DIARY

Book 291

August 9 - 11, 1940

Regraded Unclassified

- A -

	Book	Page
Afghanistan		
See War Conditions: Gold		
Allison Engineering Company		
See War Conditions: Airplanes (Engines)		
Appointments and Resignations		
Puleston, William D. (Captain, United States Navy):		
Retires from Treasury service and thanks HMJr - 8/10/40.....	291	216
a) Letter to Secretary of Navy attached		

- B -

Board of Tax Appeals		
See Tax Appeals, Board of		
Boats (Motor)		
See War Conditions		
Borchard, Edwin (Professor of Law, Yale University)		
See War Conditions: France		
Business Conditions		
Haas memorandum on situation for week ending 8/10/40...		204

- C -

Canada		
See War Conditions		
Curtiss-Wright Corporation		
See War Conditions: Airplanes		

- E -

Estonia		
See War Conditions: Gold		
Export Control		
See War Conditions		

- F -

Food		
See War Conditions		
France		
See War Conditions		

- G -

Germany		
Activities concerning German Library of Information, New York City: Federal Bureau of Investigation report...		49
Latin American financial measures taken against Germany: Information furnished by British Embassy - 8/9/40.....		148
Gold		
See War Conditions		
Great Britain		
See War Conditions: Military Planning; United Kingdom		

Regraded Unclassified

- I -

	Book	Page
Indiana		
See Tax Evasion		

- L -

	Book	Page
Latin America		
Latin American financial measures taken against Germany: Information furnished by British Embassy - 8/9/40.....	291	148
Latvia		
See War Conditions: Gold		
Lithuania		
See War Conditions: Gold		
Lodge, Henry Cabot, Jr. (Senator, Massachusetts)		
Knudsen's reply to question concerning equipment for Army - 8/9/40.....		21

- M -

	Book	Page
McHale, Frank M.		
See Tax Evasion: Indiana		
McKinney, Frank E.		
See Tax Evasion: Indiana		
Mexico		
"The Fifth Column and the Good Neighbor" from "El Universal": Federal Bureau of Investigation transmits editorial.....		51
Military Planning		
See War Conditions		
Monetary Research, Division of		
Report of projects during June and July 1940.....		195

- N -

	Book	Page
Netherlands		
See War Conditions: Gold		

- P -

	Book	Page
Processing Tax Board of Review (United States)		
Digest of decisions reviewed for week ending 8/8/40...		74
Puleston, William D. (Captain, United States Navy)		
See Appointments and Resignations		

- R -

	Book	Page
Republic Aviation Corporation		
See War Conditions: Airplanes		

Regraded Unclassified

	Book	Page
SOUTHERN CROSS, Yacht		
See Wenner-Gren, Axel		
Sweden		
See War Conditions: Export Control		
Swiss-American Corporation (New York)		
See War Conditions: Foreign Funds Control		
Switzerland		
See War Conditions		

- T -

Tax Appeals, Board of		
Digest of decisions reviewed for week ending 8/8/40...	291	74
Tax Evasion		
Indiana: Resumé of McHale and McKinney cases in view of coming election - 8/9/40.....		71

- U -

U.S.S.R.		
See War Conditions: Foreign Funds Control; Gold		
United Kingdom		
See War Conditions: Military Planning; United Kingdom		

- W -

War Conditions		
Airplanes:		
Curtiss-Wright Corporation)		
Republic Aviation Corporation)		
Haas reports on telephone calls - 8/9/40.....		8,10
Engines:		
Allison Engineering Company:		
Young and Haas reports - 8/9/40.....		3,6,7
a) Purvis and HMJr discuss.....		11
Schedule of deliveries.....		233
See also Book 292, pages 104,149,156, 157, and 160		
Boats (Motor): Delivery of first ones purchased from Higgins Company, New Orleans, reported by Lothian to HMJr - 8/9/40.....		157
See also Book 295, page 146		
Canada: Federal Reserve Bank of New York presents plan for transformation of Bank of Canada accounts into Canadian Government accounts - 8/10/40.....		179
See also Book 293, page 117		
Exchange market resumé - 8/9-10/40.....		1,219
Export Control:		
Swedish orders - effect of - 8/9/40.....		158
Exports of petroleum products, scrap iron, and scrap steel from United States to Japan, Russia, Spain, and Great Britain, as shown by departure permits granted, week ending August 10, 1940.....		234
Food: Prospects outlined in White (Gass) memorandum - (8/12/40).....		231

Regraded Unclassified

	Book	Page
War Conditions (Continued)		
Foreign Funds Control:		
Panamanian corporations through which foreign funds may be concealed: Copies of documents lent by British Embassy - 8/9/40.....	291	131
Swiss-American Corporation (New York): Tie-in with Credit Suisse and Handelstrust West N.V. explained by British Embassy - 8/9/40.....		146
Latin American financial measures taken against Germany: Information furnished by British Embassy - 8/9/40.....		148
U.S.S.R.: Federal Reserve Bank of New York reports on balances with Chase National Bank - 8/9/40.....		160
Hoover (J. Edgar) and HMJr discuss ways and means of close cooperation - 8/9/40.....		164,218
France:		
Appropriation of French assets publicly and privately owned in United States to liquidate losses of American citizens in France and war debt obligations of French Government to United States protested by Edwin Borchard (Professor of Law, Yale University) - 8/9/40.....		95
a) Subject protested by French Financial Attaché to Cochran.....		161
b) Consul General, Beirut, Lebanon, asks for clarification.....		162
Pessimistic account of situation given to American Embassy, Vichy, by Rueff, etc. - 8/9/40.....		155,170
See also Book 293, page 100 (8/14/40)		
Gold:		
U.S.S.R.: United States Government explains status of gold held by Federal Reserve Bank of New York for banks of Lithuania, Latvia, and Estonia - 8/9/40....		57
Clipper Ship use for importation discussed by Stopford and Cochran - 8/10/40.....		176
Netherlands reserves discussed by Stopford - 8/10/40..		178
Afghanistan: Earmarking of gold discussed by Livesey (State Department) - 8/10/40.....		222
Military Planning: Reports from London transmitted by Lothian - 8/9-10/40.....		91,191
Surplus Materiel: Itemized account as sold to or exchanged for British account, to date - 8/9/40.....		4
Switzerland: Conditions thoroughly discussed by Somary and Cochran - 8/10/40.....		223
United Kingdom: Federal Reserve Bank of New York clarifies with Bank of England the handling of buying or selling orders from any bank (Japanese, Chinese, etc.) so long as bank in question has registered sterling account - 8/9/40.....		98
Wenner-Gren, Axel		
Federal Bureau of Investigation report concerning activities..		39

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 9, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions again increased in volume. The six reporting banks executed the following orders for account of commercial customers:

(1) Purchases of £139,000, of which £20,000 were acquired from the Federal Reserve Bank of New York.

