  
Washington, D. C.

GHF/abs



THE UNDER SECRETARY OF STATE  
WASHINGTON

May 13, 1940

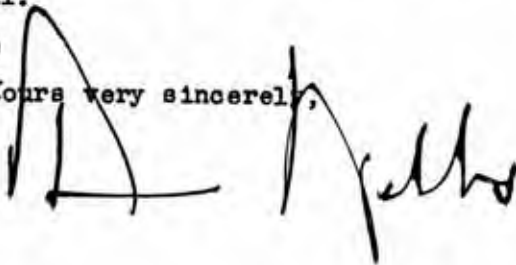
Personal and  
Confidential

Dear Henry:

I believe the attached telegram from our Embassy in Rome will be of interest to you. Under present conditions and unless the situation changes, this kind of thing, I believe, is highly useful.

Believe me

Yours very sincerely,

A handwritten signature in dark ink, appearing to read 'H. Morgenthau', written over the closing 'Yours very sincerely,'.

Enc.

The Honorable  
Henry Morgenthau, Jr.,  
Secretary of the Treasury.

## PARAPHRASE OF TELEGRAM FROM ROME, MAY 10, 1940

Secretary of State,  
Washington.

There is contained in this evening's *Giornale D'ITALIA* the only press comment of interest that has come to our attention regarding the Treasury Department's recent action in rescinding countervailing duties on certain Italian silk products. This paper states, after briefly explaining without (?) the background of the question, that the Treasury's decision arouses deep satisfaction here and is regarded as proof of the cordiality of the relations in the commercial as well as the political sphere between our country and North America. This paper also states that the measure facilitates Italian exports to America and that the hope that this will lead also to a general intensification of trade between the two countries is warranted.

PHILLIPS

May 14, 1940

My dear Mr. Hoover:

I appreciate your sending on to me the information which you have received from Max Rosen and Henry Unschuld and would be glad to have any further information in connection with this matter.

Thank you so much for your interest.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. Edgar Hoover, Director  
Federal Bureau of Investigation,  
Department of Justice,  
Washington, D. C.

May 14, 1940

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Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. Edgar Hoover, Director  
Federal Bureau of Investigation,  
Department of Justice,  
Washington, D. C.



May 14, 1940

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Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. Edgar Hoover, Director  
Federal Bureau of Investigation,  
Department of Justice,  
Washington, D. C.

Federal Bureau of Investigation  
United States Department of Justice  
Washington, D. C.

May 8, 1940

PERSONAL AND  
CONFIDENTIAL

The Honorable  
The Secretary of the Treasury  
Washington, D. C.

My dear Mr. Secretary:

On April 6, 1940, Mr. Max Rozan, who identified himself as an independent oil operator, residing at 1100 Monroe Boulevard, South Haven, Michigan, called at this Bureau and related the following information, which I am bringing to your attention at this time for reasons hereinafter apparent:

Mr. Rozan advised that he became acquainted with one Henry Unschuld a year or so ago through an introduction arranged by one Jake Finkelstein, whom he described as an oilman and former friend of the deceased President Warren G. Harding. At the time of this introduction Unschuld was endeavoring to obtain capital to finance the development of a gasoline substitute which he demonstrated to Mr. Rozan and in which the latter immediately became interested. According to Mr. Rozan, Unschuld is a native of Germany, of partly Jewish extraction and was a German U-boat Commander during the World War. Mr. Rozan further stated that because of Unschuld's German nativity he suspected that the latter might be in some way connected with the present Nazi regime and as a result of this suspicion, in addition to the fact that he, Rozan, thought the United States Government should have the first opportunity to obtain Unschuld's gasoline substitute, he arranged to have Unschuld demonstrate his substitute at a plant on the North Side of Chicago, Illinois. At this demonstration by prearrangement officers, believed to be connected with the Office of Naval Intelligence, were present in the guise of ordinary mechanics and employees of the plant. In this connection Mr. Rozan stated that he had inquired at the Post Office Department in Chicago relative to the location of an Intelligence Service of the United States in that city and had been directed to an office on Dearborn Street, which he believes to have been the Office of Naval Intelligence, where the arrangements were perfected for the above demonstration. Mr. Rozan was subsequently advised by the officers attending this demonstration that they did not believe Unschuld's gasoline substitute had any possibilities and were, therefore, no longer interested therein.

Mr. Rozan further stated Unschuld, with whom he has now become

The Secretary of the Treasury

2.

quite friendly, informed him that he recently had occasion to go to Los Angeles, California, where while stopping at the Clark Hotel he made the acquaintance of a German alien, who after some conversation with Unschuld, during which their respective backgrounds were discussed to some extent, took Unschuld to be a member of the Nazi Party or at least in sympathy with that organization. This individual informed Unschuld of a plan, allegedly sponsored by German agents presently in Mexico, whereby certain wealthy residents of Los Angeles and vicinity are to subscribe \$5,000 each to a fund to be used "to get Morgenthau."

After leaving this Bureau, Mr. Rozan telephoned several hours later to advise that he had just encountered Unschuld at the Mayflower Hotel in Washington, D. C. and that the latter was available for an interview in connection with this matter. Special Agents of this Bureau were immediately designated to interview Mr. Unschuld, at which time the latter stated, in connection with the incident at the Clark Hotel in Los Angeles, California, that the individual he met there was one Captain Kitsbel. He further advised that Kitsbel introduced him to one Carl Myer alias Carl Myers, who intimated that he was a leader of the German-American Bund in that area and made frequent mention of the names of Herman Schwinn and Fritz Wiedemann, who is, of course, the German Consul General at San Francisco, California.

Unschuld further advised that on one occasion Myer or Myers stated A. P. Giannini, head of the Bank of America, was contributing to the Bund on the West Coast in an effort to assist that organization in "getting Morgenthau." Unschuld was unable to furnish any additional information as to what Myer meant by this expression and could not advise whether it implied possible physical injury or a propaganda campaign. Unschuld further stated that Myer suggested he should join the Bund organization in Los Angeles for the purpose of assisting that organization in its work, but the subject was dropped when he indicated no interest in this group.

It is noted that Mr. Rozan was present during the time the Special Agents of this Bureau were interviewing Mr. Unschuld and from statements made by the former he implied Unschuld had previously told him that the Nazis on the West Coast had in mind a plan involving physical injury to you. Unschuld, however, denied that he had knowledge of such a plan but did state that A. P. Giannini, the banker above mentioned, was undoubtedly opposed to you.



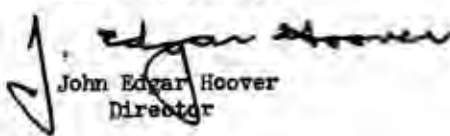
The Secretary of the Treasury

3.

As of possible interest, it is further noted that during the interview with Unschuld Mr. Rozan asked him to furnish information concerning the "gold situation in Mexico." Unschuld, however, refused to furnish such information as he may have had on this matter and stated that it had nothing whatsoever to do with the Nazi movement on the Pacific Coast. Mr. Rozan subsequently advised the Special Agents of this Bureau that he had previously been informed by Unschuld the Nazi group, headed by Carl Myer on the West Coast, had a quantity of gold bullion in Mexico which they were endeavoring to bring secretly into this country for the purpose of selling it to the United States Treasury, and that he, Rozan, had been approached by Unschuld for the purpose of obtaining his assistance in financing this particular endeavor.

While the interview with Unschuld failed to indicate he had evidence of any violation within the investigative jurisdiction of this Bureau, he was nevertheless questioned in detail primarily because of the references made to you, as set forth hereinbefore. I wanted to acquaint you with these facts as soon as possible and you will be promptly advised should any further information in connection with this matter come to my attention.

Sincerely yours,

  
John Edgar Hoover  
Director



May 14, 1940

MEMORANDUM FOR THE SECRETARY:

Pacific Coast Situation

The Pacific Coast freight and charter market, after having adjusted to some extent to the Scandinavian blitzkrieg, was last week again thrown into complete confusion by the German march on The Netherlands, Belgium, and Luxembourg, last Friday. If anything, it made all owners sit tight, also shippers, until they could find out just what trend the market would take.

This latest war move practically finished, with a couple of exceptions, all neutral carrier operations to Europe, thus it was impossible to secure any valid information on the situation.

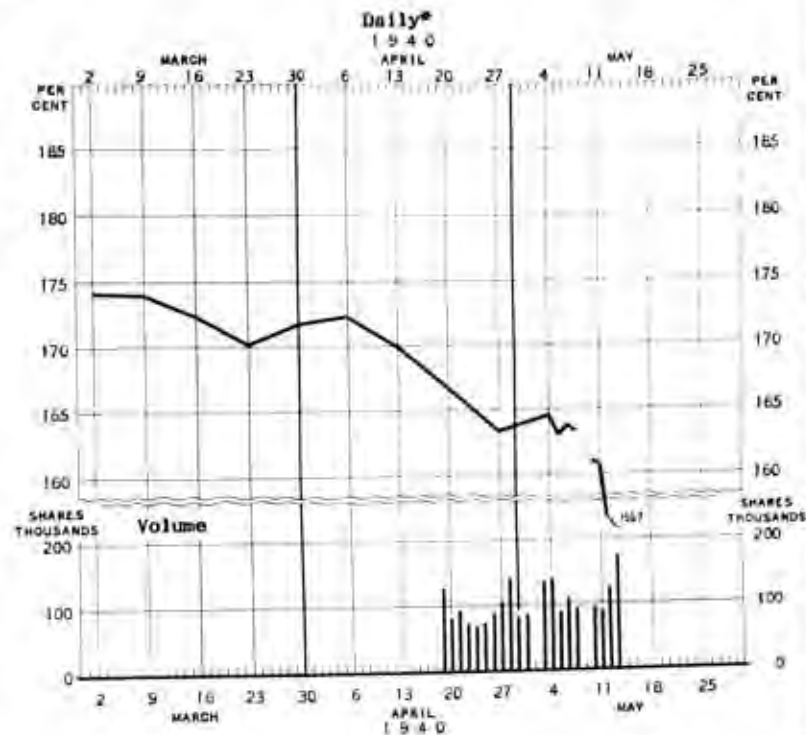
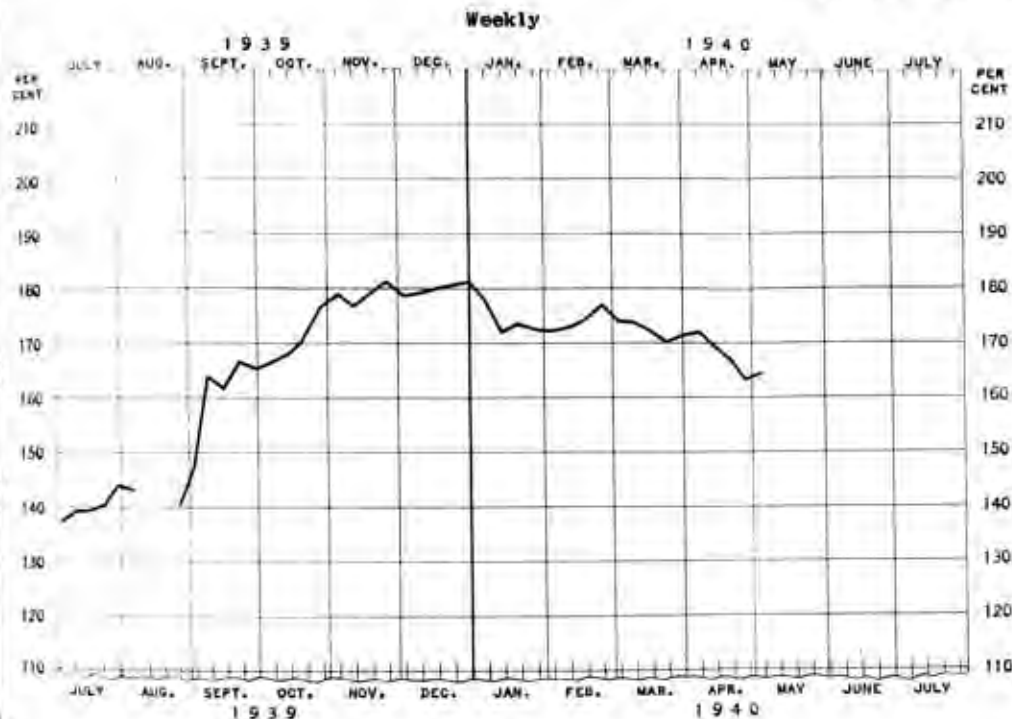
The trade to the Orient evidenced no change from the week before. Space generally was tight, and scrap offerings were neither good nor bad. Scrap rates on the berth were still quoted at \$12 for rails, \$14 for melting. Apparently there was no charters for scrap, the last rate being reported at \$14 f.i.o. Lumber was not active with \$18 quoted to Japan, between \$20 and \$21 to China. The trans-Pacific charter market showed strength on salt, however, when it was reported that a vessel had been fixed from San Francisco Bay to Japan at \$14.75, as compared with the previous high of about \$11.

Intercoastal business was slightly easier on the passage of the Buck Bill releasing 116 sterilized Government-owned vessels for sale or charter in foreign or domestic trades. Lumber space continued quite scarce.

*Basil Harris.*

# ITALIAN STOCK PRICES (Milan)

Dec. 31, 1927 = 100



\*DAILY FOR LATEST WEEK ONLY

CIVIL AERONAUTICS AUTHORITY

WASHINGTON

May 15, 1940

My dear Mr. President:

*Wm H. Rind for Monday 5-15-40*

I am pleased to transmit herewith the Report of the Interdepartmental Committee on Mechanics Training for the Aircraft Industry, which was established by you on March 27, 1939. For your convenience this Report is briefly summarized.

Since your approval of the Committee's initial recommendations, the various Federal agencies involved have made considerable progress in coordinating their activities and in cooperating with the Aircraft management and labor in accordance with the approved program. During this period the Committee has held conferences with representatives of the Aircraft Industry, its subcontractors and with representatives of organized labor. As a result of these conferences, much of the previously existing misunderstanding regarding the participation of the Government in the training of skilled labor has been eliminated.

During the past year the Aircraft Industry has been greatly expanded, due to large domestic and foreign orders. The number of employees has increased approximately three times and now totals 100,000 factory workers. Production has increased from twelve million dollars per month in 1938 to fifty million dollars per month at the present time. Subcontracting has increased materially. Prospective foreign orders will necessitate a doubling of the existing production schedules.

The need for aircraft workers in the event of our involvement in war is expected to be three times the number now employed. The corresponding demands upon other essential war industries would preclude the Aircraft Industry from drawing upon the skilled workers of other industries as it has done in the recent past.

To a large extent the Aircraft Industry develops skilled workers through plant training programs, including indentured apprenticeship systems, supplemented with trade extension courses in public vocational schools. Semi-skilled workers are obtained through plant training programs and from graduates of Federally-aided vocational schools which give pre-employment courses.

The Committee, in its Report, recommends the enlargement of existing programs of training in the aircraft plants and in public educational institutions. This calls for the development of three



classes of workers: (1) skilled workers within the industry through apprenticeship programs to qualify craftsmen and through plant training supplemented with extension courses in Federally-aided vocational schools to enable semi-skilled workers to extend their knowledge and the range of their skill; (2) semi-skilled workers to be developed by plant training for employed unskilled workers and by pre-employment courses in Federally-aided vocational schools; (3) green hands to be trained directly in the plant.

In order that the Federal agencies may adequately play their part in the training of aircraft personnel, your Committee recommends that \$500,000 additional funds be provided the Federal Committee on Apprenticeship, U. S. Department of Labor, for more field personnel, and that \$5,200,000 additional funds be provided the Vocational Education Division, Office of Education, F.S.A., for allocation in support of local vocational schools.

Respectfully yours,



OSWALD RYAN

Member, Civil Aeronautics Authority  
Chairman, Interdepartmental Committee  
on Mechanics Training for the  
Aircraft Industry

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



May 15, 1940

MEMORANDUM FOR THE PRESIDENT:

Subject: Report of Interdepartmental Committee on  
Mechanics Training for the Aircraft Industry.

Your Interdepartmental Committee on Mechanics Training for the Aircraft Industry began its work about one year ago at a time when this industry was clearly not prepared, either in plant capacity or personnel, to meet the needs of the nation in case of war or serious emergency. Your Committee submitted an initial report on May 9, 1939, which contained recommendations for action which the respective Federal agencies should take to help solve the problem. These recommendations received your approval in directives which you issued on May 17, 1939, to the agencies concerned and as a result, these agencies are coordinating their activities to the fullest extent, and are co-operating with management and with labor in the aircraft industry. Exhibit "A", hereto attached, shows what these agencies have done to carry out your directives.

Your Committee has held numerous meetings, has conferred frequently with the aircraft industry and some of its subcontractors, and has had two formal meetings with representatives of the A.F. of L. and the C.I.O. It was determined during these conferences that the necessary personnel for expansion of the aircraft industry can and will be produced or procured from the ranks of the unemployed and by training the unskilled or less skilled to become better skilled. Also that the necessary Federal

agencies are already available and capable of rendering advice and assistance subject only to the limitation of appropriated funds. These conferences have been perhaps the most important work of the Committee in that they have greatly reduced a previously existing misunderstanding regarding the participation of Government in the training of skilled labor. With but few reservations, your Committee believes that there has been established a feeling of mutual confidence and interdependence which will go far to insure that any future expansion of the aircraft industry may be made without serious difficulty.

#### Recent Expansion of the Aircraft Industry

As you are aware, the aircraft industry has undergone an enormous expansion during the past twelve months as a combined result of orders placed by this Government and by foreign governments. Employment in the aircraft manufacturing plants in the nation has increased approximately one hundred and fifty percent, so that it is safe to assume that the number of employees connected with the production of aircraft is about two and one-half times what it was a year ago. Plant facilities have been greatly increased in a number of cases. As against an average rate of production of about \$12,000,000 per month during 1938, it is estimated that the aggregate production of the industry has now attained a rate of \$50,000,000 a month. Further prospective orders for foreign delivery (\$600,000,000 to \$1,000,000,000) will call for a substantial

the production rate, probably doubling the current output in the next year.

However, the increase in production has been accomplished with only a proportionate increase in the amount of labor directly employed in the aircraft industry proper. There has been an increase in subcontracting, the making of parts of aircraft being entrusted in large measure to companies that had previously had no commercial activity. The total number of factory workers engaged in aircraft manufacture is about 100,000, as against less than one-third that number in 1939. To date the industry itself has been able to find or through training, the workers necessary for that expansion, in part as is later explained.

Current and prospective foreign orders will nearly double the number of factory workers in the aircraft industry (from 100,000 to 150,000). A national emergency would require at least 200,000 more than the present number of factory workers (from 100,000 to 300,000). The problem is to provide the necessary skilled and semi-skilled labor to enable the industry to meet these conditions.

With the onset of our involvement in war, the demands of other industries would increase the requirements for the various skilled labor needed for aircraft work, and it would be impossible for the aircraft industry to draw, as it has to a considerable ex-



and in the recent past, upon skilled workers with previous training in other industries which would themselves be essential to the war effort. There would of course be a certain compensating opportunity to draw labor into the aircraft industry and other essential industries from those which, being non-essential under wartime conditions, might be expected to diminish their production and their labor requirements.

It is also necessary at the present time to consider the expansion requirements of a great many specialized subcontracting plants as an essential part of the requirements of the aircraft industry as commonly defined. Production in companies directly concerned in aircraft work may be endangered because of bottle-necks created through the lack of workers in skilled trades in companies either supplying machine tools, raw materials or companies engaged in subcontracting.

It has been impracticable for your Committee to classify the skill requirements of workers in aircraft manufacturing plants in terms of the length of the training period necessary for qualification. Some work requires many years of training and experience, superimposed on special aptitude, for its competent performance. Other workers, also requiring special training, can be trained from a group much less narrowly selected in terms of natural ability, and in a much shorter time. Although the skilled craftsman is typically the graduate of a four-year apprenticeship, there are many other workers whom the aircraft industry classes as skilled in their particular departments who have received no such extensive training. The increased degree of specialization and of line assembly



...by increased production tends to a constant reduction in the percentage of skilled craftsmen, and an increase in the relative percentage of the semi-skilled and unskilled, as the total number of workers employed increases.