(2) Sales of £48,000. A sewing machine concern was the principal seller of registered sterling.

Open market sterling was first quoted at 3.90. It moved within a narrow range until late afternoon and then advanced rapidly, closing at the high of 3.98. The reporting banks executed orders to sell £53,000 and to purchase £38,000 for their commercial customers.

The Canadian dollar, which closed last night at 13-1/4% discount, improved today to 13%.

In the Far East, the Shanghai yuan was slightly lower at 5-1/2¢, while the Hong Kong dollar was unchanged at 22-5/16¢. The sterling-dollar cross rate in Shanghai was 3.52.

The other currencies closed as follows:

Swiss franc	.2274
Lira	.0505
Reichsmark	.4005
Cuban peso	11-3/16% discount
Mexican peso	.2015 bid, .2035 offered

There were no gold transactions consummated by us today.

The State Department forwarded to us a cable stating that the following gold shipments were made from Hong Kong, for sale to the U. S. Mint at San Francisco:

$ 972,000	shipped by the Chase Bank, Hong Kong, to the Chase National Bank, San Francisco.
107,000	shipped by the National City Bank, Hong Kong, to the American Trust Company, San Francisco.
103,000	shipped by the Chartered Bank of India, Australia and China, Hong Kong, to the Bank of California N. A., San Francisco.
$1,182,000	Total

The Bombay gold price was equivalent to $33.73, off 3¢.

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Spot silver in Bombay was 3/16¢ lower at the equivalent of 44.81¢.

In London, the price fixed for spot silver was unchanged at 23-1/2d, while the forward price moved off 3/16d to 22-5/8d. The U. S. equivalents were 42.67¢ and 41.03¢ respectively.

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 four purchases of silver totaling 400,000 ounces under the Silver Purchase Act, all of which was new production from foreign countries, for forward delivery.

CONFIDENTIAL

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CONFIDENTIAL

August 9, 1940

To: The Secretary

From: Mr. Young

Re: Allison

The Allison "C" engine on order for the British is the same engine as the V-1710-33 which is also on order for the Army and currently in production. Allison has delivered approximately 120 of these engines to the Army, and two of these engines were delivered to the British during the first part of June.

Allison says that although thirty engines were delivered to the Army last week, it will probably deliver only ten this week. Further, it does not expect to start delivery to the British before September 1st.

Curtiss Wright says there are thirty-six P-40's for the British now waiting for engines. This number is expected to increase to at least 65 by the end of August if no Allison engines are delivered. The Army has no P-40's waiting for engines, and I have been assured by Wright and by General Brett that every Allison engine already delivered to the Army is being used in an Army plane. Further, General Brett tells me that the Army is in great need of the P-40's and is going to take them as fast as the engines are produced. The Army instructed Wright to slow up delivery of the Army P-40 frames in order to meet the Allison engine production schedule. Allison expects to deliver at least the 65 engines scheduled for the Army during the remaining part of August.

I asked General Brett how much delay it would mean to the Army if every other engine produced by Allison were diverted to the British, and his guess offhand was three months. I expect more information from General Brett this morning after he has had a chance to survey the situation further.

D.Y.

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CONFIDENTIAL

August 9, 1940

To: The Secretary

From: Mr. Young

Attached herewith is a photostat copy of a list which I have received from the War Department itemizing all the war materiel sold to or exchanged for the account of the British from surplus Army and Navy stocks.

PY.

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LIST OF SURPLUS OR DETERIORATED MATÉRIEL
SOLD OR EXCHANGED FOR THE ALLIES ACCOUNT AS OF AUGUST 8, 1940

CONFIDENTIAL

DATE	ITEM	QUANTITY	INTERMEDIARY	REMARKS
	FOR GREAT BRITAIN			
June 5, 1940	Airplanes, Biplane, SBC4	50	Curtiss Wright Corporation Buffalo, N. Y.	Transferred from Navy Dept.
	Engines, Spare, R-1820-34	10	" " "	" " " "
	Propellers, Spare, Hamilton Standard	11	" " "	" " " "
	Spare Parts for above		" " "	" " " "
June 10, 1940	Bombs, Demolition, 1000 lb, Mk IX	750	Curtiss Wright Corporation Buffalo, N. Y.	Transferred from Navy Dept.
	Fuzes (pairs), Mk XIII-2 and Mk V	375	" " "	" " " "
June 11, 1940	Rifles, Cal..30, M1917 (used)	500,000	U. S. Steel Export Corp. New York, N. Y.	From Army Stocks
	Machine Guns, Lewis, Ground Type	1,170	" " "	" " "
	Machine Guns, Vickers, Ground Type	7,223	" " "	" " "
	Machine Guns, Marlin, Tank	2,602	" " "	" " "
	Machine Guns, Marlin, Aircraft	15,626	" " "	" " "
	Machine Guns, Vickers, Aircraft	5,252	" " "	" " "
	Machine Guns, Lewis, Aircraft	38,710	" " "	" " "
	Mortars, 3" Stokes	316	" " "	" " "
	Revolvers, Cal. .45	20,000	" " "	" " "
	Guns, 75 mm. M1917, w/sights	395	" " "	" " "
	Guns, 75 mm. M1897, w/sights	500	" " "	" " "
	Caissons, for 75 mm. guns	1,350	" " "	" " "
	Limbers, for 75 mm. guns	2,250	" " "	" " "
	Machine Guns, Browning, M1917	10,000	" " "	" " "
	Tripods, M1918	10,203	" " "	" " "
	Belts, Ammunition	100,000	" " "	" " "
	Chests, Ammunition	100,000	" " "	" " "
	Chests, Water	10,000	" " "	" " "
	Devices, Steam Condensing	10,000	" " "	" " "
	Machines, Belt Filling	3,333	" " "	" " "
	Rifles, Browning Auto., M1918	25,000	" " "	" " "
	Magazines, BAR, 20-round	1,000,000	" " "	" " "
	Cartridges, Cal. .30, Ball	129,140,708	" " "	" " "
	Trinitrotoluene, (lbs)	17,000,000	" " "	" " "
	Smokeless Powder, 155 mm. gun (lbs.)	3,689,299	" " "	" " "
	Smokeless Powder, 155 mm. how. (lbs.)	932,242	" " "	" " "
	Shell, 3" Stokes (fuzed)	98,413	" " "	" " "
	Shell, 75 mm. C.R., w/Mk III fuze	1,000,000	" " "	" " "
	Shell, 75 mm. H.E. normal, w/Mk III fuze	74,996	" " "	" " "
June 14, 1940	Airplanes, Light Bomber, A-17-A	93	Douglas Aircraft Co., Inc. El Segundo, Calif.	From Army Stocks
	Engines, Spare, R-1535-11	113	" " "	" " "
	Propellers, Spare, Hamilton Standard	108	" " "	" " "
	Spare Parts		" " "	" " "
June 13, 1940	Bombs, Fragmentation, 30 lb. Mk V complete, loaded, including fuze Mk XIV	5,343	Harrisburg Steel Corporation Harrisburg, Penna.	Transferred from Navy Dept.
	Bombs, Demolition, 100 lb., Mk I complete, loaded, w/fuze Mk VIII	565	" " "	" " " " "
	Charges, Propelling, 155 mm. Gun, Pyro Powder	100,000	" " "	From Army Stocks
July 22, 1940	Machine Guns Cal..30, Lewis Aircr. (used)	3,000	U. S. Steel Export Corp. New York, N. Y.	Transferred from Navy Dept.
	Machine Guns Cal..30, Lewis Ground type (used)	3,000	" " "	" " " " "
	Spare Barrels for Lewis Machine Guns	18,000	" " "	" " " " "
	Magazines for Lewis Machine Guns	10,000	" " "	" " " " "
	Revolvers, Cal..38, Smith & Wesson	500	" " "	" " " " "
	Cartridges, Cal..38, for Smith & Wesson Revolvers	1,731,000	" " "	" " " " "
	Cartridges, Cal..30, Ball, M1 for Machine Guns	6,367,647	" " "	" " " " "
	Rifles, Cal..30, M1917, Enfield (used)	35,000	" " "	From Army Stocks
	Cartridges, Cal..30, Ball	4,000,000	" " "	" " "
	FOR CANADA			
July 30, 1940	Rifles Cal..30, M1917, Enfield (used)	80,000	U. S. Steel Export Corp. New York, N. Y.	From Army Stocks
	Cartridges, Cal..30, Ball	4,000,000	" " "	" " "

AWW 8-8-40

CONFIDENTIAL

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Guy Vaughan Glenbury 5 07-Ring 4

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CONFIDENTIAL

August 9, 1940

To: The Secretary

From: Mr. Young

Re: Allison

Mr. Knudsen called this afternoon and informed me, and Major Smith subsequently confirmed it, that the Army will get 133 Allison engines and the British 36 Allison engines this month. Next month the Army will get 41 and the British 159 Allison engines.

At the present time the Army has 53 engines at Curtiss which it will release for use by the British provided that no American frames are ready to receive those engines. In this connection, the contracts between Curtiss and the Army contain a penalty clause providing that the engines shall be delivered to Curtiss sixty days prior to the completion of the planes.

Curtiss is being notified by General Brett that the Army has no objection to the release of the 53 engines to the British provided that Curtiss will guarantee there will be no interruption of the delivery schedules to the Army. From a practical point of view this would mean that the British will get some Allison engines immediately this month to cover the frames already waiting, and that next month, perhaps, some of the 159 engines allocated for the British may have to go to balance the current release by the Army.

PY.

	Aug.	Sept.	
Army	133	41	= 174
English	36	159.	= 195
	169	200.	

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79 delivered

95 finished

...Engine 122 delivered

if he could get
24 this coming
week up to schedu
~~from~~
then 15 a week tw
him up to schedu

Budget W Wright

Fuzo all spares thru
100 —

79
16

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TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE August 9, 1940.

TO Secretary Morgenthau

FROM Mr. Haas

Attached are memoranda of telephone conversations I had this morning, at Mr. Young's request, with the following persons:

Mr. J. A. Williams, Assistant to the General Manager, Curtiss Airplane Division, Curtiss-Wright Corporation.

Mr. O. T. Kreusser, General Manager, Allison Engineering Company.

Mr. W. Wallace Kellett, President, Republic Aviation Corporation.

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STRICTLY CONFIDENTIAL

MEMORANDUM

August 9, 1940

Report of telephone call to Mr. J. A. Williams, Assistant to the General Manager, Curtiss Airplane Division, Curtiss-Wright Corporation, by Mr. Haas on Friday morning, August 9, 1940.

Mr. Williams gave Mr. Haas the following report on airframes in storage:

British P-40 airframes, requiring Allison engines -

On hand at the present time	36
Estimated to be on hand at end of August . .	65

British P-36 airframes, requiring Wright Cyclone engines -

On hand at the present time	60
Estimated to be on hand at end of August. .	25

Mr. Williams stated that they had assurances that sufficient engines would be on hand at the end of the month to take care of all the P-36 airframes, but that it would take a week or so to make the installation.

Mr. Williams said the Army does not have any airframes in storage, and that the only airframes in storage are those listed above.

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STRICTLY CONFIDENTIAL

MEMORANDUM

August 9, 1940

Report of telephone call to Mr. O. T. Kreusser, General Manager, Allison Engineering Company, by Mr. Haas on Friday morning, August 9, 1940.