#### General Grounding Training

Programs designed to train labor for the aircraft industry should, as far as possible, directly sponsored by that industry.

Training should proceed both in the industry's plants and in educational institutions. Training in the plants includes: (a) the maintenance of formal apprenticeship systems; and (b) the maintenance of programs of training permitting selected workers of all grades to qualify themselves for positions better than those currently held, and to fit themselves for the assumption of enlarged responsibility in the event of an emergency requiring further plant expansion. The educational institutions involved are vocational schools, which offer pre-employment courses for future workers; cooperate with industry by giving instruction in the necessary related subjects in connection with apprenticeship or other training received in the plant itself, and cooperate also in the establishment of courses to qualify plant workers for supervisory positions.

#### Methods of Training

The development of skilled workers within the industry, as opposed to their recruitment from among those already trained in other industries, is accomplished through apprenticeship programs to qualify craftsmen and

-6-

enough plant training to enable semi-skilled workers to extend their knowledge and the range of their skill.

Semi-skilled workers are obtained primarily by (a) training in the plant, of such scope and duration as the particular job classification concerned may dictate, for employed unskilled workers; and (b) pre-employment courses in Federally-aided vocational schools. This report omits consideration of the private schools for aircraft mechanic training approved by the Civil Aeronautics Authority, due to the fact that the Committee's assignment under the President's order was confined to recommendations for coordination of functions of agencies concerned with Federally-aided vocational schools.

Green hands are trained directly in the plant for the work which does not require particular knowledge or skill. For those with a fair degree of general manual facility, although without previous specialized mechanical experience, such training can be very brief for most jobs. The preparation of this class of labor does not appear to present any serious problem.

As above pointed out, the problem of training for further expansion will be most grave, or will first become critical, in connection with the skilled worker. For certain skilled occupations the necessary training should, as is generally customary, be provided in the plant. It is difficult for either the aircraft industry or the Government to foretell the extent of the demands upon that industry; however, it would be desirable if the initial training program for additional craftsmen would be such

graduate sufficient apprentices each year to meet foreseen peace-time needs. Modifications of the program should be made to meet changing conditions as they become necessary.

#### Plan of Government to Recruitment and Training

The agencies of Government concerned in this matter fall into two categories -- those which can assist directly in the training program, and those which can assist in recruitment either of men already possessing specialized qualifications or of promising material for training. In the former category are the Federal Committee on Apprenticeship, U. S. Department of Labor, and the Division of Vocational Education in the Office of Education. In the second category are the Bureau of Employment Security, the National Youth Administration and the Civilian Conservation Corps.

The Federal Committee on Apprenticeship can put its vast experience in the planning and organization of apprenticeship systems, the negotiation of apprenticeship agreements to meet the requirements of individual plants, and the development of standards for such systems, to the disposal of the aircraft industry. To make it possible for the Federal Committee on Apprenticeship to supply this assistance on a scale commensurate with the extent to which it is to be hoped that the aircraft industry will find it practicable to extend its provision for apprenticeship, more field representatives will be required. This point is further explained in the succeeding section of the present outline.

The services of the Vocational Education Division of the Office of



Education include the giving of counsel and the administration of Federal aid funds for vocational education. The personnel of the Division are in a position to advise local educational authorities on the measures that they can best take in adapting their training courses to the requirements of the aircraft industry, and to assist them in establishing direct relations with neighboring units of the industry. The further extensions of vocational educational facilities designed especially for the training of aeronautical personnel is desirable, but in most cases it appears that such extension will be practicable only through an increase in Federal aid funds for the establishment and maintenance of new courses, in accordance with the provisions of the Smith-Hughes and George-Deen Acts. This also is further discussed in the next section of the outline.

The federal Bureau of Employment Security can increase the value of its placement facilities to the aircraft industry by ascertaining, in conference with the employment directors of representative plants of various types within the industry, the special qualifications and experience that particularly fit various classes of labor for aeronautical work, and by taking special measures to ascertain the possession of those qualifications by individuals seeking employment.

The National Youth Administration and The Civilian Conservation Corps can increase their programs of preparatory work experience and



the aircraft industry and public employment agencies with the names and qualifications of men who have shown special aptitudes for similar types of mechanical training.

Measures to Make Government Aid Effective

As indicated in the previous section, the special requirements of Federal agencies, in order that they may be adequately prepared to do their part in connection with the recruitment and training of personnel for the immediate expansion of the aircraft industry, are for more field personnel for the Federal Committee on Apprenticeship, and for more funds for allocation in support of local vocational education in the aircraft and supporting industries. As far as the Interdepartmental Committee on Mechanics Training can foresee, for the coming fiscal year beginning July 1, 1940, the estimated amounts required are:

Federal Committee on Apprenticeship . . .	\$ 500,000
Office of Education . . . . .	\$5,200,000

(These agencies should submit their budgetary estimates promptly upon approval of this report by the President.)

We recommend for your approval the foregoing specific measures for dealing with the problem of labor supply for the aircraft industry. The Committee believes the proposals are in such form as to be equally adaptable for use in dealing with the same problem in other essential or critical industries, such as machine tools, munitions, and explosives. For your convenience in the event of your approval of the proposed measures, the Committee has prepared and attached hereto drafts of directives for

Secretary of Labor and the Administrator, Federal Security Agency,  
containing pertinent instructions for effectively carrying out the  
same.

Unless otherwise instructed by you, the Committee, as such, will  
hold no further meetings. The individual agencies represented will  
continue cooperating to carry out the program as approved; at the same  
time the Committee holds itself subject to your call.

*Oswald Ryan*

Oswald Ryan  
Member, Civil Aeronautics Authority  
Chairman

*Louis Johnson*

Louis Johnson  
Assistant Secretary of War  
Member

*C. V. McLaughlin*

Charles V. McLaughlin  
Assistant Secretary of Labor  
Vice Chairman

*C. W. Fisher*

Captain C. W. Fisher (C.C.) U.S.N.  
Navy Department  
Member

*John C. Wright*

John C. Wright  
Assistant Commissioner for  
Vocational Education  
Office of Education  
Federal Security Agency

*David Williams*

David Williams  
Assistant Administrator  
National Youth Administration  
Federal Security Agency

*Charles H. Taylor*

Charles H. Taylor  
Assistant Director  
Civilian Conservation Corps  
Federal Security Agency

THE WHITE HOUSE  
WASHINGTON

The Honorable  
Administrator, Federal Security Agency  
Washington, D. C.

My dear Mr. Administrator:

There has been submitted to me a report by the Interdepartmental Committee on Mechanics Training for the Aircraft Industry, on which your Agency is represented. This report includes proposed measures for dealing with the problem of labor supply for the aircraft industry.

One of the recommendations contained in this report was that an estimated amount of \$5,200,000 for the fiscal year beginning July 1, 1940, would be necessary for allocation in support of local vocational education in order to adequately carry out the general plan recommended by the committee. Your Agency is directed to take the necessary steps to obtain a supplemental appropriation for the purpose of providing adequate vocational educational facilities necessary for the training of labor for the aircraft industry for the current expansion of the aircraft industry and the industries upon which it is dependent.

Further, I direct the Bureau of Employment Security to confer with directors of employment in representative aircraft plants to secure information covering essential qualifications for the aircraft workers and to set up measures for ascertaining the possession of these assets by those seeking employment in aircraft work.

The President



THE WHITE HOUSE  
WASHINGTON

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

My dear Madam Secretary:

I have received from the Interdepartmental Committee on Mechanics Training for the Aircraft Industry, on which your Department is represented, a report which includes proposed measures for dealing with the problem of labor supply for the aircraft industry. One of the recommendations in the report is that for the fiscal year beginning July 1, 1940, an estimated amount of \$500,000 be provided to your Department for additional field personnel for apprenticeship.

Your Department is directed to take the necessary steps to obtain a supplemental appropriation for the purpose of adequately doing your part in connection with the training of skilled craftsmen for the current expansion of the aircraft industry and the industries upon which it is dependent.

The President



# INTERDEPARTMENTAL COMMITTEE ON AIRCRAFT

April 1940

REPORT MADE BY THE VARIOUS DEPARTMENTS AND AGENCIES

1	2	3	4	5	6	7	8
1. Provide data on existing (a) factories and (b) Army Air Corps on qualified manpower and workers for respective needs.							
2. Prepare estimates of aircraft workers needed in time of war.	Estimates have been prepared. Approximately 120,000 aircraft labor force needed to meet Army, Navy, and commercial wartime requirements.	Information furnished to Army regarding Army requirements for airplanes and aircraft engines.	Bureau of Labor Statistics has provided the Interdepartmental Committee with a survey of airplane and aircraft engine industries.				
3. Provide machinery to ensure data on employed and unemployed men qualified for aircraft work who could be available as demand is made of war.			Records have been established with labor unions to include current lists.				
4. Make plans for supply of aircraft workers in time of war.	Study has been made and plans prepared by the War Department, which has been adopted by the Interdepartmental Committee for inclusion in its report.	Assisted the Department in making plans.	Plans prepared by the Department have been reviewed and suggestions submitted.				
5. Secure for aircraft industries the available apprenticeship resources.	Field agencies have used industrial contacts to encourage apprenticeship program. Publicity has been distributed with national defense stamps.	They have advised various manufacturers of its interest in these programs.	Encouragement has been provided through Air Transport Association of America, International Chamber of Commerce, International Association of Manufacturers, United Electrical, Radio and Machine Workers of America, and Airline Mechanics Association.	Through State and local educational leaders has encouraged apprenticeship in the aviation industries. Co-operated with Federal Committee on Apprenticeship.			
6. Assist war process and labor in establishing and operate apprenticeship program based on airplane standards.			Negotiations completed with 7 major aviation establishments, affecting 500 apprentices. Apprenticeship standards prepared by 4 major aviation resources. Negotiations in process with 21 other establishments. Army Air Corps and Navy Air Force, job training of apprentices supervised and processed through apprenticeship standards.	aircraft instruction provided through (mainly) allied local schools for apprentices. Consultative service provided to local joint advisory apprenticeship committees.			
7. Secure educational leaders to include plans for airplane or aircraft labor.	Plans for inclusion of aviation labor in the training of apprenticeship standards.						
8. Encourage national education process to meet current needs of aviation industries.	Cooperated with U. S. Office of Education and National Youth Administration.		Has been included in all approved apprenticeship standards.	Federally aided schools have given cooperation training to nearly 5,000 individuals participating work in aviation industries.	the hundred fifty airplane and aircraft engine work experience projects incorporated and now being equipped with material furnished by the Army, Navy and the D.C.		
9. Promote for making of unemployed aircraft workers by conducting (a) forums training conferences and (b) technical training courses.				Conferences have been conducted in 4 major fields with 70 forums, affecting 10,000 men. General Dyer are now conducting additional conferences and also providing for training of instructors in factories and are available for training plant instructors.			
10. Carry out training of unemployed aircraft workers by providing evening trade education classes.				Federally aided schools have given instruction to over 5,000 persons employed in the aviation industries.			
11. Make analysis of aircraft occupations in which to have training program.	Analysis of classes of occupations in the aircraft industry on a percentage basis have been determined.		Analysis made on basis for variety of job experience to be given apprentices.	The U. S. Office of Education has cooperated with the D.C. in evaluating factory jobs.	Industry of aircraft industry with 70 in California. Job analysis on factory work made in cooperation with U. S. Office of Education.		
12. Encourage states to extend facilities for training technical assistance.							
13. Furnish employment agencies with information on airplane labor needs.							
14. Cooperate with FBI for training work experience projects.	Cooperated with U. S. Office of Education and National Youth Administration to supply of personnel.		They have been assigned to the U. S. Office of Education and National Youth Administration to supply of personnel.				
15. Cooperate with public schools in providing training for the youth.							
16. Expand work experience programs to meet current needs.							

Regraded Unclassified

May 15, 1940

(Dictated May 16, 1940)

Purvis came to my house at 5 o'clock and the President of the United States left word he wanted to talk to him.

It seemed the President had gotten a cablegram from Winston Churchill asking whether they could buy, for immediate delivery, some of our transport planes and some of our privately owned planes and wanted to send an aircraft carrier over here to get them. Some mention was also made by the President of possibly giving the Allies some more of our own planes now being built for the Army and the Navy, but Mr. Purvis said they would not be of much use because they did not have the proper armor or leakproof gasoline tanks. Much to Mr. Purvis' surprise, the President said that they should do it through Mr. Bloom in charge of their purchases. Purvis was surprised that the President knew that such a man as Bloom existed.

I made the suggestion that we get hold of Bob Hinckley of Civil Aeronautics rather than do what Purvis suggested, namely, that he was going to let Stettinius handle it.

Hinckley came around after supper and dictated a memorandum, and I sent a copy of it to the President, which shows that the Churchill suggestion is ridiculous. Furthermore, to take any of our transport planes out of service at this time, I think, would have a very bad reaction in this country. Furthermore, I think that Hinckley's idea, namely, to build up our transport service so that we can increase the production of our airplane factories, our pilots and our ground crews by possibly using the transport service for all mail and express, is a good one.

I was shocked to find out that they have only about 300 transports in the whole United States and not more than 50 to 75 privately owned transports and the rest of the planes carry from 2 to 4 people, again indicating how really badly off we are.



-2-

I had Bob McHugh take a letter down to the White House before ten o'clock to the President.

Incidentally, the more I see of Bob Hinckley the better impression he makes on me.

The particular thing that Purvis wanted to know was whether this new armament program in the United States was going to interfere with their purchasing and I assured him that it wasn't.

He then made an excellent suggestion, namely, that in the President's armament program should be included a provision which would give us the power to prevent the export and re-export of critical materiel.

I called up Grace Tully and Mrs. Morgenthau wrote down what I said, as follows:

"HM, Jr spoke to Tully at 6:30 and told her to tell F.D.R. that Purvis, as he knew, was with him and they thought F.D.R. should include in his message to Congress that we should have the right to control the export and re-export of all essential war materiel. While HM, Jr was speaking to Grace, F.D.R. passed in his chair and Grace told him. He said that was a good suggestion and to call Bob Jackson and tell him to include it. HM, Jr asked Grace to call Jackson at once."

Purvis told me that they will clean up the engine situation this week and the reason they had to delay on the airplanes was because they could not let any more contracts for airplanes until they cleaned up the engine situation.

I read him both of Bullitt's cables and while he was at the house he got word that he was to do the buying of all steel from now on, and was very much pleased.

He also told me that Sir Henry Self had been recalled and I told him I thought I had something to do with that. I also told him that I thought they were going to call back Bloch-Laine.

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Purvis was going to go this morning to see Du Pont as he wants to go places on this powder and they are prepared to let contracts for a plant to produce 20,000 tons in the U.S.A. and one for 12,000 tons in Canada.

(Phil Young will write a memorandum giving more details of this meeting at my house.)



copy refer to initials  
and No.

NAVY DEPARTMENT  
OFFICE OF THE CHIEF OF NAVAL OPERATIONS  
WASHINGTON

SECRET.

14 MAY 1940

THE HONORABLE SECRETARY OF THE TREASURY  
MR. HENRY MORGENTHAU, JR.

I HAVE SEVERAL TIMES TAKEN UP WITH THE FRENCH AND BRITISH GOVERNMENTS THE QUESTION OF PLACING ORDERS FOR IRON AND STEEL THROUGH THE IRON AND STEEL FOUNDATION IN LONDON INSTEAD OF THROUGH PURVIS AND BLOCH LAINE AND I HAVE BEEN PROMISED SATISFACTION. HOWEVER, THIS AFTERNOON MR. NATHAN, ASSISTANT TO THE MINISTER FOR ARMAMENTS, CALLED AT MY OFFICE. HE WAS ACCOMPANIED BY MR. FOULD AND THEY STATED THAT THE FRENCH GOVERNMENT HAD HAD GREAT DIFFICULTY IN GETTING PROMPT ACTION ON IRON AND STEEL ORDERS PLACED THROUGH BLOCH LAINE AND THEREFORE THOUGHT THAT THERE WAS MERIT IN THE BRITISH SUGGESTION. NATHAN ADDED THAT FOULD WOULD VISIT THE UNITED STATES TO DISCUSS THIS MATTER WITH YOU.

I REPLIED THAT I FELT IT QUITE CERTAIN THAT YOU WOULD NOT RECEIVE MR. FOULD. I ALSO STATED THAT PURVIS WAS A MOST ADMIRABLE AND EFFICIENT EXECUTIVE AND THAT THE PURCHASING ARRANGEMENTS ESTABLISHED BY HIM WERE FUNCTIONING ADMIRABLY. I ADDED THAT THE UNITED STATES GOVERNMENT COULD HAVE NO OBJECTION TO THE FRENCH STRENGTHENING THE STAFF OF BLOCH LAINE IF HE SHOULD BE INCOMPETENT TO HANDLE THE QUESTIONS OF IRON AND STEEL, BUT THAT THE AMERICAN GOVERNMENT HAD A PROFOUND INTEREST IN THE ORDERLY HANDLING OF PURCHASES AND THAT IT CONSIDERED IT UNWISE TO PLACE IN JEOPARDY AN EFFICIENT MECHANISM BECAUSE OF DEFICIENCIES OF AN INDIVIDUAL.

I WAS SO LITTLE SATISFIED BY MY CONVERSATION WITH NATHAN AND FOULD THAT I SPOKE TO PAUL REYNAUD IMMEDIATELY AFTER THEY LEFT ME AND HE PROMISED THAT HE WOULD INSIST ON ACCEPTANCE OF YOUR POINT OF VIEW BY THE BRITISH GOVERNMENT. I SENT THE FORE-

NAVY DEPARTMENT  
OFFICE OF THE CHIEF OF NAVAL OPERATIONS  
WASHINGTON

GOING TO MONNET AND I TRUST THAT THE MATTER WILL BE SETTLED  
SHORTLY IN ACCORDANCE WITH YOUR WISHES.

THE REPRECUSIONS OF THE GERMAN ATTACKS HAVE PREVENTED MY  
OBTAINING MORE RAPID ACTION.

WITH EVERY GOOD WISH,

BULLITT.

NAVY DEPARTMENT  
OFFICE OF THE CHIEF OF NAVAL OPERATIONS  
WASHINGTON

SECRET

14 MAY , 1940

THE HONORABLE SECRETARY OF THE TREASURY  
MR. HENRY MORGENTHAU, JR

AFTER A MOST CAREFUL INVESTIGATION OF THE QUESTION OF ENGINES FOR THE BLOCH BOMBERS IN WHICH I HAVE CHECKED AND DOUBLE CHECKED THE STATEMENTS MADE TO ME BY THE MINISTER OF AIR, THE FORMER MINISTER FOR AIR, THE CHIEF OF STAFF OF THE AIR FORCE, AND THE UNDER SECRETARY FOR AIR, I AM SATISFIED THAT PROVIDED THE P AND W COMPANY FULFILL WITHOUT DELAYS THE SCHEDULED DELIVERIES OF MOTORS TO BE PLACED IN FRENCH PLANES THERE WILL BE NO SHORTAGE OF MOTORS FOR THE BLOCH BOMBERS.

WHEN I WAS ASSURED IN THE FIRST INSTANCE BY THE MINISTRY OF AIR THAT THERE WOULD BE NO SHORTAGE PROVIDED DELIVERIES SHOULD CONTINUE ACCORDING TO SCHEDULE I DOUBTED THE ACCURACY OF THE INFORMATION AND HAVE THEREFORE RECHECKED IT. THERE HAS BEEN APPARENTLY A SLIGHT DELAY IN DELIVERY OF PRATT AND WHITNEY MOTORS EARMARKED FOR BLOCH BOMBERS, BUT NO INFORMATION HERE INDICATES THAT THIS DELAY IS ~~ON~~ WILL BE SERIOUS.