Mr. Kreusser said that the British P-40 used the same engine as the Army P-40, the V 1710-33. Their present plans, he said, call for engine deliveries to the British on September 1, 1940. He said that the Army contract, showing 167 (V 1710-33) engines as unfilled as of August 3 with a delivery schedule of 65 for August, 90 for September and 12 for October, would not only be met but that after September 1st deliveries would start to be made on the British contract. He pointed out that the 65 engines scheduled for delivery in August also included some spares, and that the Army insisted upon getting the spares called for in their contract, but, as he said, this would mean some engines would remain in crates.

Mr. Haas asked Mr. Kreusser if they were going to deliver 30 or more engines this week as they did in the previous week, and Mr. Kreusser's guess was that the deliveries this week probably would not exceed 10. He said that they encountered some difficulty in what he called the "green tests" which the engines are put through. In that most of the engines require a replacement of the same part, this has produced a temporary bottleneck which he expected would be remedied in the near future.

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STRICTLY CONFIDENTIAL

MEMORANDUM

August 9, 1940

Report of telephone call to Mr. W. Wallace Kellett, President, Republic Aviation Corporation, by Mr. Haas on Friday morning, August 9, 1940.

Mr. Kellett gave Mr. Haas the following report as to airplanes now completed and to be completed under a Swedish contract:

Completed airplanes now on hand awaiting shipment	19 EP-1 Pursuits 15 2PA Pursuits
Completed airplanes on hand awaiting shipment at end of August (assuming no deliveries are made between now and the end of August)	22 EP-1 Pursuits 24 2PA Pursuits

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August 9, 1940
1:55 p.m.

H.M.Jr: Hello.

Arthur Purvis: Oh, good afternoon.

H.M.Jr: How are you?

P: Very well, Henry. How are you?

H.M.Jr: Arthur, I worked on those flying boats and I talked with Admiral Towers and here's the sad story.

P: Yes.

H.M.Jr: It seems that the Navy is not getting theirs because Consolidated sub-contracted to Brewster for the wings and therefore by the time they get theirs, they say you'll be getting yours and theirs about 1-1 by the time they come through.

P: Oh, they're not getting theirs meantime owing to a hold-up.

H.M.Jr: Due to the fact that the Brewster is not sending the wings through. They're 'way, 'way behind, so -- I mean, what I was thinking, according to the schedule they were supposed to be getting about five a month.

P: That's what we thought, yes.

H.M.Jr: Well, they're not and Admiral Towers, you know, has never misled me .

P: No. He's also been a direct and friendly person.

H.M.Jr: Right.

P: Yes.

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H.M.Jr: Now, on the other thing, I haven't got all the data before me but at 2:15 I'm turning it over. What I'm working on now is to see whether the President wouldn't direct the Army to give you every other Allison engine so that these Curtiss P-40's which are waiting there -- I don't know, there's 50 or 60 of them that the frames are ready and no engines -- that you could get every other engine on those Allisons.

P: Yes, I see.

H.M.Jr: Now, when I have the exact figures -- just what the situation is, I'll have Phil Young give it to Ballantyne and he can give it to you.

P: Thank you very much.

H.M.Jr: Now, the other thing. We're again working on both the Brewster and Vultee which are on order for Sweden, and I thought there that Lothian might be of some help because I happen to know that the Swedish Minister has been working very hard on Sumner Welles.

P: Oh, ho.

H.M.Jr: Now, again, I can get within the hour the exact figures -- the number of Vultee planes and the number of Brewster planes -- I can get that over to Ballantyne. I haven't got it just yet. They weren't going to bring it in for another fifteen minutes. But I think if Lothian could make a call on Welles and get him to say why can't they have those planes on order, I think there is a whole group of them that already are boxed and just waiting.

P: Yes, that is right, I think.

H.M.Jr: And those planes, the Brewster planes, would come through in a couple of months -- the whole order -- and it runs to over a hundred.

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P: And if he would just assert -- to get Mr. Welles' help .....

H.M.Jr: Yes. Well, if Welles for instance through the State Department either cancel the license or not issue a license or do something -- you see?

P: Yes.

H.M.Jr: And there is considerable small arms and ammunition going to Sweden also.

P: The license hasn't actually been cancelled yet, eh?

H.M.Jr: Well, I'm not sure but within the hour I'll have it all and I'll have Young give the full details to Ballantyne.

P: I'd better wait then until I get that before I get hold of Lothian.

H.M.Jr: I think so, but I'm leaving within the hour and I wanted to tell you what I was doing.

P: Yes, quite.

H.M.Jr: But I'll take care of the Allison engine, but unfortunately they've dropped back again to only 10 or 15 engines this week.

P: My heavens! That's the devil isn't it?

H.M.Jr: Last week I think they turned out 30. Now I talked to Guy Vaughn yesterday and on the Curtiss P-36's which you have on order there, all of the engines will be shipped to Buffalo for the balance of that order before the end of this month.

P: Oh, yes.

H.M.Jr: And he said that those engines do not take more than 10 days to put in the planes.

P: Quite, quite.

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H.M.Jr: So, I mean, that will be cleaned up by the end of this month.

P: Yes, quite.

H.M.Jr: But I'm trying to get you -- the P-40's, get those started -- those deliveries -- and then if we could pick up those Brewsters and Vultees on order for Sweden .....

P: It would tend to give them something quickly.

H.M.Jr: That's the idea and that's about the only thing I know of around town.

P: Yes, quite. I think that's true.

H.M.Jr: I'm working on the Swedish order myself and nobody can handle that Allison engine thing but myself, but I thought if Lothian would put a little fire on Welles it might help.

P: Yes, quite. Well, that's easy to arrange.

H.M.Jr: But all of the details -- just the picture as I get it, within the hour Ballantyne will have it.

P: Thank you very much indeed.

H.M.Jr: Now, what else?

P: I don't think at the minute there's anything else. There is blowing up some measure of difficulty I think on machine tools. I've been deliberately not worrying you unduly until it gets to be something vital.

H.M.Jr: Well, I've heard rumors of it.

P: And there are one or two things like that but I think it's better for me to bake them out. But the thing that I really, above all, would like your thought on when next we meet is how to stimulate pretty rapidly now complementary programs where we can do it. That's getting to be really important as we get to know what we can do and there are

Regraded Unclassified

specification problems and so on, but I think it's coming along to the point where it needs a sort of push in the direction of real action.