ON THIS POINT COLONEL JACQUIG CAN INFORM YOU BETTER THAN ANYONE ELSE.

WITH GOOD WISHES,

BULLITT.

9 P.M.

May 15, 1940.

My dear Mr. President:

As a result of your telephone conversation to Mr. Purvis he and I have been meeting this evening with Mr. Hinckley, Chairman of Civil Aeronautics, and Mr. Hinckley has outlined to us what the air transport plane situation is and what the private plane situation is and I am enclosing herewith a memorandum which has been dictated by Mr. Hinckley.

Faithfully,

The President,  
The White House.

Enclosure.



MEMORANDUM

The air transport lines of our country at the present time are operating approximately 300 planes. About two thirds of these planes are of the Douglas DC-3 type. The balance is made up of Lockheeds and the old Boeing 247 D's.

Every air transport operator in the country today has unfilled orders of manufacturers for additional equipment in order to meet the present traffic needs. If all of these 300 transport planes were taken out of use it would stop immediately all air transportation in this country. It is questionable how valuable they would be in the present emergency.

In the private plane field, there are from 50 to 75 private planes principally of the Lockheed type, owned and operated in the main by oil companies. These planes are the ten passenger type. These as well as the air transport planes would be useful only for transport purposes. In addition to this number of planes in the private fields that could be used for transport purposes there are probably an additional 30 planes grouped generally as Beechcraft, Vultees, Grumman and Stinsons that have a passenger capacity of from two to six passengers, none of them with enough speed to be of any military value and of such general characteristics that the hazard to the manpower that would be necessary to operate them would be too great to give them any serious consideration.

The air transport operators that have orders with manufacturers that are not now delivered might be prevailed upon to waive these deliveries, if these planes would be of any great value at this time.

As an estimate, there will be delivered to air transport operators within the next 90 days 30 to 40 Douglas DC-3's and other types of Lockheeds.

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not sent. 322  
see revision sent  
May 15, 1940. 5/16.

Cable for Ambassador Bullitt

Dear Bill:

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My dear Mr. President:

In view of my experience with the Army during the last couple of days, I am taking the liberty of making a suggestion.

Let General Marshall, and only General Marshall, do all the testifying in connection with the Bill which you are about to send up for additional appropriations for the Army.

Yours sincerely,

The President,

The White House.



May 15, 1940

330

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My dear Mr. President:

In view of my experience with the Army during the last couple of days, I am taking the liberty of making a suggestion.

Let General Marshall, and only General Marshall, do all the testifying in connection with the Bill which you are about to send up for additional appropriations for the Army.

Yours sincerely,

The President,  
The White House.

Note for Mr. Morgenthau

Considerations underlying selection of U.S.A. aircraft types ordered by the U.K. Government.

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BOMBER TYPES

- (1) United Kingdom production is already in process of development to keep step with the increasing requirements of bomber types of the heavy and medium categories.
- (2) Owing to the late introduction of conscription in the United Kingdom, the production of army support medium-range light bombers was not initiated early enough to avoid a temporary shortage. Purchases in the U.S.A. are accordingly being restricted to this category, i.e., of Douglas A20 and Glenn Martin 187 type aircraft.
- (3) The Lockheed Type 37 is being purchased primarily for general reconnaissance work - e.g., North Sea patrols, convoy protection etc. - but has also the advantage of being suitable for army support work in supplementation of the Douglas and Glenn Martin types mentioned in (2).

*Received from Mr. Purvis, 10:00 P.M., 5/15/40  
Dy.*





OFFICE OF THE DIRECTOR

7.6  
TREASURY DEPARTMENT

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PROCUREMENT DIVISION

WASHINGTON

May 15, 1940

MEMORANDUM FOR THE SECRETARY

Mr. Ballantyne, Secretary-General of the Anglo-French Purchasing Board, called this morning concerning the release of capacity of approximately 2,500,000 pounds of smokeless powder per year by the Navy from the DuPont Company.

Mr. Ballantyne stated that in their negotiations with DuPont it now develops that deliveries of the powder cannot be commenced until October 1, 1940, and that Mr. Purvis had understood delivery would commence immediately.

Colonel Burns was contacted by phone and stated that at a meeting held in the War Department on May 9th at which were present representatives of the Anglo-French Purchasing Board and the War Department, together with a representative of the DuPont Company, this date of October 1st was definitely established and was understood by the ordnance representative of the Anglo-French Purchasing Board. He suggested that, while they would be very glad to do anything that they could to help in this matter, he felt that the question of delivery dates was a matter to be arranged as between the Anglo-French Purchasing Board and the DuPont Company.

*H. G. Jones*

*Phil what is last  
word in this ??*

*AA*  
*Answered by my memo of May 17. P.J.*



May 15, 1940  
11:44 a.m.

H.M.Jr: Hello.

Operator: Harold Smith.

H.M.Jr: Hello.

Harold  
Smith: Secretary Morgenthau?

H.M.Jr: In person. In the flesh.

S: I was just going to check with you and see if you had talked with the President about the financing of this program of a billion dollars from the standpoint of raising the debt limit or what not.

H.M.Jr: I haven't talked to him, no.

S: I was -- I had in mind that possibly I might suggest to him that he get us over there and talk about it.

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

S: And I didn't want to do that without talking to you first.

H.M.Jr: No.

S: I thought maybe you ought to make the suggestion rather.....

H.M.Jr: No.

S: .....than for me to do it.

H.M.Jr: No. I've made so many in the last four or five days I'm weak, so if you would make it and -- I'd be delighted to come over.

S: It seems to me it would have to be dealt with in his message and.....

H.M.Jr: I agree with you.

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S: .....it ought to be thought of rather carefully, and I -- there was no opportunity and that was not the crowd yesterday to discuss it.

H.M.Jr: If you -- no, I've done -- I don't want to wear out my welcome. So if you'll make the suggestion we'll be ready.

S: Fine.

H.M.Jr: And I -- Dan got back this morning and I told him it was number one and to be ready in case we were invited.

S: Yeah.

H.M.Jr: But I was waiting, I didn't know whether you or the President wanted us.

S: Yeah. Well, I -- I have said nothing to him about it. I didn't especially consider it my business, but I thought maybe.....

H.M.Jr: No, it's your.....

S: .....you and I ought to take a little initiative on it.....

H.M.Jr: It is your business if you don't.....

S: .....to see that he doesn't get the worst advice that we can give him.

H.M.Jr: Harold, it is your business you know.

S: All right.

H.M.Jr: Under the law.

S: All right.

H.M.Jr: And under our friend from Chicago.

S: (Laughs) All right.

H.M.Jr: But I -- Dan and I'll be ready.

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S: O. K., I'll go ahead then. I wanted to check with you.

H.M.Jr: Right.

May 15, 1940  
11:48 a.m.

H.M.Jr: Hello.

Operator: Mr. Purvis calling from New York.

H.M.Jr: Right.

O: Go ahead.

Arthur  
Purvis: Hello.

H.M.Jr: Hello, Purvis.

P: Mr. Secretary, do you think by any chance if I came down to Washington you would see me late this afternoon?

H.M.Jr: Is it important?

P: I think so. It -- I wanted to raise a fairly large issue on this question of supplies.

H.M.Jr: Well, if you say it's important we'll do it.

P: Now, if you're very -- you're very rushed too, I take it, because of this thing that's coming -- it was really to get the chance of having a few minutes with you before anything broke on the general program that you may have in mind.

H.M.Jr: Well, I tell you what you do.

P: Yeah.

H.M.Jr: Could you come to my house at five o'clock.

P: Seven o'clock?

H.M.Jr: Five.

P: Five o'clock.

H.M.Jr: Now, you may have to wait, Mr. Purvis.

P: I don't mind.



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H.M.Jr: Because -- but I think it would be better to come to the house because we have a Veterans' party at the White House, which is the one thing that the President always likes me to come to.

P: Exactly.

H.M.Jr: And.....

P: I'll go to your house and please don't -- I mean, I don't mind how long I wait.

H.M.Jr: Well, you know where I live.

P: I do, sir.

H.M.Jr: And if you'll be there at five.

P: I will.

H.M.Jr: And -- is it agreeable to you if I have Philip Young there?

P: Perfectly all right.

H.M.Jr: Or would you rather see me alone?

P: Well, it's -- it's very -- I might want to talk with you frankly. I don't think it will be any detailed matters. It will be purely a broad consideration.

H.M.Jr: Well, we'll give you a cup of tea around five o'clock.

P: Thank you so much, sir.

H.M.Jr: At my house.

P: I'm much obliged.

H.M.Jr: And you know we're on standard time.

P: Yes. Thank you very much.

H.M.Jr: All right.

May 15, 1940  
3:57 p.m.

Harold  
Smith: .....estimates, you know.

H.M.Jr: Yeah.

S: That was handled rather quickly.

H.M.Jr: I thought so, yes.

S: And there were some items that were left out. And at that -- at the close of that conference I asked the President how he was proposing to handle the debt situation and he said he didn't know. I told him you and I had talked about it a little; I didn't know that -- I didn't have any ideas on the subject. I thought probably you might have, and he was in -- at the end of his message it was left -- more or less -- well, he didn't say, "Well, I'll get in touch with the Secretary of the Treasury or I'll get you together." He said, "I may send -- suggest that the debt limit be raised to cover this -- these items plus some defense items in the present budget." He seemed to be very vague about it. I think he was thinking about it in connection with his message but hadn't quite gotten down to that point yet.

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

S: So I really haven't got anything to report to you....

H.M.Jr: O. K.

S: .....except that he might -- that I mentioned it to the President but he didn't say what he wanted to do one way or the other, and he may be getting in touch with you. I suspect he's going to.

H.M.Jr: Does the message go up at noon tomorrow?

S: He didn't say as to the timing, but I rather think so. He's got most of it written.

H.M.Jr: O. K.

S: Yeah. All right.

H.M.Jr: Thank you.

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE May 15, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

## CONFIDENTIAL

In fairly light trading, sterling experienced a substantial improvement in the morning session, which was partly offset by a downward movement during the afternoon. The opening quotation was 3.18-1/2, and sterling moved steadily upward to a high of 3.28-3/4 at noontime. The decline which subsequently set in carried the rate back to 3.24 at the close.

In addition to the turnover figures given below, we learned that fair amounts of sterling were purchased this morning by a non-reporting bank. It appears that the latter bank was executing orders received from the Bank of Indochina.

Sales of spot sterling by the six reporting banks totaled £373,000, from the following sources:

By commercial concerns.....	£252,000
By foreign banks (Europe and South America).....	£121,000
Total.....	£373,000

Purchases of spot sterling amounted to £438,000, as indicated below:

By commercial concerns.....	£236,000
By foreign banks (Far East and Europe).....	£202,000
Total.....	£438,000

The Guaranty Trust Company reported that it had sold cotton bills totaling £6,000 to the British Control on the basis of the official rate of 4.02-1/2.

Developments in the other important currencies were as follows:

The French franc moved with sterling on the basis of a cross rate of 176.40 francs per pound. It closed at .0183-3/4. We understand that the New York banks, when effecting any transactions in French francs, immediately execute a counterpart in sterling - e.g., a sale of francs is offset by a purchase of sterling. The New York banks then undo both sides of the transaction with authorized banks located in France at the official cross rate of 176.50 francs per pound. Making allowances for the French authorized bank's commission of .05 francs in the cross rate and the New York bank's profit of .05 francs, the result of the above operations is that the franc is effectively pegged to sterling in the open market at the cross rate of 176.40 francs per pound.



The Swiss franc continued to decline, reaching a seven-year low of .2136 at the close. No quotations were sent from Zurich this morning, and we received a cable advice stating that all bourses in Switzerland had been closed until further notice.

The Canadian dollar had a slightly weaker tone today. It closed at a discount of 18-3/8%.

The final quotation for the reichsmark was .4000.

Quotations received from Shanghai this morning showed that the yuan sustained a further improvement today. Against sterling, that currency advanced 3/16d to 3-15/16d. In terms of dollars, it was quoted at 5-1/4¢, up 5/16¢.

We sold \$2,000,000 in gold to the Central Bank of the Argentine Republic, to be added to its earmarked account.

The Federal Reserve Bank of New York reported the following shipments of gold:

\$118,181,000	from Canada, shipped by the Bank of Canada, Ottawa, to the Federal Reserve Bank of New York, to be earmarked for the account of the Bank of France.
2,618,000	from Canada, shipped by the Bank of Canada, Ottawa, for its own account, to the Federal Reserve Bank of New York, for sale to the U. S. Assay Office.
1,742,000	from Switzerland, shipped by the B.I.S., to the Federal Reserve Bank of New York, to be earmarked for its account.
35,000	from Ceylon, shipped by the Eastern Bank, Colombo, to the Guaranty Trust Company, New York, for sale to the U. S. Assay Office.
23,000	from England, shipped by the Guaranty Trust Company, London, to its head office at New York, for sale to the U. S. Assay Office.
<u>\$122,599,000</u>	<u>Total</u>

The State Department forwarded to us cables stating that the following gold shipments would be made:

\$207,000	from Hong Kong, shipped by the Chartered bank of India, Australia and China, Hong Kong, to the Bank of California, N.A., San Francisco.
56,000	from England, shipped by the Chase National Bank, London, to its head office at New York.
14,000	from England, shipped by the Westminster Bank, London, to the National City Bank, New York.
<u>\$277,000</u>	<u>Total</u>

The shipment being sent from Hong Kong will be sold to the U. S. mint at San Francisco, and the two coming from England will be sold to the U. S. Assay Office at New York.

**CONFIDENTIAL**



# CONFIDENTIAL

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On the report of May 8 received from the Federal Reserve Bank of New York giving the foreign exchange positions of banks and bankers in its district, the total position of all currencies was short the equivalent of \$16,588,000, a decrease of \$2,762,000 in the short position. The net changes in the positions are as follows:

COUNTRY	SHORT POSITION MAY 1	SHORT POSITION MAY 8	DECREASE IN SHORT POSITION
England	\$7,591,000	\$4,515,000	\$3,076,000
Europe	7,203,000	7,993,000	790,000 (Increase)
Canada	34,000 (Long)	177,000 (Long)	143,000 (Increase in Long Position)
Latin America	585,000	567,000	18,000
Japan	3,299,000	3,480,000	181,000 (Increase)
Other Asia	708,000	209,000	499,000
All Others	2,000 (Long)	1,000	3,000 (Increase)
Total	\$19,350,000	\$16,588,000	\$2,762,000

The outstanding feature of the above figures is the \$3,076,000 reduction in sterling commitments. It will be recalled that the sterling rate moved off from 3.50 to 3.32 in the week under review.

A New York bank which receives daily from India a price expressed in dollars for gold in the Bombay market informed the Federal Reserve Bank that today's quotation was \$36.46 per fine ounce. It stated that prior to May 13, the Indian price had remained below \$35.00 for some time back. On the latter date, it moved up to \$35.05 and yesterday it was quoted at \$35.75. (Comparison of these dollar quotations with the rupee gold prices which we have received by cable from Bombay reveals that the dollar equivalents are worked out on the basis of the official dollar-rupee exchange rate.) We understand that recent European war developments have been mainly responsible for the up-surge in prices in the Indian metal markets.

The Bombay spot silver quotation rose sharply to an equivalent of 44.92¢, an advance of 1-1/8¢. The Federal Reserve Bank was informed that, for the first time since the beginning of the year, Bombay silver operators were attempting to obtain firm offers here of 35-1/8¢, the silver to be delivered to them in New York. It appears that the Indian operators are compelled to seek offerings rather than to make actual bids, owing to the fact that they have to obtain from the Indian Government a license to import the silver into India. The offerings would have to be firm for a few days in order that the buyer might ascertain from the Indian Government that an import license would be granted. According to several leading New York banks, American interests were disinclined to offer silver because it is expected here that a further rise in Indian silver prices will take place, especially since there is a growing feeling that the Townsend silver bill will not be passed by the House during the present session.

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

We made no purchases of silver under the Silver Purchase Act today. The absence of offerings is in all probability the result of the same factors which have brought about the silver market's disinclination to make sales to Indian buyers at the present time.

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

ASURY DEPARTMENT

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CONFIDENTIAL

IN-OFFICE COMMUNICATION

DATE May 15, 1940

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Current Developments in the High-grade Securities Markets

SUMMARY

- (1) The invasion of Belgium and the Netherlands precipitated sharp declines in the prices of all high-grade securities. Treasury bonds are now back to the levels of last November (Charts I and II). High-grade corporate and municipal securities have also lost heavily (Charts II and III). The Federal Reserve Open Market Account increased its Treasury bond holdings by \$7.3 millions on Monday and Tuesday of this week.
- (2) British and French Government internal securities declined in the latest crisis, but the former are still above the low following the Norwegian invasion (Chart IV). Dollar bonds of foreign governments have suffered large price losses since last Thursday (Chart V).
- (3) The latest crisis has unsettled the market for new security issues more than the Scandinavian invasion did. Nevertheless, several new offerings, including \$75 millions of debentures of the United States Steel Corporation, are going forward as planned.

I. Domestic High-grade Securities

The principal developments in the securities markets in the past week were connected with the German invasion of the Low Countries. Prices of all classes of securities declined sharply beginning on Friday, May 10. Declines in the longest-term Treasury bonds averaged almost a point a day except in the short trading session Saturday. Press reports indicate that price reductions were large but that liquidation of holdings was not extensive.

The declines of last week plus those of the preceding four weeks have brought the prices of United States Government securities down to the levels which obtained last November (Chart I).



## Secretary Morgenthau - 2

The price movements of Treasury securities since the close last Thursday are shown, by maturity classes, in Chart I, and in the following table:

		Average price change May 9 - May 14
		(Decimals are thirty-seconds)
<u>Notes</u>		
1 - 3 years . . . . .	-	.13
3 - 5 years . . . . .	-	.30
<u>Bonds</u>		
5 - 15 years to call . . .	-	2.16
Over 15 years to call . . .	-	2.31

Offerings of Treasury securities in the latest crisis came in small lots, principally from small scattered banks. Several large commercial banks, and two insurance companies were the chief purchasers. The Federal Reserve Open Market Account increased its holdings of Treasury bonds by \$0.6 millions on Monday and by another \$6.7 millions yesterday.

The average yield of long-term Treasury bonds stood at 2.45 percent at yesterday's close as compared with 2.25 percent on Thursday, the day before the invasion of Belgium and the Netherlands (Chart II). The increase was fairly evenly divided between Friday, Monday and Tuesday. Our average of the yields of high-grade corporate bonds fared similarly, closing yesterday at 2.89 percent as compared with 2.70 percent on Thursday. Six basis points of this increase occurred on Friday, and nine on Monday.

Municipal bonds have also declined in price since Friday, as may be seen from Chart III which shows the daily movements of New York City 3's of 1979 and New York State 3's of 1971.

## II. Foreign Government Securities

The internal bonds of foreign governments have also fallen in price as a result of the latest crisis in the European war. British 2-1/2 percent consols, which closed on Wednesday, May 8, at 76-1/8, the highest price since the middle of 1938, broke sharply on Friday to 73-1/2. At the close yesterday, May 14, their price was 72-5/8, equivalent to a yield of 3.47 percent (Chart IV). This price, however, is still more than 1-1/2 points above the low following the Scandinavian invasion. French 3 percent rentes declined 1.60 points to 73.00 on Friday and closed yesterday at 72.50 to yield 4.18 percent.

The dollar securities of foreign governments also broke sharply last Friday and have continued weak. This is indicated in Chart V, which shows the prices in New York of selected foreign dollar bonds. The chart covers the period since the first of April, so that it is possible to compare the effects of the latest phase of the war with those of the Scandinavian invasion.

## III. The Market for New Securities

The invasion of Belgium and the Netherlands has resulted in some unsettlement in the market for new securities. This is in contrast to the reaction to the Norwegian invasion, when, it will be recalled, the market continued to absorb new issues almost as if nothing had happened. It is reported that several bids on new municipal offerings made since last Thursday were withdrawn and that the number of bidders for these issues was smaller than usual. The State of New Hampshire yesterday rejected all bids on an issue of \$8 millions. On the other hand, the United States Steel Corporation is going ahead with its offering of \$75 millions of serial debentures today; and yesterday an \$8 millions issue of the City of Detroit was awarded.

The volume of new security issues last week was quite small. The largest issue consisted of \$10 millions of equipment trust certificates of the New York Central Railroad, due serially from 1941 to 1950, which were sold privately at a net interest cost of about 1.80 percent. This is said to be one of the lowest rates obtained on offerings of this type.

Another interesting current development is the sale on May 7 and May 14 of an aggregate of \$126 millions of local housing authority temporary notes. Of this sum, slightly more than \$48 millions represents, in effect, refunding of the greater part of the \$50 millions of six-month notes sold last November.



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Secretary Morgenthau - 4

It is anticipated that, as the projects are completed, the several local authorities will issue long-term bonds and repay their temporary borrowings. It is with this in mind that \$8 millions of the notes just issued are made to fall due in August rather than in November, as is the case with the remainder. Yesterday's sale gives an indication of the firmer tendency of money rates in that the interest cost on the bulk of the notes is about .55 percent as compared with .44 percent on the principal block of those sold the preceding week.

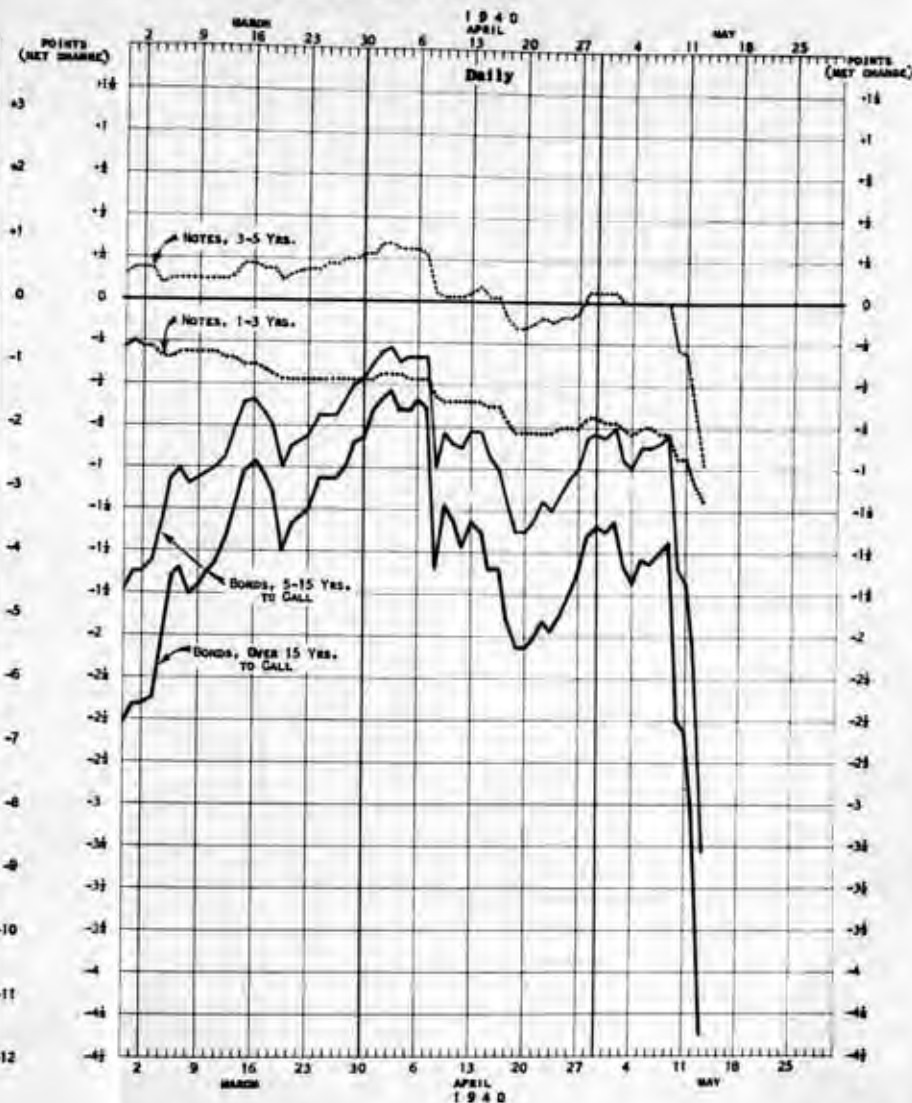
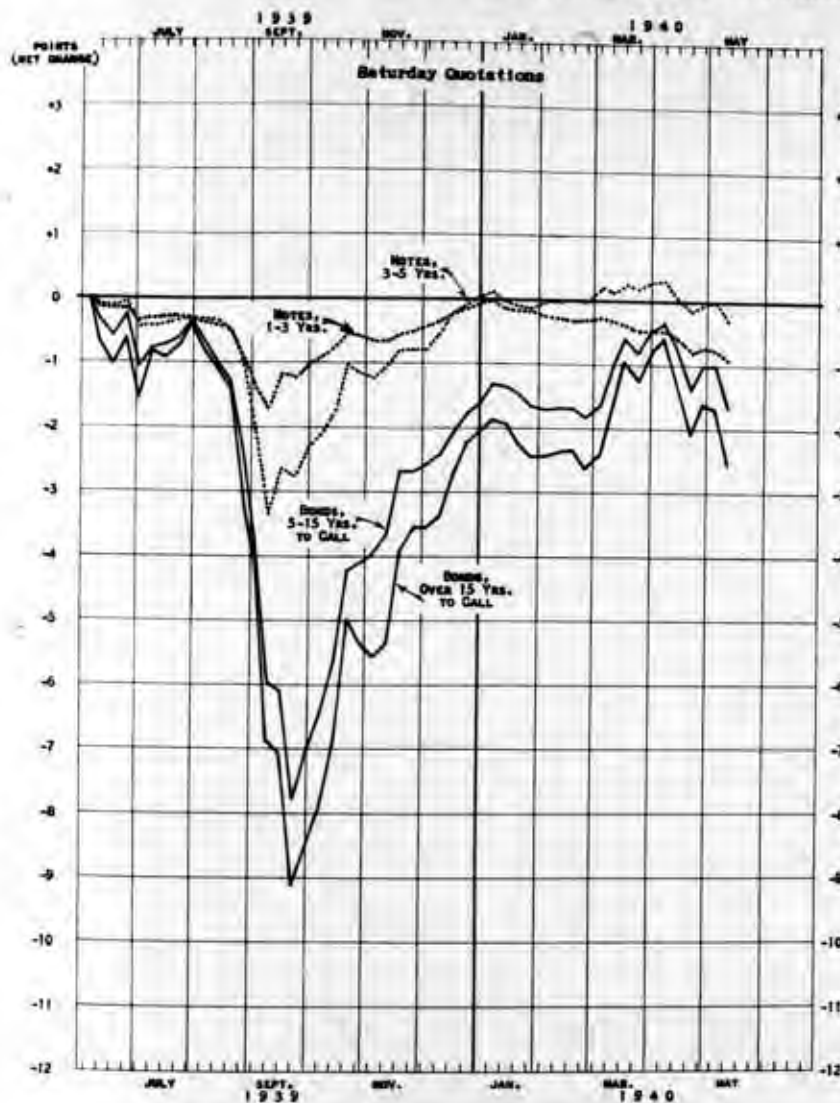
Also of interest is the application by the Carolina Power and Light Company to the SEC for approval of a refunding issue of \$46 millions of 3-3/4 percent, 25-year bonds. Arrangements have been made for the private sale of the bonds to a group of eleven life insurance companies at 103-1/2 to yield 3.53 percent. Proceeds of the loan will be used to call or to pay at maturity an equal amount of outstanding bonds.

The proposed transaction highlights the growing institutionalization of investment discussed in our memorandum of May 7. Whereas the entire amount of the new issue will be held by eleven life insurance companies, only about \$16 millions, or 35 percent of the bonds to be redeemed were held by financial institutions of all classes as of December 31, 1938. Insurance companies accounted for about \$15 millions of this sum. Hence it appears that there will be a net disinvestment of more than \$30 millions by investors other than insurance companies as a result of this refunding.

It should be noted, however, that the Wall Street Journal reports the proportion of all corporate issues which has been privately placed since the beginning of the year to be lagging behind the proportion so placed in 1939.

Attachments

Chart I  
 CHANGES IN THE PRICES OF U.S. SECURITIES  
 Points Plotted Represent the Difference from June 5, 1939 Price of Each Maturity Class



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



\*Based on the indicated change in composition of long term Treasury average



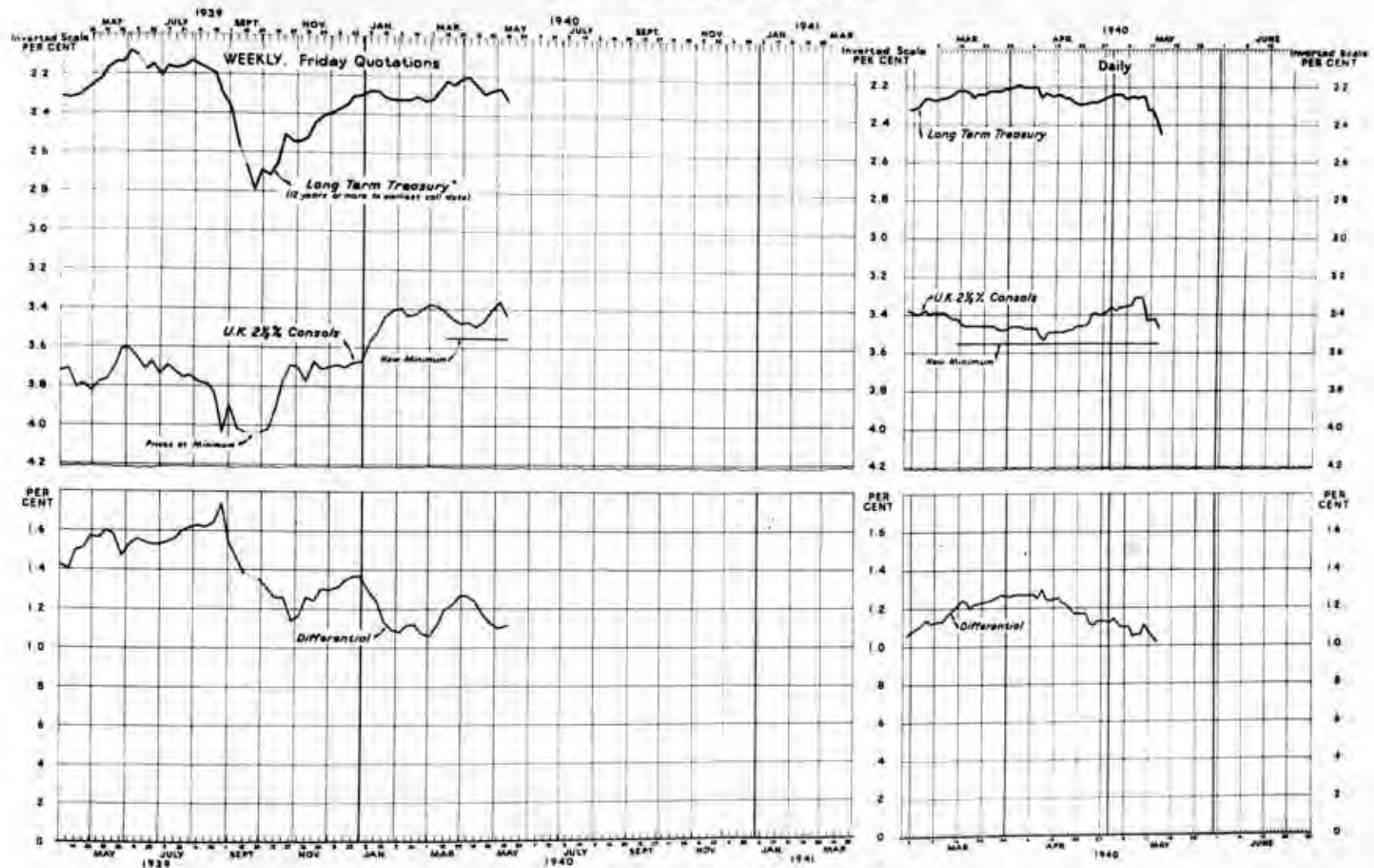
Chart III  
COMPARATIVE YIELDS OF A LONG TERM TREASURY,  
N. Y. STATE AND N. Y. CITY BOND





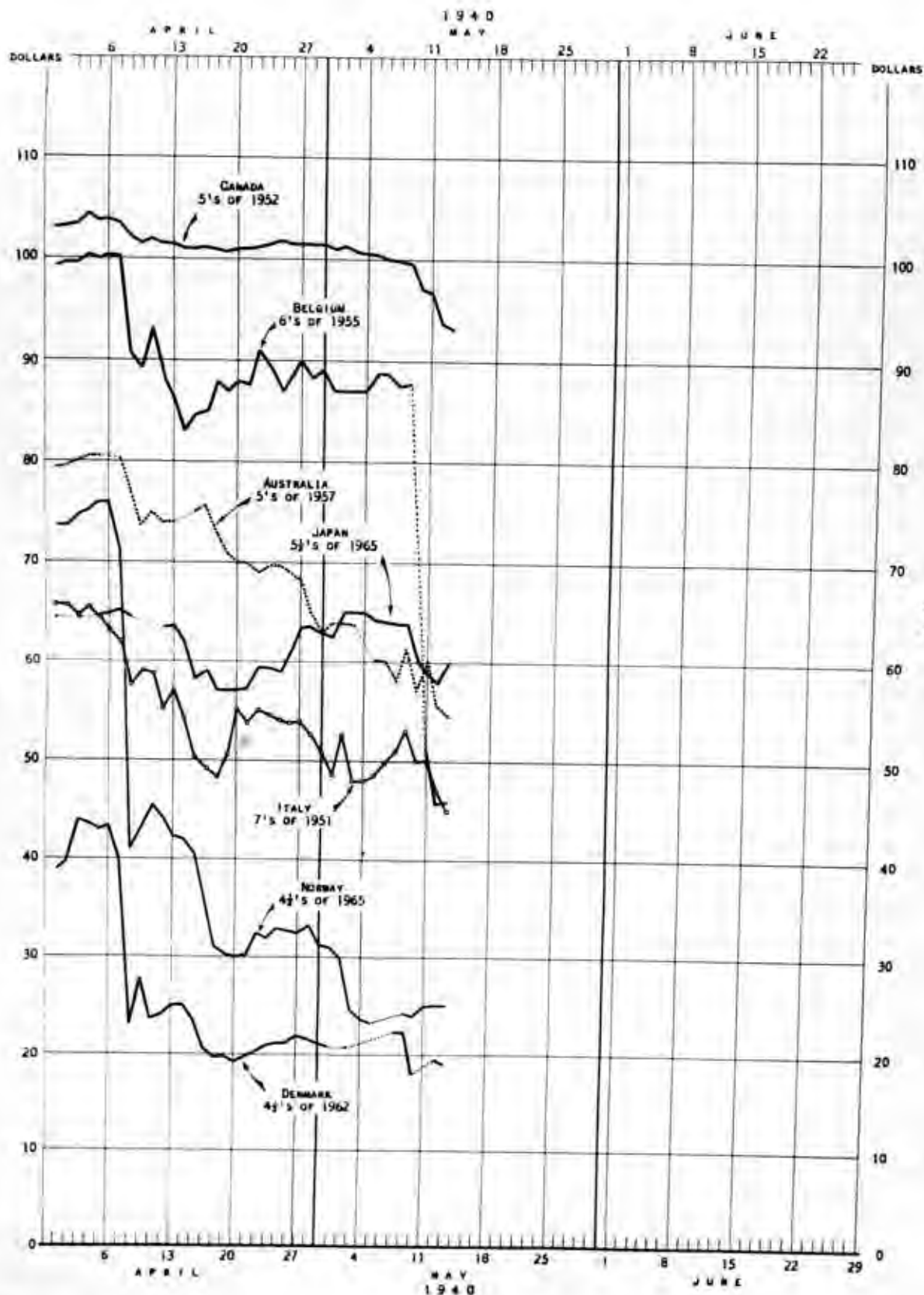
Chart IV

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



\*Based on long indicated change in comparison of Long-Term Treasury average

CHART 7  
PRICES OF DOLLAR BONDS OF SELECTED FOREIGN GOVERNMENTS



## GROUP MEETING

May 15, 1940  
9:30 a.m.

Present: Mr. Young  
Mr. Harris  
Mr. Foley  
Mr. Graves  
Mr. Stewart  
Mr. Bell  
Mr. Gaston  
Mr. Cotton  
Mr. White  
Mr. Schwarz  
Mr. Cochran  
Mr. Haas  
Mr. Sullivan  
Mr. Thompson  
Mrs Klotz  
Mr. Upham  
Mr. McReynolds

H.M.Jr: Daniel?

Bell: Did you get all of the information you wanted on the Finnish debt, or did you get anything?

H.M.Jr: I got nothing. I will nail it on you, unless you can nail it on a lawyer.

Bell: Well, I don't know what you wanted done, except the last time I discussed it at staff meeting we were going to cover that money in the Treasury, which I gave instructions to be covered.

H.M.Jr: And never did.

Bell: That was right, it was just a little delay.

H.M.Jr: Yes, but you never did what the President wanted about canceling that debt and I would feel lots happier if we wrote a letter direct to the Budget and suggested legislation and also on that check, at least let the President decide it. We have done our end if we do that.

Bell: Didn't we assume at the time we discussed it that the loan of 30 million dollars took care of the situation and we would not be justified in recommending the cancellation?

H.M.Jr: I don't think you ever discussed it with me, Dan.



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Bell: Yes, it is in the record. At a staff meeting one morning you said - that really was discussed with the President.

H.M.Jr: The covering in part of the check?

Bell: Yes.

H.M.Jr: Yes, but nothing on legislation and nothing on the debt.

Thompson: The legislation was drafted --

H.M.Jr: Let's do two things. Let's send over a suggestion how to give them back that check the way he said and also go through the cancellation on the debt and let's lay it in his lap and at least I will feel better.

Bell: All right.

Thompson: That is all prepared and Foley has it.

H.M.Jr: Then I will feel better, Dan. O. K.?

Bell: It was never discussed with the President, I am sure of that.

H.M.Jr: There was something that happened when I came back once. Anyway, let's do it. We will put it in his lap and he can do what he wants. O. K.?

Bell: All right.

H.M.Jr: What else?

Bell: Bonds are a little off this morning, not much, only 4/32nds from last night. The Fed has bought about 700,000 long bonds.

H.M.Jr: Good old Fed.

Bell: Yes; that is all I have.

H.M.Jr: Norman, are you all set?



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Thompson: Yes, sir.

H.M.Jr: You go today, get your paycheck, and come back on next paycheck day. How is that?

Thompson: That is perfect.

H.M.Jr: You get paid today, don't you?

Thompson: Yes. I have heard of some of our field officers doing that, but I had never done it myself.

H.M.Jr: The first of June is a Saturday and you can't cash a check on a Saturday, so you had better be back on the third of June, which is Monday. Mac's golf is going to suffer badly, but he will make up for it anyhow.

Bell: It is always off, anyhow.

McReynolds: I haven't got a thing today. Somebody is going to be surprised.

Thompson: Well, that is fine. I appreciate that very much.

H.M.Jr: Don't do any calling up at the office.

Harold, everything all right?

Graves: Yes.

H.M.Jr: Are you going down the Swasee River way?

Graves: Yes, this evening.

H.M.Jr: That isn't in Indiana, is it? It is the Wabash.

Harry?

White: No.

H.M.Jr: Basil?