H:M.Jr: Well, you'll be down next week.

P: I'll be down again next week and you'll be here then, won't you?

H.M.Jr: Yes. Tell me, have you made any further progress on the balance of your plane orders?

P: I was talking about that this morning and they are awaiting a cable from London as to types for that balance.

H.M.Jr: Good heavens!

P: I mean by types, not the question of whether it's a bomber, or a light bomber or things of that kind, but actual -- there are certain armor questions and certain gun questions and things of that kind, because as you get into the later months they have to bear in mind that the planes are being used for a later type of fighting when the enemy power goes up.

H.M.Jr: I see.

P: And it's really technical questions of that kind that I think are holding it for the moment.

H.M.Jr: When I spoke to Knudsen a couple of days ago and asked him about the Packard contract, he said the man was on his way to see you.

P: Well, Knudsen, I think was in a little awkward position. He was almost in the position of having been given the run-around yesterday. He suddenly telephoned me yesterday -- I had asked him the same day, you see, and he told me the Packard man would be up at 10 o'clock yesterday morning. Now when the man came, he said, well I can't make any progress with you people because I can't settle my contract with the U. S., and Knudsen had told

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me that the plan was to settle the contract with the U. S. and then to ask us to follow it pretty rigidly.

H.M.Jr: Yes.

P: Well, now then he telephoned me later in the afternoon and then said that the Packard man had telephoned from Detroit saying that we only wanted a 1000 now and a 1000 later on or something like this and did this mean we were going back on our order. Well, Maurice Wilson, Self and the new man, Fairey, who has just arrived happened to be in my office and they said, well, it's just nonsense, we've not changed one iota. So I again told Knudsen, just don't believe it. We haven't had one single discussion or thought with these people that would change us one inch. We're leaving it entirely in your hands. But I don't know what difficulty he is running into, but there's something going on in the background there that we don't know about.

H.M.Jr: I see.

P: I say he's encountering some difficulties, I don't know what they are.

H.M.Jr: Well, he told me the next move was up to you, but evidently there's something.

P: Oh, no, not a bit. He said that to me too, he said you're perfectly all right, he's coming to see you tomorrow morning but as a matter of fact when the man came, he said, well, it's no good my coming to see you, I'm just doing it in order to keep you posted but we're hamstrung for the moment and can't do anything until the U. S. fixes its contract.

H.M.Jr: Good heavens! Well, I'll see if I can find out.

P: I think really, as a matter of fact, it may be that we're not actually losing time in that the letter of intention has gone.

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H.M.Jr: Oh, has it?

P: Oh, a long time ago. Nevertheless I don't think it's a very satisfactory position but I think in practice they are going ahead, at least, I hope to heaven they are, and there is going to be a difficult problem there in regard to the question of type. There is a Mr. Fairey just come over to help Self. He's the Fairey of the Fairey Boat Company and quite a fellow on the other side of the water and in
He's come over to really put that angle into Self's show at Maurice Wilson's request so as to stiffen up the organization here. He brings the last word on most of these questions and I think it would be very useful to have a talk with him.

H.M.Jr: Good.

P: But he brings over certain rather specific ideas about the types which would be most successful with the Merlin engine as distinct from any larger engine and I think his views are really worth entertaining.

H.M.Jr: Well, if you bring him down to Washington, I'd like to talk to him.

P: I'll do that, Henry. I'll do that.

H.M.Jr: Fine.

P: Thank you very much. I hope you have a good week-end.

H.M.Jr: I'm going to.

P: Oh, by the way, just for your ear, who do you think is arriving on the Clipper tomorrow morning -- Georges Monnet.

H.M.Jr: No.

P: Yes.

H.M.Jr: Good heavens!

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P: He's coming over to see me and apparently to help me, but that's between ourselves.

H.M.Jr: Well, now, do you want any advice?

P: I always like advice.

H.M.Jr: Do you?

P: You bet.

H.M.Jr: Don't -- well, I wouldn't -- the easiest way is to say it out straight.

P: Yes, quite.

H.M.Jr: I wouldn't take him into my shop.

P: You wouldn't, eh?

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

P: Ah, ha. That's very interesting because London has landed him on my shoulders and said he's a hundred percent from their view. But I wondered why he was coming over.

H.M.Jr: I would not let him on the inside.

P: Not on the inside.

H.M.Jr: No, sir!

P: Well, I'm very glad to get that thought.

H.M.Jr: I never said anything when he was over there because I didn't feel it was up to me.

P: No, quite.

H.M.Jr: But he's not your type and mine -- a long way from it.

P: Ah, ha. Is that so?

H.M.Jr: Oh, yes.

P: That's very interesting.

H.M.Jr: Oh, a long way from it.

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P: (Laughs). Live and learn. I think that's very interesting.

H.M.Jr: Well, I never would say anything when he was there because after all there's enough But he's out now, why take him back?

P: Ah, ha. Well, I must admit that London has put me in a little bit of a spot there in sending him over.....

H.M.Jr: Well, they most likely wanted to get rid of him.

P: Well, that's what I thought and when I heard it, I said to Salter on the telephone, look here, how do I regard this man? And he said, just one hundred percent from our view. I said, now what does that mean exactly? But he was very specific.

H.M.Jr: Well, what I'm telling you is as one friend to another and absolutely between us.

P: Yes, quite, quite. Well, I shall find some way of handling that in a discreet method straight away.

H.M.Jr: Well, especially what I've told you.

P: Oh, yes. Well, that's between ourselves.

H.M.Jr: Yeah, I know. You couldn't work with him.

P: Is that so?

H.M.Jr: No.

Purvis: Oh, that's darned interesting. Thank you very much for the steer. (Laughs)

H.M.Jr: You're welcome. (Laughs)'

Purvis: Fine. (Laughs). Those things are very important, I mean, I have to have my --

H.M.Jr: Well, you've got enough troubles without having a Jean Monnet around your neck.

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P: Ah, ha. Yes. Oh, my. I'm very glad I got that slant.