Harris: The State Department issued a very momentous decision yesterday on this army of ships, protective devices, ruling that those were okay, so it has relieved a very difficult situation

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and everything is all right now.

H.M.Jr: George?

Haas: Here are those figures on the exports.

H.M.Jr: What, they are off?

Haas: They are off a little, yes. There are nine other ports in the North Atlantic, outside of New York, which increased.

H.M.Jr: Ohick?

Schwarz: Nothing.

H.M.Jr: How is my foreign exchange expert?

Upham: I have been going to school a couple of days.

H.M.Jr: When are you going to be able to teach?

Upham: Well, I have a pretty good instructional staff. I am getting a start.

H.M.Jr: Well, keep in touch with Honorable Daniel Bell. Walter, you walked out on me last night.

Stewart: I had to get caught up.

H.M.Jr: When are you going to see me?

Stewart: Whenever I may.

H.M.Jr: Well, I have tied myself up into a knot this morning. How about 3:00 o'clock, is that good for you?

Stewart: Yes.

H.M.Jr: Mr. Cochran?

Cochran: I haven't very much. Did you receive that message from George Harrison last night in regard to B.I.S.?

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H.M.Jr: 12:30, via General Watson. He got me out of a sound sleep.

Cochran: They told me about it this morning. They didn't tell me last night.

H.M.Jr: K'ttrick, is that the fellow's name?

Cochran: Yes.

H.M.Jr: He got the jitters.

Cochran: And the State Department has two messages in this morning in regard to Netherlands freezing, one from Gordon, and they are going to send them both over and I will bring them up to Mr. Bell when they get here. I showed you those last night. They have come in in the last two days in regard to the Netherlands account.

H.M.Jr: I, for once in my life, was right, that the cable on the six million dollars from Holland did not say that it only became effective when Amsterdam had fallen.

Gaston: Our authority was the Minister, who said the instructions to the Bank did not make a condition on Amsterdam falling, but he told us it was.

H.M.Jr: I only go by the instructions.

Gaston: We hadn't seen the instructions to the Bank until yesterday.

H.M.Jr: You hadn't?

Gaston: I hadn't seen them, no. Had you seen them, Merle?

Cochran: No, sir.

H.M.Jr: What?

Cochran: They telephoned me about the instructions, but they hadn't sent them down.

H.M.Jr: I got them over the telephone.



- 6 -

Cochran: They told me by telephone.

H.M.Jr: But you got them too, the same say I did.

Cochran: I got them by telephone, yes, sir.

H.M.Jr: Well, there had better be a little liaison work.

Gaston: Yes, we hadn't had word from the Bank.

H.M.Jr: Those --

Gaston: Not that it matters.

H.M.Jr: No, but I just wanted to check my own memory.

Gaston: Yes. Well, you got it from the Bank, but we got it from the Minister, who told a different story.

H.M.Jr: Which is the one you would act on?

Gaston: Well, the instructions to the Bank, of course. The account is at his disposal right now and has been for several days.

H.M.Jr: Well, Merle, these cables --

Foley: Unless he had instructions not to use it.

H.M.Jr: Anything that I get from Harrison, I will let Merle know. Your contact is directly with Knoke, isn't it?

Cochran: Yes, sir.

H.M.Jr: It is up to you to service these fellows that are doing the foreign exchange.

Cochran: I do.

Gaston: Yes, he has.

H.M.Jr: And also I am going to look to you if any cables or messages come in from any government, that you ride herd on the gang to see that somebody answers them.

- 7 -

Cochran: All right, sir.

H.M.Jr: Will you, please?

Cochran: Sure.

H.M.Jr: If there is a message comes in and needs an answer, it is up to you to keep after everybody to answer it, including myself.

Cochran: All right, sir. The Federal had a wire this morning from the Bank of England telling them not to communicate by wireless unless speed was more important than secrecy. They were afraid of interception of messages. They suggested they send messages through Montreal now.

H.M.Jr: Now that Mr. Bell is back, in behalf of Mr. Bell and myself, I thank Mr. Gaston for carrying the ball the last four days, which he did very efficiently. I am being serious. As soon as Cy can catch on, we will shove more and more on him, because both Mr. Bell and Mr. Gaston have got more than they can do. But you (Upham) look to Bell as your superior, will you please?

Upham: Sure.

Cochran: That is all.

Sullivan: Mr. Doughton is coming at 10:00, is he? I think in addition to Hathcock, he may want to discuss some estimates he had requested on the General Welfare Act. Mr. Blough and Mr. Haas are in accord.

H.M.Jr: Well, you be here at 10:00.

Sullivan: Yes. I just wanted to suggest to you that we are not anxious to give any figures. They are difficult to obtain and cannot be helpful.

H.M.Jr: You and Phillip Young stay behind a minute. I want you to do something for me.

Sullivan: Yes, sir.

- 8 -

Foley: You wanted to be reminded about that collector.

H.M.Jr: Oh, yes. I have got to do it for Pa Watson. What is it?

Gaston: Well, the situation is that Pa called me and told me that the President definitely wanted us to appoint Guffey's man, notwithstanding the fact that the present man, Ivory, has been a very satisfactory collector, Mr. Harris tells me.

H.M.Jr: Is Guffey's man a good man?

Gaston: Guffey's man's record is perfectly all right. He is about the same class of man, apparently, as Ivory. He has been in small-time business, salaried jobs mainly, but has a perfectly good record. There is nothing against him shown in the investigation.

Thompson: The investigation has been carried out.

H.M.Jr: All right, then let's -- What?

Foley: I asked him what his name was.

Gaston: His name is Dennis Phelan, a Czechoslovakian.

H.M.Jr: A Czechoslovakian?

Sullivan: That sounds Yugoslavian.

Harris: Mr. Secretary, did you see the report about the German Consul in San Francisco withdrawing the money?

H.M.Jr: Weidemann?

Harris: Yes. His brother is the buyer for R. H. Macy in New York.

H.M.Jr: Is that right? Weidemann is supposed to be the head of the Gestapo in America, that is gossip.

Harris: There are three brothers. I know two of them.



- 9 -

I don't know this one.

H.M.Jr: Well, fix it up.

Gaston: You want it put through?

H.M.Jr: Sure. It is one of these things, but this has nothing to do - no precedent as far as the collectors in any other state, in New Hampshire or any place else is concerned.

McReynolds: It follows the precedent they have followed in a number of cases. They have done that same thing.

H.M.Jr: I have been ordered to do it.

Gaston: It is the only thing to do when we have to.

H.M.Jr: Just as soon as McReynolds comes over here we go political, but Watson has made an issue of it and I would like to do it today, please.

Gaston: Sure.

H.M.Jr: I am not happy about it, but I have just got to do it.

O. K., gentlemen.

**STRICTLY CONFIDENTIAL**  
**TREASURY DEPARTMENT**

360

**INTER-OFFICE COMMUNICATION**

**DATE May 15, 1940**

**TO Secretary Morgenthau**

**FROM Mr. Cochran**

At 9 o'clock this morning Mr. Knoke telephoned me to the effect that the following message, received at 9:36 p.m., May 14, from President McKittrick of the B.I.S. at Basle, had been telephoned last night to the Secretary by President Harrison of the Federal Reserve Bank of New York:

"In case of emergency hold everything until you can clear personally with me elsewhere."

From a Basle telegraphic report in the New York press yesterday, I noted that the B.I.S. had been transferred from Basle to Chateau 'd Oex, near Gstaad, in the Bernese Oberland. This is a quiet part of the mountains near Bern which most likely would not be on the route of any invasion of Switzerland leading to France.



TREASURY DEPARTMENT

361

INTER-OFFICE COMMUNICATION

DATE May 15, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 9 a.m. this morning Mr. Knoke told me that the Federal Reserve Bank of New York had this morning received the following message from the Bank of England at London:

"Owing to possibility of interception Bank of England will transmit by cable instead of wireless all messages where secrecy is more important than speed. Suggest you consider similar action. Radio Corporation of America will provide special service if messages for cable transmission are marked via Montreal Imperial."

*J.B. M.P.*



HSM

PLAIN

London

Dated May 15, 1940

Rec'd 6:20 a. m.

Secretary of State,  
Washington.

1212, May 15, 11 a. m.

FOR TREASURY FROM BUTTERWORTH.

1. The British Treasury announces that the Belgian Finance Minister, the Chancellor of the Exchequer and the French Finance Minister have concluded a tripartite financial agreement whereby reciprocal financial facilities for the settlement of their expenditure are granted as between Belgium and France on the one hand and Belgium and the United Kingdom on the other. It is indicated that this agreement is a token of the financial and monetary solidarity of the three countries "with a view to their common victory".

2. The British financial press carries this morning inspired denials of rumors that the official quotation for sterling is on the point of being adjusted downwards.

KENNEDY

DDM

STRICTLY CONFIDENTIAL  
TREASURY DEPARTMENT

363

INTER-OFFICE COMMUNICATION

DATE May 15, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

At 9:15 this morning Mr. Livesey telephoned to me that the Department of State had received a cablegram from our Minister Gordon at The Hague in regard to our freezing of Dutch credits. There was also a message from Shanghai. I mentioned these two matters at the group meeting, stating that I had sent to the State Department for copies of the messages.

At 10:45 Mr. Livesey telephoned me again wanting to know about a reply to The Hague, saying that Mr. Berle's office had just spoken to him about this. I told him that our group would communicate with him as soon as possible.

At 11:30 I talked with Dr. Feis on this subject, with Messrs. Stewart and Bernatein present in my office. We submitted a draft reply, and Dr. Feis also gave us a State Department draft. We agreed to a part of the State Department draft and it was understood that our recommendations would be submitted to Assistant Secretary of State Berle who was particularly interested in the matter. Shortly afterwards, Mr. Livesey told me that the State Department cable office had word that there was no telegraphic connection possible with the Netherlands.

Upon checking up at 5:20 this evening with Mr. Livesey I found that he still had on his desk a draft of the State Department's message as approved by Mr. Berle. It had not been possible to dispatch it because of the interruption in the cable service. Mr. Livesey will keep me informed as to whether any action is taken. There is nothing further for the Treasury Department to do at present.

The State Department draft was agreeable to us insofar as it quoted our own documents. We thought that certain suggestions to the effect that we were reviewing the matter and that Gordon should submit further observations were not perhaps necessary, since we are already so closely in contact with the Dutch Legation in the premises.

*AMC*

RDS

GRAY

Milan

Dated May 15, 1940

Rec'd 2:10 p.m.

Secretary of State,  
Washington.

29, May 15, 5 p.m.

FOR TREASURY DEPARTMENT.

Today's prices as follows: 193.25; 333; 506; not  
listed; 972; 200.25; 1328; 61; 220. Volume 131,430.

Active selling further reduced most quotations but  
prices rallied at and after close of exchange apparently  
rumors of more favorable political developments.

SHOLES

HPD



COPY

BRITISH EMBASSY,

WASHINGTON, D.C.

15th May 1940.

Dear Merle,

Gifford sends me the following extract from a letter which he has received from the Bank of England:

"When the Vesting Orders have been made only those holdings which have been registered at the time the Order was made have been acquired by the Treasury. Somewhere about 800 fresh registrations have been received in respect of the securities covered by the first Vesting Order since the Order was made. The amount involved is not large - only £500,000. It has been difficult to decide how to deal with these and the problem is being solved by an amendment to the Regulations which will be made by Order in Council on April 30th permitting the Treasury to take over these late registrations at a price not lower than the original vesting price or the market price at the time the new Order was made, whichever is lower. This will bring in a few more holdings of practically all the securities vested under the first Order; particulars of them will be sent to you without delay."

Gifford points out that this will delay his being able to report to the Secretary the completion of the sale of any individual security; or rather, as it seems to me, it will mean that while he may report the completion of the sale of any individual security, it is possible that a trickle of further securities of the same kind may come in thereafter.

I might add by way of explanation that we have been very lenient with people who did not register their securities at the proper time (9th October 1939, if I remember right), and have not used our powers to apply penalties to them.

Yours ever,

(Signed) Jerry Pincent

Mr. H. Merle Cochran,  
United States Treasury,  
Washington, D. C.



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TREASURY DEPARTMENT  
WASHINGTON

May 15, 1940.

MEMORANDUM FOR THE SECRETARY:

S.S. FORTUNATA (Italian) arriving New York May 13th, entered May 14th, carrying 4,000,000 kilos low grade pyrites from Spain. Presently unloading at Edgewater, New Jersey. Contemplated 2/3 days more required for unloading.

Had filed export declaration for 4,000 drums toluene, to be shipped by Tonerde, 67 Broad Street, New York. Vessel will load at Pier 16, Hoboken. Destination, Genoa.

*Basil Harris.*

*Mr. Landon telephoned  
this information to Mr. Berke.  
L.S.M.*



# TREASURY DEPARTMENT

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PROCUREMENT DIVISION

WASHINGTON

OFFICE OF THE DIRECTOR

May 15, 1940

## MEMORANDUM FOR THE SECRETARY

This morning Captain J. E. Meijer Ranneft, Naval Attache of the Netherlands Legations, accompanied by Captain E. J. G. Te Roller of the Aviation Corps of the East Indian Army, called concerning the possibility of acquiring 54 P-40 Curtiss pursuits.

Captain Ranneft was advised of the procedure that had to be followed, and this afternoon he submitted a formal letter requesting assistance in getting, if possible, a release by the Army of the engines necessary to equip these planes. He submitted an alternate proposition of acquiring 54 Brewster pursuits but pointed out that the complete delivery of these being January, 1941, did not make that proposition as desirable as the delivery of the Curtiss pursuits which could be completed in October, 1940, provided engines could be obtained.

At a meeting of the Liaison Committee this afternoon this matter was presented to the Army and Navy representatives, and it is presently being studied by both departments.

The fact was pointed out to the representatives of the Army and Navy that these planes are desired for use in the Dutch East Indies.



TREASURY DEPARTMENT  
Office of the Secretary

368

Technical Assistant to the Secretary

Date May 15, 1940

TO:

SECRETARY MORGENTHAU

The State Dept. telephoned me at 5:15 this evening that Dr. Feis would discuss the subject of this telegram with Under Sec. Welles on Thurs. morning. Did we have any comment to make?

I have read the message to Mr. Bernstein. I believe he agrees with me that the Govt. should not take an official position on this matter to the extent of giving an official warning. On the other hand Basil Harris might be able to suggest a way for passing on some word informally to the American insurance companies, if this is found desirable. We could discuss this tomorrow morning.

From: MR. COCHRAN



DEPARTMENT OF STATE  
WASHINGTON

May 15, 1940.

The Secretary of State presents his compliments  
to the Honorable the Secretary of the Treasury, and  
encloses one copy of paraphrase of telegram No. 686  
of May 15 from Paris.

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## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: May 15, 1940, 6 p.m.

NO.: 686

RUSH.

The following is strictly confidential.

For the President, the Secretary of State and the Secretary of the Treasury.

I have just been told by Charveriat that the Italians are making transfer of all the insurance on their ships from London to the United States. The object of the Italians is to be paid in good American dollars in case of war losses.

It is my belief that the United States Government discreetly should issue a warning to all U.S. insurance companies to refuse to issue any marine insurance to the Italians. In addition, I believe that they should be advised to cancel any outstanding insurance of this nature. It might have some influence if this act should become known tonight in Italy - it is a good club at any rate.

BULLITT.

EA:LWW



May 15, 1940

Dr. Feis

Mr. Goshorn

The following message is suggested as a reply to cablegram No. 414 dated May 13 from the American Consulate General at Shanghai:

\*American Consulate General, Shanghai

Reference your 414 May 13 6 p.m.

On May 13 the Treasury issued the following general license under the freezing control:

'A general license is hereby granted authorizing banking institutions within the United States to make all payments, transfers and withdrawals from accounts in the name of any of the following: Javasche Bank, Nederlandsche Handel-Maatschappij, Nederlandsch Indische Handelsbank and Nederlandsch-Indische Voocepte Maatschappij.

Banking institutions within the United States making such payments, transfers, or withdrawals shall file promptly with the appropriate Federal Reserve Bank weekly reports showing the details of the transactions during such period.' "

  
HMC/TSM/rmm 5/15/40

# TREASURY DEPARTMENT

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## INTER-OFFICE COMMUNICATION

DATE May 15, 1940

TO Secretary Morgenthau  
FROM Mr. Haas *HA*  
Subject: Railroad freight movement for export.

### Export freight receipts lower

A downturn in receipts of export freight at New York is noted in the figures for the week ended May 11, offset in part by a slight increase in receipts at 9 other North Atlantic ports. The net decline of 365 cars in export freight receipts carries the total for the North Atlantic area to 5,412 cars in that week, which is lower than in any other week since January 6. (See Chart 1 and table attached)

### Exports from New York decline

The volume of freight exported from New York, as indicated by reported figures, was rather sharply reduced during the week ended May 11, but the total for the week remained within the range of the weekly exports in April. (See Chart 2)

Lighterage freight in storage and on hand for unloading in New York harbor continues practically unchanged, as shown in Chart 3.

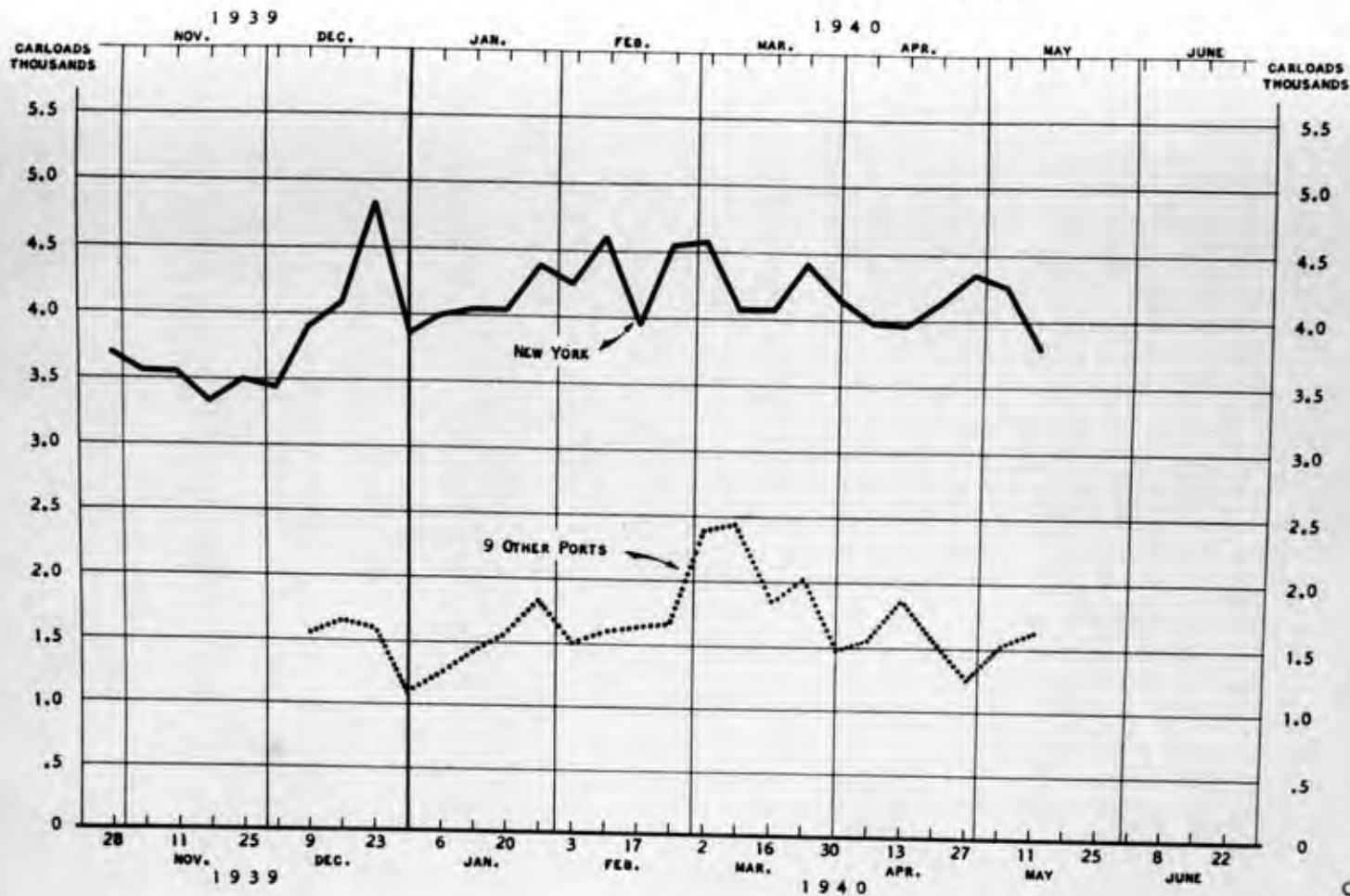
RECEIPTS OF FREIGHT FOR EXPORT AT NEW YORK  
AND AT 9 OTHER NORTH ATLANTIC PORTS

Week ended 1939-40	New York <u>1/</u> (-----)	9 other North Atlantic ports <u>2/</u> In carloads -----)	Total
December 2	3,435		
December 9	3,922	1,548	5,470
December 16	4,088	1,658	5,746
December 23	4,848	1,602	6,450
December 30	3,856	1,104	4,960
January 6	4,000	1,251	5,251
January 13	4,056	1,433	5,489
January 20	4,060	1,557	5,617
January 27	4,389	1,825	6,214
February 3	4,274	1,498	5,772
February 10	4,617	1,590	6,207
February 17	3,974	1,637	5,611
February 24	4,550	1,667	6,217
March 2	4,577	2,388	6,965
March 9	4,059	2,448	6,507
March 16	4,072	1,845	5,917
March 23	4,424	2,033	6,457
March 30	4,150	1,492	5,642
April 6	3,979	1,551	5,530
April 13	3,957	1,866	5,823
April 20	4,133	1,557	5,690
April 27	4,346	1,248	5,594
May 4	4,255	1,522	5,777
May 11	3,793	1,619	5,412

1/ Source: General Managers' Association of New York, Daily Report of Operating Conditions in New York Harbor.

2/ Source: Association of American Railroads, Car Service Division, Report of Carload Freight for Export and Coastal Vessel Movement. Includes Searsport, Portland, Boston, Providence, Philadelphia, Chester, Wilmington, Del., Baltimore, and Norfolk (or Hampton Roads).

AND AT 9 OTHER NORTH ATLANTIC PORTS

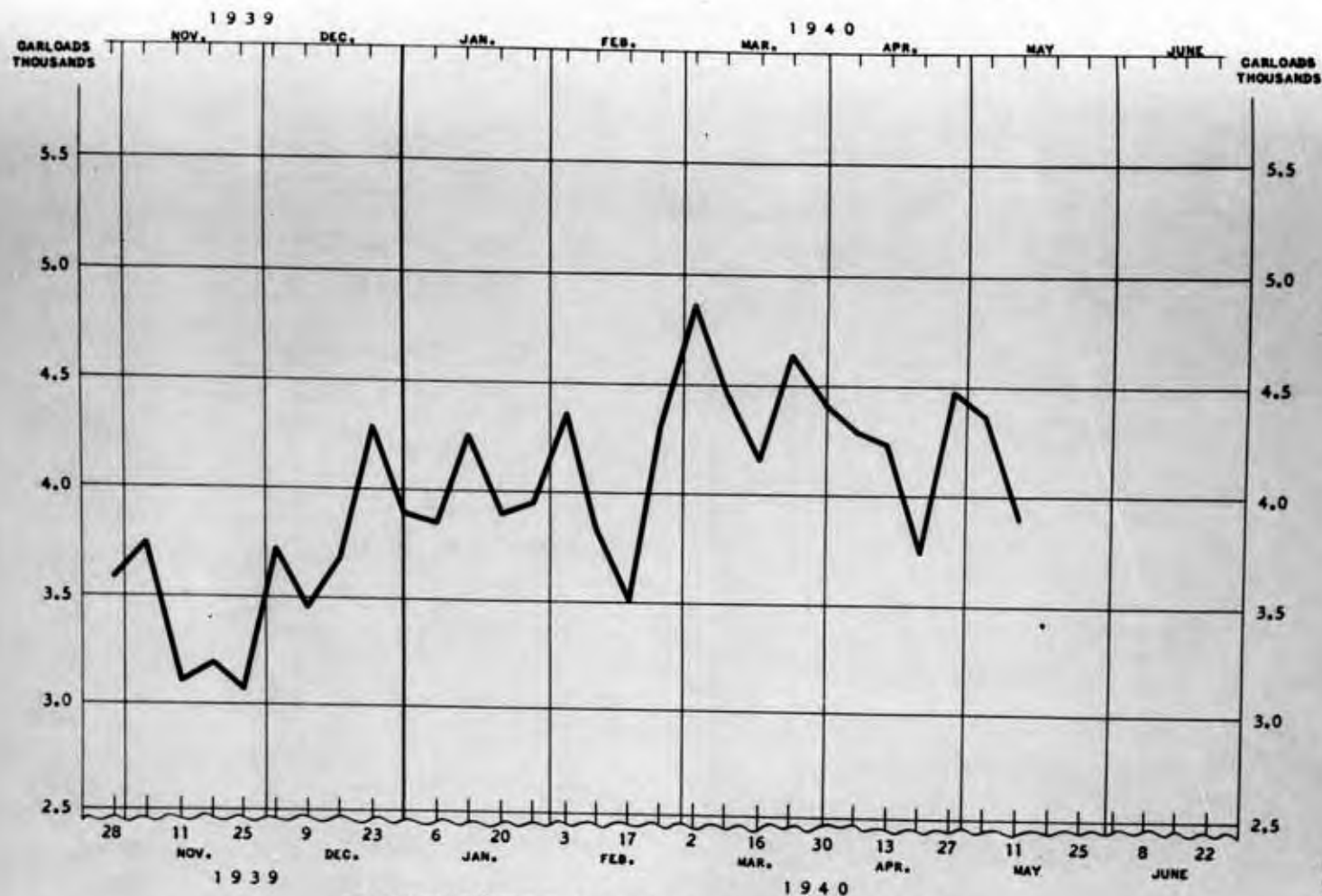


Office of the Secretary of the Treasury  
Division of Research and Statistics

Chart 1  
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# CARLOADS OF FREIGHT EXPORTED FROM NEW YORK \*



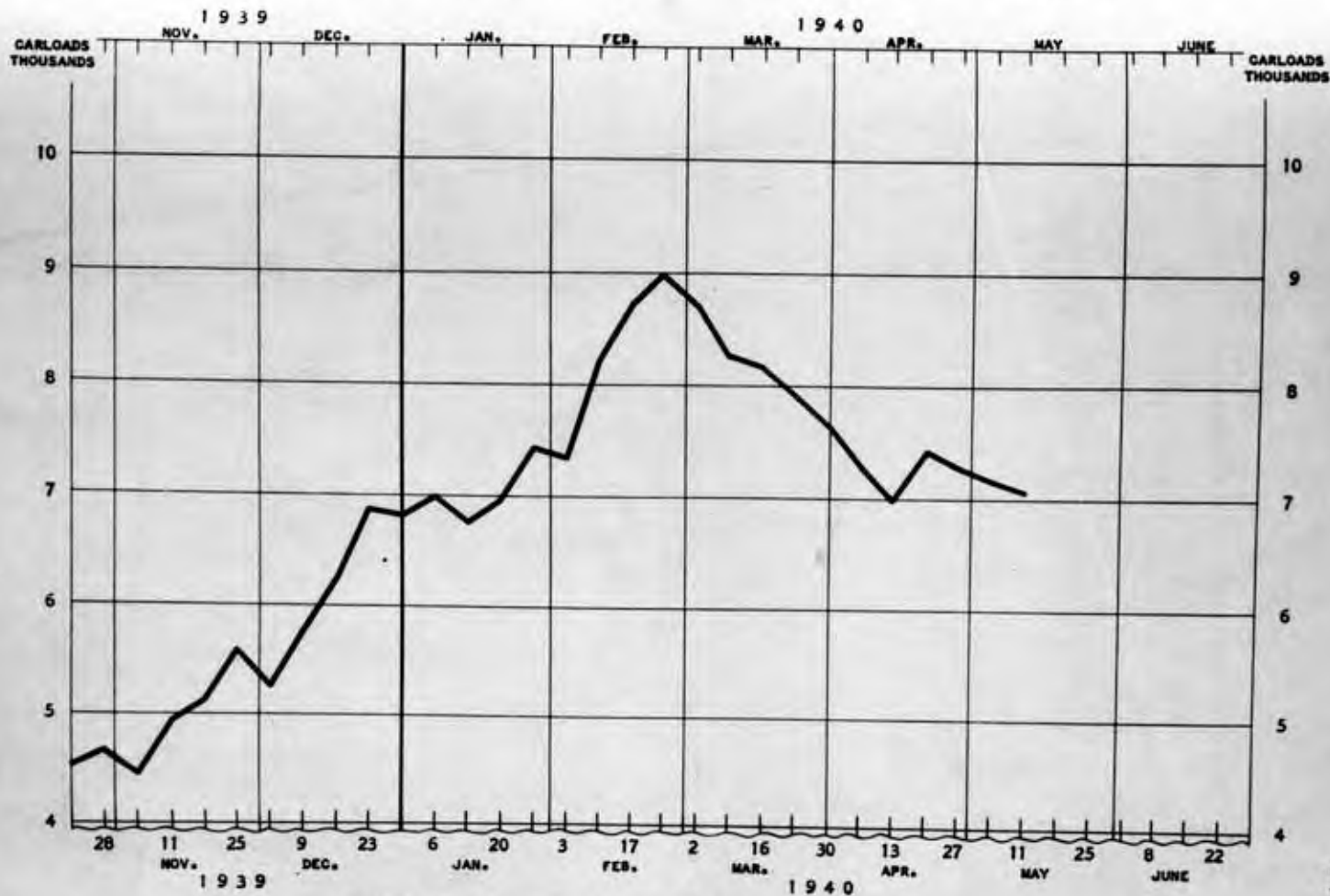
\* AS ESTIMATED FROM DATA OF GENERAL MANAGERS' ASSOCIATION OF NEW YORK.

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

Chart 2  
375

C-308  
Regraded Unclassified

# LIGHTERAGE FREIGHT IN STORAGE AND ON HAND FOR UNLOADING IN NEW YORK HARBOR \*



\* LARGELY EXPORT FREIGHT, BUT ABOUT 10% REPRESENTS FREIGHT FOR LOCAL AND COASTAL SHIPMENT. FIGURES EXCLUDE GRAIN.

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

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Chart 3

C-303

Regraded Unclassified

## P A R A P H R A S E

STRICTLY CONFIDENTIAL

confidential  
A/telegram (no. 217) of May 15, 1940, from the  
American Ambassador at Chungking reads substantially as  
follows:

On the evening of May 14, the Ambassador called by request on General Chiang Kai-shek. The Generalissimo pointed out that the Chinese Government is now faced with a very serious economic situation. He expressed himself as being more concerned over this situation than over the military situation. He called attention to the fact that on account of the European war France and England could not give much more assistance and, expressing China's appreciation for all of the assistance which had been given in China's time of need, he said that he hoped that some action to assist China in supporting its national currency could be taken by the United States which is the sole great nation now not involved in war. The Generalissimo used the strongest of terms in urging that, for the purpose of making it possible for China to face the serious economic situation now existing, assistance in support of the currency be extended within two months. He asked the Ambassador to stress the gravity of China's needs and he said that he was addressing President Roosevelt on the subject directly. The Ambassador assumes that this message is to be sent through Ambassador Hu at Washington. General Chiang added that if the United States was prepared to assist he was prepared



STRICTLY CONFIDENTIAL

prepared to send some one to talk over matters. The Chinese Minister of Finance and Minister of Foreign Affairs, Mr. Peck, Counselor of the American Embassy, and Mr. Arnold, American Commercial Attache' were present during this conversation.

The only comment which the Ambassador made was to the effect that he would gladly send forward the Generalissimo's message.

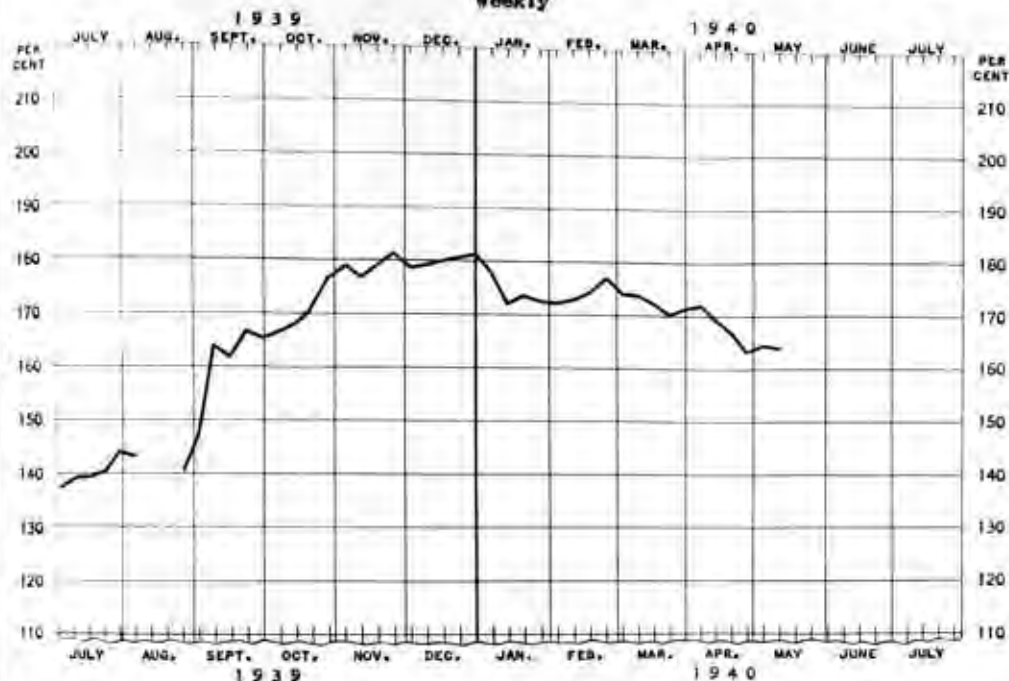
The Ambassador expresses the opinion that the present stabilization fund and the present operation thereof gives an opportunity of furnishing help before the fund is forced to cease operation after which it would be necessary to work out some special mechanism involving larger responsibilities on our part. He feels that in order to assist American objectives and commerce in China some means should be found to contribute to the existing stabilization fund. The Ambassador adds as his personal belief that the situation warrants the extension of aid.



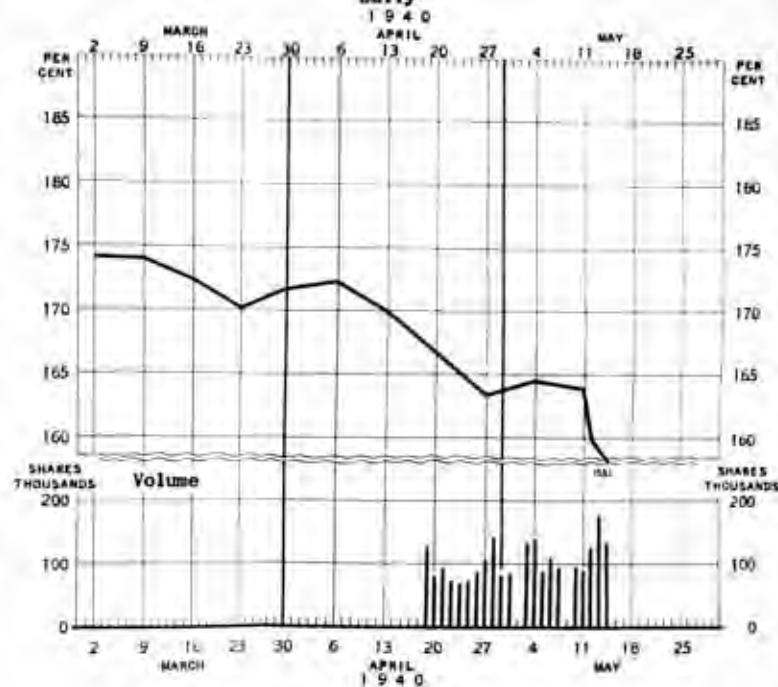
ITALIAN STOCK PRICES  
(Milan)

Dec. 31, 1927 = 100

Weekly



Daily\*

SHARES  
THOUSANDS

Volume

SHARES  
THOUSANDS

\*DAILY FOR LATEST WEEK ONLY

TREASURY DEPARTMENT

380

INTER-OFFICE COMMUNICATION

DATE May 15, 1940

TO Secretary Morgenthau  
FROM Mr. White  
Subject: Shipments of Aluminum to Rumania

Exports of aluminum to Rumania on ships scheduled to sail May 16 amount to \$21,800.

Following are details of these shipments.

SHIP: S. S. Exmouth (American)  
SAILING: From New York, May 16, 1940  
DESTINATION: Bucharest, Rumania  
CARGO: Virgin Aluminum, 25,314 lbs., \$5,500

SHIP: S. S. Exchange (American)  
SAILING: From New York, May 16, 1940  
DESTINATION: Constanza, Rumania  
CARGO: Pure aluminum ingots, 70,029 lbs., \$16,300

CC: Mr. Gaston  
Mr. Basil Harris  
Mr. Cochran  
Mr. Young

May 15, 1940  
9:01 a.m.

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H.M.Jr: Hello.

George  
Harrison: Good morning, Henry.

H.M.Jr: General Watson called me at 12:30 last night, got me out of bed, to tell me your message.

H: (Laughs) Well, I'm sorry he did that.

H.M.Jr: Yeah, I.....

H: And I told him not to do it.

H.M.Jr: Well, he did it. I thought it could wait until this morning.

H: It could just as well have waited.

H.M.Jr: Yeah.

H: I tell you, I tried to get you and I heard you were at a concert.

H.M.Jr: That's right.

H: So I thought I'd let him know just in case somebody -- in case it might fit into the picture of something else that might have been important.

H.M.Jr: Well, that's all right. One never knows.

H: And I didn't want to sit on it overnight.

H.M.Jr: No.

H: That was all.

H.M.Jr: You haven't heard from the head of the B.I.S., have you?

H: No, I -- not other -- nothing other than that telegram.

H.M.Jr: Right. Right.

H: And.....

- 2 -

H.M.Jr: Now, George, Dan Bell is back.

H: Yes.

H.M.Jr: And will you talk to him if it were necessary on the bond market to keep us posted?

H: I'll be very glad to.

H.M.Jr: Because he's back.

H: Yeah, I'll do that, and I think it's the best way to do it, and then if there's anything important he can call you in or I'll let you know.

H.M.Jr: I mean -- you're our fiscal agents and if and when and how I want to deal with you I'm going to deal with you, and in these times I haven't got time to have any more rows.

H: I agree, Henry, and I told Eccles that if you asked me I would of course tell you and now you've done it and I just feel that I'll just go right ahead regardless.

H.M.Jr: I had to take time out to have a row with Jesse. Did you see that?

H: No.

H.M.Jr: The Trib has a story on it on the first page of their financial news.

H: Oh, the Tribune?

H.M.Jr: Yes.

H: I must read it.

H.M.Jr: Carter Glass introduced a bill that Jones asked him to and when I explained to him why we didn't want certain provisions, Jones -- Senator Glass yesterday said -- he lost his temper in a hearing and said the first time in forty years he's going to have to vote against a bill he'd introduced himself.

H: Who, Glass said that?



- 3 -

H.M.Jr: Yeah. And he struck out the two provisions which I objected to and which Jones wanted.

H: Good.

H.M.Jr: One was to extend real estate loans from ten years to fifteen.