H.M.Jr: Oh, yes.

P: Very glad.

H.M.Jr: Well, I'll tell you more sometime.

P: All right, fine.

H.M.Jr: All right.

P: Thank you very much.

H.M.Jr: Good-bye.

P: Good-bye.

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August 9, 1940
2:20 p.m.

H.M.Jr: Hello.

Wm. S. Knudsen: This is Knudsen.

H.M.Jr: Hello, Bill.

K: I thought you would be interested to hear my reply to Lodge's question.

H.M.Jr: Oh, yes.

K: "I understood Senator Lodge to ask when the total equipment for an Army of 2 million men could be ready. As we are at the present thinking in terms of complete equipment and reserve stocks for only a million two hundred thousand men and certain critical items for an additional 800 thousand, I estimate conservatively that it would probably be the middle of '44 before we'd be prepared completely to equip and maintain in the field an army of 2 million men. We anticipate that the present program will be completed by the end of '42."

H.M.Jr: Good.

K: Did you get that?

H.M.Jr: I got every word of it. I think that'd be very helpful.

K: After all .....

H.M.Jr: Well, he asked you a tricky question.

K: Yes, he did and I was bawled up because you know in our program we had 800 thousand men plus 400 replacements -- all items for that.

H.M.Jr: Well, he's a very tricky cuss, you know.

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K: But in order to get all items for a million two, and all the critical items for 2 million, we deferred 2 billion eight out of the appropriation, you know.

H.M.Jr: Yeah.

K: You remember that?

H.M.Jr: Yeah.

K: The President shaved it down because we couldn't spend that much money in one year.

H.M.Jr: That's right.

K: So we really haven't got the money for the stuff we're working on.

H.M.Jr: Well, you see, Stimson kept saying in my ear all the time that if it wasn't corrected, Lodge would go out and make a speech on it and he was really very much worried.

K: Uh-huh. Well, I've given this statement to him too so he can see what I was talking about. It was a trick question because I knew we didn't have appropriations for everything for 2 million men.

H.M.Jr: Yeah, it was a trick question. I appreciate your calling me and as long as I have you on the wire, could I ask you one?

K: Sure.

H.M.Jr: I'm still digging around and trying to find some more planes for the English that they could get right away, see?

K: Yeah.

H.M.Jr: And Curtiss Wright at present has 36 P-40 frames up there without any engines.

K: Yeah.

H.M.Jr: And they'll continue to get more. Do you suppose there'd be any chance to give every other Allison engine to the English?

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K: I don't think they've got that on the schedule.

H.M.Jr: I know they haven't, but I mean in order to give them something for the next two months.

K: Well, I think Arthur is going to holler like the devil about not getting his 300 first.

H.M.Jr: I know.

K: That was the deal you know.

H.M.Jr: I know, but the next sixty days is when they're up against it. Do you have the deciding factor how those engines are to be split?

K: No.

H.M.Jr: Who decides that?

K: Well, of course, it's decided by the commitments made to the Allies. You see, Allison really isn't short any engines to the Allies to amount to anything, they are short to the Army here --

H.M.Jr: Yeah, they're short according to Guy Vaughn.

K: Yeah, they'll be caught up with the American Army by the end of September.

H.M.Jr: Yeah, but for the English, Guy Vaughn's got -- I've got it right here -- 36 P-40's up there without any engines.

K: Yes. But the engines are not due yet on their schedules.

H.M.Jr: Oh, I see.

K: I tell you what I'll do. I'll find out from Allison exactly what the schedule is for the English. If he's made the planes ahead of engines that isn't Allison's fault.

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

K: Allison is short of engines for the United States.

H.M.Jr: Yeah. Well, would you be personally at all upset if I went to the President and tried to get him interested in this?

K: If you went to the President?

H.M.Jr: Yeah.

K: You mean, for him to schedule the engines?

H.M.Jr: Well, for him to say to Stimson and you -- try to work it out, I mean, for the next two months in order to give these people a hundred planes right away, you see.

K: Yeah. Maybe I had better see how many engines I can scrape up first by calling Allison on the telephone.

H.M.Jr: All right. But they've got 36 P-40's all finished -- the frames, up there at Buffalo now. They haven't got any waiting for the Army.

K: Yeah.

H.M.Jr: They haven't got any waiting for the Army, on those P-40's waiting for engines up there.

K: No. They've got 36 P-40's for the English waiting for engines.

H.M.Jr: 36 P-40's.

K: All right.

H.M.Jr: And what I'd like to do is to .....

K: Take some engines from the Americans.

H.M.Jr: Yeah, just for the next -- well, for this month.

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K: Well, of course, that's when They're only going to make 130 this month. But I'll call the Allison up and I'll call you back.

H.M.Jr: Will you do that?

K: Yeah.

H.M.Jr: Wonderful. I thought you did very well up there.

K: What's that?

H.M.Jr: I thought you did all right on the Hill.

K: Well, shoemakers should make shoes. (Laughs).

H.M.Jr: Well, all right.

K: Thank you.

H.M.Jr: Good-bye.

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CABLE

FROM: Commercial Attache, Nicholson
Shanghai, China.

DATE: August 9, 1940

For the Secretary of the Treasury.

Shanghai market closed uncertain August 8th at 3-23/32 for cash and August 3-45/64 for September for sterling 5-9/16 for cash 5-17/32 for August 5-1/2 for September for U.S. dollars Gold bars closed at 5,718 and wei wah at discount of 4.90%.

NICHOLSON

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August 9, 1940
9:30 a.m.

GROUP MEETING

Present: Mr. Sullivan
Mr. Thompson
Mr. Cochran
Mr. Gaston
Mr. Chamberlain
Mr. Foley
Mr. White
Mr. Schwarz
Mr. Bell
Mr. Graves
Mrs. Klotz

H.M.Jr: Ed?

Foley: Mr. Palmer in Mr. Stimson's office called a few minutes ago and wanted to know about what you were going to say this morning, and I told him generally, and he thought that was fine. He said Mr. Stimson was going to talk about getting action and making the thing definite and certain so that the people that hesitate would know --

H.M.Jr: Stimson called me himself last night. He called me at 9:30. He told me what he was going to say. All right?