H: Yeah.

H.M.Jr: And the other was to give him joint authority with us on preferred stock.

H: Yes.

H.M.Jr: Which was simply a public slap at me because I did my duty on the Bank of America, and I wasn't going to take it. And Glass took my side after he had introduced the bill.

H: Good work.

H.M.Jr: Which was a very handsome thing for him to do.

H: Very nice.

H.M.Jr: Because he's great friends with Jesse.

H: Yes.

H.M.Jr: But he said the first time in forty years he had to vote against a bill he had introduced.

H: (Laughs) Certainly interesting. He's a grand -- he's a grand old man.

H.M.Jr: I've always thought so.

H: Yeah.

H.M.Jr: But on this business, I just haven't got time to fight with the Board.

H: Well, I haven't either, frankly.

H.M.Jr: And things are too serious and if I want to talk to the head of the Federal Reserve, I'm going to talk to them.

- 4 -

H: All right. And I go on as your fiscal agent just as we have.

H.M.Jr: Just the same.

H: All right.

H.M.Jr: Please.

H: Fine. Goodbye.

May 15, 1940  
9:14 a.m.

H.M.Jr: I just thought I'd do a little crowing with you yesterday.

Gene Duffield: Well, I think you deserve it all right.

H.M.Jr: We're coming all right, aren't we?

D: You bet you are! There are very few people who could have gotten away with that in those committees against Jesse Jones, by golly.

H.M.Jr: Well, old Carter came to my rescue, didn't he?

D: He certainly did.

H.M.Jr: I hear he was good.

D: Leo Crowley says he lost the play. He forgot that he introduced it. (Laughs)

H.M.Jr: But Jones was terrible, wasn't he?

D: Well, I think he was your best witness though. He -- one of the people here at the Securities and Exchange Commission saw Wagner after that hearing and he said Wagner was just as red in the face as he could be, and he said, "Jesse made us so mad we gave Henry everything he wanted."

H.M.Jr: Well, of course, I -- between us, I couldn't count on Wagner.

D: Well, I don't -- yeah, I know that.

H.M.Jr: I didn't -- my ace in the hole was Carter.

D: Yeah. Yeah.

H.M.Jr: What?

D: Yeah, I think you're right.

H.M.Jr: I mean, earlier in the week Wagner practically served notice on me that the President wanted this and that's what Jesse said and so forth and so on.



- 2 -

D: For heaven's sake!

H.M.Jr: Oh, yeah. No, my -- my friend was Carter.

D: Well, I'll be darned. You just can't count on that fellow.

H.M.Jr: You cannot count on Wagner.

D: That's right.

H.M.Jr: No.

D: Well, I think Jesse helped you out an enormous lot.

H.M.Jr: Well, he's made some terrible statements. I thought this, Gene, I didn't think -- I thought I -- in the press or anywhere else that I'd say anything.

D: Yeah.

H.M.Jr: Huh?

D: I think that's probably wise, because Jesse said too much and that's what got him in trouble.

H.M.Jr: What I'd love to say or get it to somebody -- after all once a Hoovercrat always a Hoovercrat.

D: (Hearty laughter)

H.M.Jr: That's not copyright.

D: O. K.

H.M.Jr: What?

D: Fine.

H.M.Jr: All right?

D: O. K.

H.M.Jr: I thought of that this morning and I said to Mrs. Morgenthau, -- I said could I use it. She said, "No", but she said, "There's no harm telling it to somebody."



- 3 -

D: (More laughter) Well, good.

H.M.Jr: What?

D: That's fine.

H.M.Jr: It's true, you know.

D: You bet it is.

H.M.Jr: It sums up the whole thing.

D: You bet, you're right. You're absolutely right.

H.M.Jr: I -- I was prepared, and I told this to Carter, to go up on the Hill and tell the story of Bank of America -- it would have taken me a week and I was prepared to do it.

D: Yeah.

H.M.Jr: And I was not going to be slapped down by that bastard.

D: Yeah, I agree with you.

H.M.Jr: They tell me -- I don't know who was up there from your office, but they said he just completely went haywire.

D: Well, I heard that at noon, that he had said all sorts of mean things, of course, about government bonds and about Preston Delano. Cy Upham said if Preston Delano is just a clerk for Henry Morgenthau, what's Emil Schramm?

H.M.Jr: Yeah; well, Emil Schramm made some damn fool statements too.

D: I didn't see that.

H.M.Jr: Oh, he -- he was -- well.....

D: Yeah. Well, I think they hurt themselves and helped you an enormous lot.

H.M.Jr: Yeah, this is the first time Mr. Jones has been slapped down.

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D: And is he mad about it!

H.M.Jr: What?

D: He's very sore about it.

H.M.Jr: Oh, yeah.

D: Yeah.

H.M.Jr: Well, of course you know, it's an accumulation of seven years and he wasn't made Secretary of the Treasury.

D: Yeah, I suppose that's true.

H.M.Jr: What?

D: I suppose that's true. I hadn't thought of that but I guess that's right.

H.M.Jr: And that -- I think is a lot of Johnnie Hanes' spleen.

D: Well, I guess probably so.

H.M.Jr: The story has never been written but I think you'll find that he and Johnnie together were the original fellows who cooked up the Associated Gas thing.

D: Oh, really?

H.M.Jr: Oh, sure. That -- that 25 million up-stream loan.

D: Well, I -- I.....

H.M.Jr: Last December.

D: Well, I'll be darned.

H.M.Jr: That's when that whole thing started.

D: I guess you're right.

H.M.Jr: And when all of this came out the boys weren't smart enough, but that was the whole thing and I'm convinced I can't prove it that Johnnie was to go in with Jesse back of him.

- 5 -

D: Well, I'll be darned!

H.M.Jr: Well, just think that one over.

D: I will. I will.

H.M.J5: And I think that that's when the whole thing started.

D: Well, victory is on the right side anyway.

H.M.Jr: Well, I just thought that inasmuch as you had so much to do with the Bank of America that I.....

D: Yeah. Well, I.....

H.M.Jr: .....I'd crow with you.

D: Well, I think you deserve to crow.

H.M.Jr: And just remember, once a Hoovercrat always a Hoovercrat.

D: I'll remember. (Laughs)

H.M.Jr: O. K.

D: O. K.

H.M.Jr: Goodbye.

D: Goodbye.



May 15, 1940  
9:19 a.m.

H.M.Jr: Hello.

J. J.  
Pelly: Hello.

H.M.Jr: Hello, Mr. Pelly.

P: Yes, sir.

H.M.Jr: How are the railroads?

P: Well, we're all right.

H.M.Jr: Mr. Pelly, I'm counting on you, if you get into any congestion or any shortage of cars or equipment or storage space to give me a ring and come over and see me.

P: I certainly will do that.

H.M.Jr: And if there are any troubles anywhere on the railroads will you come over and see me?

P: Yes, sir, and if you hear of anything.....

H.M.Jr: I'll call you.

P: .....that concerns me, will you let me know?

H.M.Jr: I'll call you at once.

P: You betcha, I'll be delighted to do that, Mr. Secretary.

H.M.Jr: But the railroads have been doing a swell job, and keep it up.

P: Well that's bully. Thank you very much.

H.M.Jr: All right.



May 15, 1940  
10:00 a.m.

H.M.Jr: Hello.

Operator: Congressman Ford.

Thomas F. Ford: Hello.

H.M.Jr: Hello.

F: Good morning.

H.M.Jr: Mr. Ford.....

F: Yeah.

H.M.Jr: Henry Morgenthau, Jr.

F: How are you this morning?

H.M.Jr: Oh, I'm fine!

F: 'Atta boy.

H.M.Jr: I'm getting a great kick out of this fight.

F: (Laughs) So am I.

H.M.Jr: And I'm learning who are my friends and who are not.

F: I see.

H.M.Jr: And I'm counting you as one of my real friends.

F: Well, thank you. I never go back on anybody who does anything for me.

H.M.Jr: And good old Tia Juana is all right, what?

F: (Laughs) Yeah.

H.M.Jr: No, I appreciate what you're doing and old Carter Glass yesterday, you know, kicked Jesse Jones in the pants.

F: He did, eh?

H.M.Jr: Oh, yeah.

- 2 -

F: Well, I kicked him in the pants yesterday myself.

H.M.Jr: I know you did. And.....

F: Then he came around. He wanted to have a talk with me and explain what was what and I said, "Well now, Jesse, let me tell you this. As long as the Treasury of the United States is ultimately responsible for these -- for this money, you can't talk me into letting them out of the picture."

H.M.Jr: Yeah. Well, I think he and Schramm just kind of went a little crazy, didn't they, with the heat?

F: Well, I don't know what it's all about. Now, they -- they want that ten to fifteen years. Well, is that so terribly vital? I tell you what I might be able to do. I haven't got a hell of a lot of support from the committee but I've got some. I might swap that for the other.

H.M.Jr: Oh, I'd take them both out.

F: Well, I'm going to try -- I'm going to shoot to strike them both, but in the end I might have to do that.

H.M.Jr: Well, what's his name -- Glass threw both of those amendments out.

F: Well that's fine, and of course Williams is all for that fifteen-year thing.

H.M.Jr: Oh. Well, Glass -- Glass threw them both out and you know the statement he made yesterday.

F: No, I didn't get it.

H.M.Jr: For the first time in forty years he had to vote against his own bill.

F: (Hearty laughter) Well, the old boy has got lots of guts. You've got to say that for him.

H.M.Jr: Well, what's the matter with yours?

F: What?

- 3 -

H.M.Jr: There's nothing the matter with yours.

F: Well, I never knew of anything -- but I admire the old fellow anyhow. He's a fighter from hell to

H.M.Jr: Oh, I don't think -- I don't think we ought to give in to Jesse an inch.

F: Well, I'm not giving in an inch to him and he can't talk me out of it. Now, for instance, yesterday they -- we questioned him on the question of whether or not when he wanted to make a railroad loan he had to go to the I.C.C.

H.M.Jr: Yeah, I -- that was a swell point.

F: Well now, what the hell, if he wants to make a bank loan why can't he go to you? I don't see a particle of difference.

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

F: And -- and that's the ground I'm making my battle on and I -- I don't -- and in the first place -- and then he said, for instance, I said, "Well now, you fellows say that you know -- you've been handling banks for eight years. All right, the Treasury Department has been handling them for 100 years."

H.M.Jr: Well, what did Emil Schram do except grow corn down in Illinois?

F: Well, I don't know what the hell he did and I don't care.

H.M.Jr: Well, he's a corn-grower.

F: Yeah. Well, that's all right, but then he talks about loans. My God! Good God, Henry, I've been down there forty times for loans and I've never been able to get a dollar out of that damned institution.

H.M.Jr: You, nor any other person that has a small business.

F: Well that's been my experience with him.

H.M.Jr: The big boys can get it.



- 4 -

F: Oh, sure.

H.M.Jr: The big boys can get it.

F: Oh, sure.

H.M.Jr: No, I tell you, I -- I didn't know where Carter Glass would be, but he backed me up a hundred per cent.

F: I see.

H.M.Jr: And I think you're going to find Steagall is all right, too, because he got a call from the White House on this.

F: Oh, he did. Well.....

H.M.Jr: On -- on both provisions.

F: That's good.

H.M.Jr: The President sent word to Steagall that both of those provisions out the window.

F: Out the -- well that's all -- then we'll be all right.

H.M.Jr: So Stea -- Steagall got a telephone call from the White House the night before last.

F: Yeah. Well, Henry tried to talk me into it but I wouldn't listen. Hell, I said, "No, Henry, you're up a tree now. I'm going to fight hell out of you if I have to go to the floor."

H.M.Jr: Well listen, try him out today since the White House talked to him.

F: All right.

H.M.Jr: And see if he hasn't changed.

F: All right.

H.M.Jr: Ever so much obliged.

F: Thanks for calling, Henry.

H.M.Jr: I'll see you at Tia Juana.

F: Goodbye. (Laughs)



May 15, 1940  
10:21 a.m.

H.M.Jr: Hello.

Operator: Stettinius.

H.M.Jr: Thank you.

H.M.Jr: Hello.

Edward R.  
Stettinius: Hello, Mr. Secretary.

H.M.Jr: How are you?

S: How are you this morning?

H.M.Jr: I'm all right. Mr. Stettinius, you know I asked you some information about tungsten, see?

S: Yeah.

H.M.Jr: And I didn't get what I wanted and I wrote you a letter.

S: Yeah, I understood that from the letter.

H.M.Jr: Now look, is your -- is the head of the steel institute a fellow that I can sit down and talk with and get information. I mean -- is he or isn't he a fellow?

S: Ah.....

H.M.Jr: I don't mean just tungsten. I mean on the question of increased production for the Allies and so forth and so on on steel. Does he know production and where the plants.....

S: Tower of the institute.

H.M.Jr: What?

S: Did you say Tower?

H.M.Jr: Well, whoever the man is; I don't know.

S: Well, Tower is the -- Walter Tower is the executive secretary up there, and he's a statistical fellow.

- 2 -

H.M.Jr: Oh.

S: Not -- not a production man, and I don't think that he -- any information that you asked him to get he'd have to go out and get in -- in the form of a questionnaire.

H.M.Jr: I see.

S: Now, on this -- on this tungsten thing, I wrote you a note yesterday that I was coming in to see you next week. I found that the consumers of tungsten are reluctant as the mischief to discuss this thing, with a -- with a fellow in business without a government representative.

H.M.Jr: I get you.

S: And I really think, Mr. Secretary, to get exactly what you want now that you're going to have to send out a questionnaire to each list of companies and ask them what their consumption is and what their inventory is. They just won't give it to a private citizen.

H.M.Jr: Well now look, why don't you come down Tuesday and have lunch with me?

S: Tuesday.....

H.M.Jr: The 21st.

S: Let me look at that. I've got Finance Committee here that -- on Tuesday, Mr. Secretary.

H.M.Jr: What kind of a committee?

S: Finance Committee of the Steel Corporation.

H.M.Jr: You're borrowing 75 million a day, what do you have to have a committee meeting for?

S: (Laughs) Say, by the way, that's going very well this morning.

H.M.Jr: Good.

S: There's 90 per cent of it sold already and it took a good deal of courage yesterday afternoon to proceed with it.

- 3 -

H.M.Jr: Yeah.

S: But it's gone very, very well. Now, I'm scheduled to be in Washington on Thursday.

H.M.Jr: Oh, that's too damn far off.

S: Thursday, the 23rd. Next Thursday. Is that too long?

H.M.Jr: Well, it isn't unless things get worse.

S: Well now, if things get worse you call me and I'll come.

H.M.Jr: All right. Now, do you want to have lunch on Thursday?

S: I can, if it's convenient to you.

H.M.Jr: It is.

S: Fine.

H.M.Jr: If things get worse I'm going to call you.

S: If things get worse you call me and I'll -- I'll jump on an airplane and come any time, or I can -- I can.....

H.M.Jr: I'm asking you to come. If things get worse I'm going to call you.

S: Maybe.....

H.M.Jr: Let me ask you this. Are there any particular orders coming in from the Allies?

S: Yes, -- yes, there are. And they're coming in in great quantity and it's surprising how fast they're coming. Yesterday several hundred thousand tons of increase and with indications that we get specifications in another thirty days.

H.M.Jr: Are they coming from London or from -- or now from Purvis in New York.

S: Still from London.



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H.M.Jr: Still from London.

S: Yeah. That -- that thing hasn't been coordinated at all. Well, I think, as I indicated before.....

H.M.Jr: No, I think it's going to be changed. I got word it's going to be changed.

S: Good. Well now, Mr. Secretary, if you'd like to -- if you'd like me to drop down on Friday or Monday I'll do it.

H.M.Jr: Well, I'll see how things go and if I really want you I'm going to ask you to come.

S: I can come easily this Friday or next Monday and if I don't hear from you by wire I'll see you Thursday.

H.M.Jr: Okey-doke.

S: Thank you.

H.M.Jr: Thank you.



May 15, 1940  
10:36 a.m.

H.M.Jr: Hello.

Operator: Mr. Foley for you.

H.M.Jr: Yeah. Do you want it in here. Yeah, put him on.

O: Go ahead.

H.M.Jr: Hello.

Ed  
Foley: Yes, Mr. Secretary.

H.M.Jr: Listen, is this Mr. Ed Foley?

F: Yes, suh. (Laughs)

H.M.Jr: Well, this is just one of these southern boys.

F: (Hearty laughter)

H.M.Jr: Now listen, Mr. Foley, I had a talk with this fellow from Tia Juana, see?

F: Yeah, I just saw him.

H.M.Jr: Down South American way.

F: Yes, sir.

H.M.Jr:

F: Yeah.

H.M.Jr: And he kind of -- Jones has been after him, see, and he kind of thought that maybe he'd have to have a bargain and give Jones that fifteen-year loan.

F: Yeah.

H.M.Jr: And I said, "No, sir," I said, "You just fight, man, you just fight." So.....

F: He just told me that he finishes what he starts.

H.M.Jr: So he said, "Well, I don't know whether I got the votes." I said, "Well, you know brother Steagall

- 2 -

got a message from the Big White Father." So he said, "Oh, did he?" He said, "I didn't know that." I said, "I think you'll find he's all right on both fronts."

F: (Laughter)

H.M.Jr: So he said -- well, I said, "Go around and see brother Steagall and see if he isn't all right on both fronts." He said, "Man, I'm on my way."

F: Yeah, he's in there now. I just came out.

H.M.Jr: I thought that after he had seen brother Steagall you might see if brother Steagall needs any freshening up.

F: O. K.

H.M.Jr: See?

F: O. K. I think he's -- he's representing Mr. Williams' point of view.

H.M.Jr: Yeah, but when I fight, boy, I want both legs, both eyes and all teeth. I don't want nothing -- no compromise, no umbrellas.

F: O. K., no umbrellas.

H.M.Jr: No umbrellas. See?

F: (Laughter) All right.

H.M.Jr: And I've got -- I've got hob-nails in my shoes and I'm just going to jump onto you. Now, if there's any question, see, and brother Steagall is weakening I'll just have to freshen up a little bit.

F: O. K. I'll let you know.

H.M.Jr: Goodbye.

F: Goodbye.

May 15, 1940

10:40 a.m.

H.M.Jr: Hello.

Adolf  
Berle: Henry.....

H.M.Jr: My you looked beautiful sitting in the front of the box with a white tie and boiled shirt and everything else.

B: Henry.....

H.M.Jr: Yeah.

B: .....look here.....

H.M.Jr: You looked so impressive and everything.

B: That's sweet of you. I didn't take my boiled shirt off but I toddled out after that and worked down here until two o'clock for a variety of reasons.

H.M.Jr: I see.

B: And I was sorry to do it because I had planned to be down here working on the -- Secretary Hull's that he wanted to turn in. As a matter of fact he did work down here and I found it out about half way through.

Henry, this is quick-action stuff, I'm sorry. The British Embassy wishes its name kept out of it, but the fact is they've just come down here and said that the Italian steamship "FORTUNATA" is about to leave New York any moment now with 3500 tons of toluol destined for the Italian Government for the Italian armed forces. That's about enough to make 3 million shells.

H.M.Jr: Yeah.

B: They say that they are unable to interfere with this shipment on contraband grounds. I don't know exactly why. I presume some agreement they reached at some time or other with the Italian Government which they are not yet in a position to do anything about, and they've asked us whether we would impede



- 2 -

by administrative action the sailing of this vessel, but they do not wish this government implicated in it in any way.

Now, I haven't had any time -- this came in this minute and the boat might sail at any time.

H.M.Jr: That's all right.

B: I've taken it up with Gaston. I'd be prepared to support a move if you felt like it to inspect the darn boat and buy ourselves at least a few hours to think this -- more to think this over.

H.M.Jr: That's all right. Now, give me the name of the boat. Spell it slowly.

B: F-o-r.....

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

B: .....t-u-.....

H.M.Jr: .....t-u-.....

B: .....n-a-.....