Foley: That is all right.

H.M.Jr: Herbert?

Gaston: I have nothing. Phil isn't here. He talked to me last night about that Maritime Commission matter, about their giving charters to ships.

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They have power under the law - no American ship can be sold or chartered to a foreign concern without approval of the Maritime Commission. What the Maritime Commission does is simply approve the charter.

H.M.Jr: Could they let you know about a ship sailing or not sailing?

Gaston: When we get application for sailing, we consider it on its own merits without regard to what the Maritime Commission has done. They might --

H.M.Jr: How do they decide that gasoline should or should not go to Vladivostok?

Gaston: I don't know, but Buckley is going over today to talk to them on that very point, what is their basis of decision and whom do they consult. They should, of course, consult with the State Department and I imagine that they do. We would, of course, consult with the State Department on any question of that kind.

H.M.Jr: But Buckley is going over there?

Gaston: Buckley is going over to talk to them and find out what basis they use. I suppose they consult with State and perhaps with Justice on that, as we do. What each does is independent of what the other does.

H.M.Jr: Oughtn't there to be some way of administration of policy, what material goes and what doesn't?

Gaston: All departments, I should say, that have anything to do with giving ships permission to sail, foreign, should consult the State Department if there is any doubt.

H.M.Jr: If you don't mind, your explanation doesn't satisfy me.

Gaston: Well, of course it is State Department business, Maritime Commission business, but they do have that right. No vessel can be chartered to a foreign concern.

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H.M.Jr: I know all that, but still - did you read that statement?

Gaston: Oh yes. The story is misleading. What the Maritime Commission has done is simply approve charters.

Cochran: Nothing, sir.

H.M.Jr: Mr. Hoover is sending a man over to see you. I told Mr. Gaston about it.

Chick?

Schwarz: I have nothing.

H.M.Jr: Let me have that back.

(Mr. Schwarz handed the Secretary a copy of his address before the Finance and Ways and Means Committees.)

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

Foley: Yes.

H.M.Jr: Chick, you will take care of the distribution?

Schwarz: It will be all ready.

H.M.Jr: It will?

Schwarz: Yes, sir.

H.M.Jr: God help you if it is not, I won't.

Schwarz: It is all ready right now, so I am all right.

Chamberlain: Mr. Secretary, I thought you would be interested in knowing that we had two very satisfactory meetings both with the State Department people, first on the matter of the German objection to the order in respect to the opening of Consular pouches. You remember we excluded the British from that. We went over to Judge Moore's office the other day to discuss it with the State Department. They felt that the order would

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have to be substantially modified, but we were able to persuade them to let it alone and in fact to tell the Germans that they thought their - on the part of the United States we thought their objections were unfounded, so it was entirely satisfactory.

The other was a question with respect to the gold in the Baltic states, that the Russians had gotten. There again I have to report that I think we got a very satisfactory note, one that pleased us and also pleased the Reserve Bank, which was somewhat worried over the possibility they might have to stand suit from the Russians. They are fairly satisfied with the note which sustains our opposition completely.

H.M.Jr: I didn't get your note last night about your meeting at the State Department.

Bell: I got it.

H.M.Jr: Couldn't I have it now?

Bell: Yes. There was a draft of a letter to the President and quite a long memorandum and the draft of the letter to the President didn't mention the memorandum and no covering letter to the State Department, so I dictated one. Do you want a letter to the State Department? I understood you did.

H.M.Jr: Yes. When will --

Bell: It ought to be ready now.

H.M.Jr: When you are through, if you could get it and I would like to get it over this morning and get it back so that I can ask whoever - they can have it back by one o'clock. Harry?

White: I think you would be interested to know that up to now there has been no progress made with respect to implementing the Latin-American Conference on the possibility of some cartel arrangements, et cetera.

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The coffee agreement arrangement which is going forward is dragging and slow and applies only to a small area, so a Subcommittee was appointed, of which I am a member, and we are drafting a - trying - a cartel thing for coffee which will apply to the whole world and which we hope may have possibilities of being a prototype for all the special commodities. That is going forward. When it is in any kind of agreement and before it goes to the - out of the committee, I will raise it again for consideration.

H.M.Jr: Who killed that memorandum that was signed by four Cabinet officers on that cartel thing?

White: I don't know whatever happened to it. I thought probably you did.

H.M.Jr: I killed it?

White: I thought you knew about it. I don't know whether it was killed or whether it just died.

H.M.Jr: I signed it holding my nose.

White: Well, maybe it smelled to everybody and it died.

H.M.Jr: Maybe it was dead when I signed it.

White: I don't know. That whole procedure makes a very, very funny chapter. I mean, the whole episode. It is still not settled. I understand that the new Under Secretary of the Navy is also going to continue his activities as coordinator. In fact, he was Acting Chairman of this committee of which - the Subcommittee I spoke of.

H.M.Jr: Have you run across the track of Nelson Rockefeller?

White: Nelson Rockefeller was at this meeting and was apparently his right or left hand man.

Foley: Is there any difference?

White: He is full of enthusiasm.

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Foley: I think he is going over to the Navy.

H.M.Jr: Oh, is he?

Foley: So I understand.

H.M.Jr: All right, Harry. Some morning bring me in a report and say something is going wonderful, will you?

White: About Latin America?

H.M.Jr: Anywhere.

White: Oh, that is possible.

H.M.Jr: Harold? Harold, what i s the fellow out in Indiana, Mc something, not McNutt but one of his boys.

Graves: McHale?

Foley: McHale is the National Committeeman.

H.M.Jr: McKinney, I think it is. Which is the National Committee?

Foley: McHale.

H.M.Jr: Is he cleaned up?

Graves: No.

H.M.Jr: Is McKinney cleaned up?

Graves: No.

H.M.Jr: Well, as I understand it, here amongst us Democrats, for a moment, Western United States politically is going to be under McNutt, and I believe McKinney. Now, there is McHale and McKinney.

Graves: I think it is apt to be McHale rather than McKinney.

Foley: McHale is political manager and the fellow who does all the manipulating for him.

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H.M.Jr: And McHale is not cleaned up?