H.M.Jr: .....n-a-.....

B: .....t-a-.....

H.M.Jr: .....m-a-t-a-.....

B: Fortunata -- n-a-t-a.

H.M.Jr: "N" like in nobody?

B: "N" like in nobody.

H.M.Jr: F-o-r-t-u-n-a-t-a.

B: That's right.

H.M.Jr: F-o-r-t-u-n-a-t-a.

B: Now, I've talked to Gaston -- just -- he's the only other person who knows anything about this, but I've given him confidentially the drift of it.

H.V.Jr: 3500 tons.

B: 3500 tons of toluol.

H.V.Jr: I know what toluol is.

B: Well, you know more about it than I do -- but except that when you mix it with trinitrol something happens. I saw that in the World War.

H.V.Jr: That's right.

B: All right, sir.

H.V.Jr: Well now, we'll hold the damn thing, and you're all right over at the State -- with your boss, Hull, on this?

B: I will -- I haven't had a chance to get through to him because I don't have any time, but I will arrange that we are.

H.V.Jr: O. K.

B: I mean, I'll give you assurance that I will cover that end of it.

H.V.Jr: Well, we'll begin to look at the radio et cetera, et cetera.

B: All right.

H.V.Jr: O. K. Goodbye.

B: Goodbye.

May 15, 1940  
2:22 p.m.

H.M.Jr: Hello.

Operator: Mr. Bell. Go ahead.

H.M.Jr: Dan.....

Dan  
Bell: Yes.

H.M.Jr: I had lunch with Henry Wallace.

B: Uh-huh.

H.M.Jr: His brother-in-law is the Swiss Minister and he wanted to know what they could do and I told him if he'd call you you'd give him plenty of time. Now, there are certain things that they ought to do which we've learned, like giving them the money to take care of their Legation and all that kind of stuff, you know?

B: Yeah.

H.M.Jr: And the burning of securities if -- American securities, inside of Switzerland. And get Bernie to make up a list of the things which we have learned now in the last two weeks.....

B: Yeah.

H.M.Jr: .....

B: Yeah.

H.M.Jr: And then if you'd receive the Swiss Minister when you get ready, but make up a list of the things that we've learned through the mistakes in these other countries.

B: All right.

H.M.Jr: Will you do that.

B: Yeah, right away.

H.M.Jr: Thank you.

B: Right.



May 15, 1940  
2:35 p.m.

Operator: There you are.

Davis'  
Secretary: Hello.

H.M.Jr: Hello.

Sec: Mr. Norman Davis would like to speak to the Secretary please.

H.M.Jr: Well, you've got me on the wire.

Sec: All right, sir.

Norman  
Davis: Hello.

H.M.Jr: Hello.

D: This is Norman Davis.

H.M.Jr: Yes, Norman.

D: Henry, during the World War they got -- when the Red Cross was having a drive they got a special act through Congress -- you probably remember, authorizing the national banks to contribute to the Red Cross. It was a special act. Well now, there's nothing in the Act, of course, that prohibits them from doing it, but since the war, since that emergency was over, the Comptroller of the Treasury has always taken the position that the national banks should not contribute to charities.

H.M.Jr: Yeah.

D: Well now, we're getting the state banks to contribute and in this ten million drive we've got to get some contributions of that kind if we're going to raise our money. And we've been talking with Bob Jackson about it and he approves the plan now we've devised, the legality of corporations, but he suggested as to the banks -- he thought there were two things that could be done if it met with your approval. One would be to ask Congress to do something now, both sides; or the other would be if the Comptroller would merely write to the banks

- 2 -

and say that if they felt it was in their interest now to contribute to the Red Cross in this crisis that they would offer no objections to their doing it.

H.M.Jr: Well, Norman, let me take it up with the Comptroller and see how he feels.

D: Yes, that's what I thought.

H.M.Jr: And I'll have him get in touch with you direct.

D: Well, fine.

H.M.Jr: Thank you, Norman.

D: Thank you. Goodbye.

EH

PLAIN

407

London

Dated May 15, 1940

Rec'd 3:08 p.m.

Secretary of State,  
Washington.

1218, May 15

FOR TREASURY FROM BUTTERWORTH

1. British Treasury states that its announcement of the conclusion of an Anglo-French-Belgium tripartite financial agreement, reported in my 1212, May 15, 11 a.m. is not strictly accurate in that a Franco-Belgium agreement has been signed but no British-Belgium arrangement has been definitely concluded, although it has been agreed to agree upon one.

2. Where there isn't unconsciousness there is gloom in the city.

KLP

KENNEDY



## PARTIAL PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Shanghai.

DATE: May 15, 1940, 1 p.m.

NO.: 418.

With reference to my No. 414, May 13, 6 p.m., I have learned from the same source that both of these banks have German deposits of substantial United States dollar amounts. I am also informed that the German commercial counselor this morning attempted to interview one of the banks and was referred to the Netherlands Consul General. If he approaches the latter he will not be received, the attitude being that such approach will have to be through a willing neutral colleague "if he can find one." If approached, which is unlikely, I shall decline to act as intermediary unless the Department wishes me to refer the matter for instructions.

I am informed by the same source confidentially that though the Government of the Netherlands takes the attitude that it hasn't any objection to the paying off of local German depositors at the banks' discretion, the banks' head office has given them orders not to pay off these accounts, and it is presumed that these deposits will be kept perhaps to balance sums which are owed to the Netherlands banks by Germans or German banks. This telegram has been repeated to Peiping and Chungking.

BUTRICK

EA:MSG

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: May 15, 1940, 4 p.m.

NO.: 687

FOR THE TREASURY DEPARTMENT.

Because of the fact that there will probably be a heavy increase in the demand for dollar bank notes on the part of American citizens who want to leave France, an Embassy staff member consulted with the four Paris-American banks to see how much dollar currency they are holding. These four banks hold a combined total of approximately 170,000. They state that they are in a position to issue dollar travelers checks for several times this amount. They also state that they are prepared to accept francs from clients and cable their offices in New York to deposit dollars with the shipping lines to pay for return passage on ships.

END SECTION ONE.

BULLITT.

EA:LWW

JT

GRAY

PARIS

Dated May 15, 1940

Rec'd 4:12 p.m.

Secretary of State,  
Washington.

687, May 15, 4 p.m. (SECTION TWO)

The Ministry of Finance issued the following communique this morning: "The Minister of Finance of Belgium, the Chancellor of the Exchequer, and the Minister of Finance of France have concluded a tripartite financial agreement by which Belgium and France on the one hand and Belgium and the United Kingdom on the other have agreed to grant reciprocal financial facilities for the settlement of their expenditures. This is the first act by which the financial and monetary solidarity of the three countries taken with a view to the common victory has shown itself." It has been ascertained that the agreement was signed in Paris yesterday evening.

The Bank of France has directed that all withdrawals from Dutch accounts be suspended until further notice.

BULLITT

LMS:NPL



EH

GRAY

Paris

Dated May 15, 1940

Rec'd 5:05 p.m.

Secretary of State,  
Washington.

687, May 15, 4 p.m. (SECTION THREE)

With a view to curbing to some extent the current decline in the market the curb market committee has sent a letter to its members calling their attention to the instructions given at the outbreak of the war forbidding them to execute short selling orders except against the immediate delivery of securities. Similarly the Stock Exchange Committee has instructed its members to refrain as much as possible from executing "speculative" short selling orders. Despite these measures the market dropped again today. Rentes declined from one to two points. The average loss of other French securities was five per cent. Stocks of certain concerns situated in Northern France were not quoted. Internationals were also depressed Suez losing 710 points.

The Stock Exchange Committee has advised its members not to accept orders to sell securities received from persons not known to them. This precaution has been  
taken

-2- 687, May 15, 4 p.m. from Paris (SECTION THREE)

taken in order to prevent the sale of securities of a  
"doubtful" origin.

(END OF MESSAGE)

NPL

BULLITT

No. 530.

Chungking, May 15, 1940

Subject: Appeal from the Chinese Government  
for American Assistance in maintain-  
ing Chinese currency.

AIR MAIL

Strictly Confidential

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

I have the honor to refer to my despatch no. 529 of May 15, 1940 reporting an interview with Dr. H. H. Kung, Minister of Finance, during which he informed me of the hope of the Chinese Government that the American Government would assist China financially in its effort to support Chinese currency.

In



In this connection I have the honor to report that General Chiang Kai-shek, President of the Executive Yuan, asked me to call on him on May 14, 1940 and on that occasion reiterated this hope in terms of a definite request for such assistance. He repeatedly emphasized that the major threat to China from Japanese attack is now in the economic field rather than the military and that if American aid in support of Chinese currency were given within two months' time, its effectiveness in withstanding Japan's economic attack would be many times greater than if it were deferred. A memorandum of the interview is enclosed.

Summary of interview:

General Chiang inquired whether Mr. Johnson thought the United States would enter the war on the side of the Allies. Mr. Johnson did not think the United States would enter the war. General Chiang said that the outcome of the struggle with Japan would be influenced by the economic phase, as opposed to the military phase, in the proportion of seventh-tenths to three-tenths. Great Britain and France could no longer extend effective aid to China in support of its economic structure and of its currency; therefore, American assistance in these directions, especially support of the currency, had now become a crucial factor in determining the outcome of the struggle between China and Japan. General Chiang asked that Mr. Johnson telegraph his Government the view of General Chiang that the economic phase of the Japanese attack on China had become the dominant one and conveying the earnest hope of the Chinese Government that the American Government would extend financial assistance in some form to China in its effort to maintain Chinese currency. He asked that Mr. Johnson emphasize the extreme importance of promptness in extending this assistance, if the economic structure of the nation were not to be placed in a situation of great peril. Mr. Johnson said he would be glad to transmit General Chiang's message, but he supposed the Chinese Government would take up the matter with interested authorities in the United States through some qualified

representative.

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representative. General Chiang said that, of course, the Government would send a special representative to the United States to conduct negotiations, if the American Government indicated its readiness in principle to extend some form of financial assistance to China in maintaining the Chinese currency.

General Chiang's manner and tone throughout this interview gave clear evidence that he believes that the present moment is one of grave importance in China's resistance to Japan. He spoke with his customary terseness and precision, choosing his words carefully. He used no rhetorical devices, nor did he make any appeal to the emotions. His presentation of China's request for assistance in its effort to support China's currency was that of a soldier dealing with a military problem. He described the problem and the objective, and the means, as he conceived them, to achieve that objective, and he asked for the assistance of the American Government. It was evident that he spoke on the assumption that the American Government desires that China shall succeed in maintaining its independence against Japanese aggression and he devoted no attention whatever to that point.

Respectfully yours,

Nelson Trusler Johnson

Enclosure:

- 1/ Memorandum of interview between  
General Chiang Kai-shek and  
Ambassador Johnson on May 14, 1940.

Original and four copies to Department  
by air mail to Hong Kong  
Copy to Embassy, Peiping  
Copy to Embassy Tokyo.  
851/710 True copy of  
WRP:MCL signed original

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Enclosure no. 1 to despatch no. 530 dated May 15, 1940, from American Embassy at Chungking on subject: "Appeal from the Chinese Government for American Assistance in maintaining Chinese currency."

Memorandum of Conversation.

May 14, 1940.

Subject: Hope of the Chinese Government that the American Government will extend financial assistance in support of Chinese currency.

General Chiang Kai-shek, President of the Executive Yuan  
Mr. Johnson, American Ambassador  
Present:

Madame Chiang  
Dr. H. H. Kung, Minister of Finance and  
Vice President of the Executive Yuan  
Dr. Wang Chung-hui, Minister for Foreign Affairs  
Mr. Arnold, American Commercial Attache  
Mr. Peck, Counselor

Mr. Johnson called on General Chiang, at the latter's request, at 6 p.m. He was conducted to the residence of the Generalissimo by Dr. Wang Chung-hui, who acted as interpreter during the interview.

General Chiang and Mr. Johnson discussed in general terms the current military developments in Europe and then General Chiang said that in his opinion the entrance of the European war on its new phase would bring changes in the Far East. He inquired whether Mr. Johnson would care to express any views on the subject.

Mr. Johnson replied that he wondered whether changes in Europe would produce corresponding changes in the Far East; he was inclined to think there would be no changes in the Orient consequent on European events.

General Chiang inquired whether Mr. Johnson thought the Allies would win the war; he, himself, thought that the position of Belgium

WSS



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was exceedingly serious. Mr. Johnson expressed the opinion that the Allies would be victorious. General Chiang asked whether this meant that Mr. Johnson thought the United States would intervene on the side of the Allies if the war seemed to be going against them. Mr. Johnson said he could make no prophecy, but he did not think the United States would enter the war.

General Chiang remarked that China's resistance to Japan was on two fronts, the military and the economic. China had displayed such military strength that Japan was now concentrating on an economic attack on China. The result was that the relative weight of the two factors in determining the outcome of the struggle was military three-tenths and economic seven-tenths. China could continue military resistance, provided it could resist the economic attack. China was grateful for the past friendship of the Governments and people of the United States, Great Britain and France and for their assistance, which had been received in considerable amounts from Great Britain and the United States and in lesser amount from France. However, Great Britain and France, because of the demands imposed on them by the intensified struggle in Europe, would no longer be able to extend financial assistance to China against Japan and the willingness of the United States to assist China financially had become, therefore, a crucial factor in the outcome of the hostilities. General Chiang stated that China's ability to continue armed resistance depended in a vital way on the internal economic stability of the country, which, in turn, rested on China's currency. He would appreciate it, therefore, if Mr. Johnson cared to express an opinion whether the American

Government

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Government would be disposed to extend to China some form of financial assistance in its effort to support Chinese currency.

Mr. Johnson said that, again, he could not assume to make any prophecy, but he would point out that requests for financial assistance in the support of currencies in the world were likely to be presented to the American Government by various countries.

General Chiang said that it was his intention to address a message to the President of the United States, but he would be grateful if, in the meantime, Mr. Johnson would telegraph to the American Government, reporting his conversation with General Chiang and dwelling especially on the fact that the economic phase of the Japanese attack on China had now become the dominant one, and on the earnest hope of the Chinese Government that the American Government would extend assistance to China in its effort to maintain Chinese currency. General Chiang asked Mr. Johnson to emphasize, also, that it was critically necessary that such assistance, if rendered, should be given at the earliest possible date; he said that any given sum advanced promptly would be ten times more valuable than the same sum placed at China's disposal at a later date, and he could not but feel that unless China received the indicated financial assistance within a period of two months, the economic structure of the nation would be placed in a situation of great peril.

Mr. Johnson replied that General Chiang had described the situation with great clarity and force and that he would be glad to accede to the General's request and report the conversation to Washington by

telegraph

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telegraph. He supposed, however, that the Chinese Government would want to have some qualified representative discuss the matter personally with the interested authorities of the American Government. General Chiang replied that if the American Government were to indicate that it was prepared, in principle, to consider giving financial assistance to China, with especial view to the support of the currency, the Chinese Government would, of course, send a representative to the United States to take up negotiations.

W. R. P.

HHK





TREASURY DEPARTMENT  
WASHINGTON

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May 15, 1940.

MEMORANDUM FOR THE SECRETARY:

Responding to your inquiry of yesterday, we have ascertained that of a total of 396 emergency-relief employees dropped from the Procurement Division, 208 have so far found other employment.

I am advising Mr. Schwarz.

GRAVES.

May 15, 1940

Present:

Mr. Sullivan  
Mr. McReynolds

(Immediately following Congressman Doughton's call on HM, Jr.)

HM, Jr.: (To Mr. Sullivan) You noticed the old boy went up to you and said, "Good-bye". I didn't want you to think I did not want you, but he distinctly did not want you.

Mr. Sullivan: I wondered. That's why I looked at you that way.

HM, Jr.: This is what he came down for and I want you two fellows to take care of it. He said, "You know I announced I wasn't going to run and when I announced I wasn't going to run, a fellow by the name of Jim Rivers announced to run." He said, "Well, of course, I can always get elected. Sweep my district. But it's annoying and Jim Rivers, of Boone, North Carolina, is on the Coal Commission and has been let out and I want you to fix him up with a job at \$3,000 or \$3,600 and if he does not make good, after the election let him out." So sometime after the first of June, he's going to walk him in here. He's telling him he has a job. He said, "He's a newspaper man. He can go out and help Helvering get the fellow who hasn't paid his taxes."

We can put him on in place of Hathcock.

Mr. McReynolds: That's perfect!

HM, Jr.: He does not want anything until June.

Mr. Sullivan: He won't take that. He wants a congressional investigation. He says Schwartz can't stand the heat.

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HM, Jr: He has a primary on the 25th and this fellow has been bothering him and he's going to tell him -- I guess what he will tell him "If he's a good boy he will get a job" and he will not give him a job until after the primaries. "If you lay off, I will fix it up with Morgenthau and you get a job."

oOo-oOo



May 15, 1940

My dear Mr. President:

I am sending you, in strictest confidence, a review of the Bowman Elder case.

You will note that he has paid us approximately \$84,000 in settlement of his tax delinquencies.

Yours sincerely,

The President,  
The White House.

May 15, 1940

My dear Mr. President:

I am sending you, in strictest confidence, a review of the Bowman Elder case.

You will note that he has paid us approximately \$84,000 in settlement of his tax delinquencies.

Yours sincerely,

The President,  
The White House.

May 12, 1940

My dear Mr. President:

I am sending you, in strictest confidence, a review of the Brown Kider case.

He will note that he has paid us approximately \$24,000 in settlement of his tax delinquencies.

Yours sincerely,

The President,  
The White House.



## MEMORANDUM

In re: Bowman Elder,  
Indianapolis, Indiana.

## Proposed Liabilities as shown by thirty-day letter:

Additional Taxes	\$156,937.22
Fraud Penalties	78,468.63
Interest (approximate)	16,000.00
Total	<u>\$251,405.85</u>

## Agreed Liabilities as the result of conferences:

Additional Taxes	\$74,921.02
Fraud Penalties	none
Interest	8,860.60
Total	<u>\$83,781.62</u>

The additional taxes proposed for assessment in the thirty-day letter were based upon the inclusion in income of the following items:

1. Funds totaling \$126,789.52 collected ostensibly for the Hoosier Democratic Club as a "Slush Fund" from various holders of permits from the State of Indiana which amounts were not entered on the books of the club nor accounted for by the club in any manner. Elder admitted the receipt of such amounts but could not or would not state what disposition he had made of the money other than it had been spent "for the general good of the Democratic Party."

2. A total of \$117,500.00 withdrawn from the club by means of false entries indicating that the amounts in question had been paid to the Democratic State Central Committee. The checks in payment of such amounts were endorsed by the Treasurer of the Committee and such checks or the proceeds of them were turned over to Elder who admits the receipts of such amounts. His explanation of these items is the same as his explanation of the items covered in the preceeding paragraph.

3. Items totaling \$125,000.00 during the years 1936, 1937 and 1938 representing the best estimate of funds collected by Elder for the "Slush Fund" under the same circumstances as under above except that he did not admit them nor are they susceptible of proof. In other words, Elder admitted that the collections for the "Slush Fund" were \$125,000.00,

and it was thought that the actual collections were probably twice as much as he admitted. The amount of \$125,000.00 was included to cover such amounts as he had collected but not admitted.

As the result of the conferences, the third item above has been eliminated because it could not be established by proof acceptable to the Board of Tax Appeals or the courts.

The fraud penalty has been eliminated because the Bureau was unable to prove that Elder used any of the funds in question for his personal benefit. Without such proof, the Government was placed in the position of having to sustain the assertion of the fraud penalties on the ground that Elder had failed and refused to explain the disposition made by him of the money coming into his hands. Under such circumstances the prospects of success in the assertion of the penalties were quite remote.

Assessment of additional taxes for the years prior to 1936 was barred unless fraud could be established, and for the reasons given above the Government could not prevail on the fraud issue; consequently, the additional taxes totaling \$9,006.88 for the years prior to 1936 have been eliminated.