Graves: There is no fraud in anything we have on McHale, but we have a tax case against two companies he is involved in.

H.M.Jr: Will you give Mrs. Klotz a little memorandum on McHale and McKinney? It is one or the other. Which one is in the City Beer Business?

Graves: Both of them.

White: Is this the firm of McHale, McKinney and McNutt?

Graves: Each one is connected with beer distributing companies, and we have tax cases against both their companies. There is nothing in the McHale situation which smacks of fraud.

H.M.Jr: Is McHale National Committeeman?

Graves: He is the National Committeeman.

H.M.Jr: And McKinney is what?

Graves: He has been, up until very recently, Treasurer of Marion County, the county in which Indianapolis is located.

H.M.Jr: Give me a little statement on both of them. I don't know whether it is too late or not. With Mr. Dewey starting out on a campaign and the McNutts and the McHales and McKinneys, it seems unfortunate. We will go ahead just the same.

Graves: The reports are in here.

H.M.Jr: You go right ahead just the same, needless to say.

Mr. Bell?

Bell: I see you got a lot of publicity on your foreign debt.

H.M.Jr: Yes, what do you think of that?

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White: Good.

H.M.Jr: What did you think of it, Professor Chamberlain? Did you notice what I said?

Chamberlain: Yes, I noticed. I saw it in the newspapers. I thought in the newspaper account they made one mistake. They are confusing the countries who owe us money with the blocked countries, I thought.

H.M.Jr: But as to the thing in the papers, you see, what happened was, they kept pushing me and pushing me, how could we let money go to Germany and not to occupied France, and they kept driving and driving for 20 minutes, and finally I said, "Well, we are doing it for various reasons," and I mentioned three reasons and one of them was the debt, but I don't know how you feel. I don't think it is too bad.

White: I think it will be quite popular.

Chamberlain: And I think it will be popular from the letters I have seen, both here and the few letters I saw at the Red Cross.

H.M.Jr: It is wonderful to be popular.

White: I think you will be popular in that, because I don't think it will be done, but in the meantime --

H.M.Jr: It gives a very good excuse why we are not letting the money go.

Bell: It worries the foreigners a lot.

White: But it makes Merle feel happy.

Schwarz: It will put a stop to a lot of the suggestions and criticisms for a few more weeks. It is worth it.

Bell: I see Senator Reynolds liked it.

H.M.Jr: Mrs. Morgenthau and I decided we wouldn't go to any Embassies or any Legations next winter anyway.

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Bell: You might as well have an excuse.

H.M.Jr: Is everything all right?

Bell: Yes.

H.M.Jr: Professor Chamberlain, have they gone over your mail now? Do you still have to sign all the telegrams?

Chamberlain: No, thanks to your suggestion we got it all straightened out so that I sign a list.

H.M.Jr: Just some of them?

Chamberlain: Just some of them.

H.M.Jr: Does that save you quite a lot of time?

Chamberlain: A great deal of time.

H.M.Jr: How about the rest of your mail?

Chamberlain: I made arrangements with Mr. Pehle yesterday by which he signs all the purely formal letters and I am willing to trust his judgment as to what is purely formal, and those which he thinks I should sign come down to me and I get a few personal appeals of one sort or another, most of which I send up to him because I don't like to take any matters up personally if I can help it. I think it is bad administration.

H.M.Jr: Does it save you an hour or two?

Chamberlain: Oh yes, easily.

H.M.Jr: Is everything else all right, Dan? You are to go up on the Hill.

Harry, you might come along to explain silver in case they ask us.

White: I will enjoy watching you gentlemen perform.

H.M.Jr: You did a good job last time, didn't you? Harry took one hour on gold and silver in the last tax bill.

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Bell: This will be nice today. How many of them are there, 46?

Foley: Did you read Dorothy Thompson this morning, Harry?

White: Should I?

Foley: I don't know. You hadn't read her the last time.

H.M.Jr: You cleared Coe with me?

White: I can't --

H.M.Jr: You cleared Coe with me?

White: I cleared a man, I didn't mention his name. I just mentioned his salary.

H.M.Jr: Is he new?

White: No, he has been with us several times.

H.M.Jr: Is he this fellow from Canada?

White: That is right, that is, he teaches at Canada. He is one of Dr. Viner's men.

Foley: Did you see where Harry White's assistant is marrying John Hamilton's secretary?

H.M.Jr: So that is where the leak is!

White: When he was hired, I didn't even know he knew him.

H.M.Jr: Ed, you always were my pal.

Foley: You have got something on him.

H.M.Jr: You mean we have something more on him.

White: Moreover, he is not yet married, he is only engaged. He won't get married unless and until the election.

Foley: Unless Willkie wins.

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August 9, 1940

My dear Mr. Hoover:

This is to acknowledge receipt of the following communications which I received from you recently:

August 3 - Letter transmitting copy of memorandum dated August 2nd containing information concerning the activities of Axel Wenner-Gren;

August 3 - Activities of German Library of Information in New York City;

August 5 - Digest of editorial "The Fifth Column and the Good Neighbor" appearing in El Universal on June 5, 1940.

Please accept my thanks for making this material available to me.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

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

Regraded Unclassified

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

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J. EDGAR HOOVER
DIRECTOR

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

August 3, 1940

PERSONAL AND
CONFIDENTIAL

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

My dear Mr. Secretary:

I am transmitting herewith as of possible interest to you a copy of a Memorandum dated August 2, 1940, containing information concerning the activities of Axel Wenner-Gren, prominent Swedish financier, who recently visited the United States aboard his yacht, the "Southern Cross".

The information contained in this Memorandum has been generally discussed by Assistant Director H. H. Clegg of this Bureau with Assistant Secretary of the Treasury, Herbert E. Gaston.

Sincerely yours,

J. Edgar Hoover

Enclosure

BY SPECIAL MESSENGER

Regraded Unclassified

August 2, 1940

MEMORANDUM

Re: AXEL WENNER-GREN

According to available information, Axel Wenner-Gren was born in Sweden in 1881; he attended the University of Griefswald on the coast of Pomerania, Germany, and thereafter a commercial school in Germany. He then returned to Sweden and became head of the Swedish Separator Company.

Axel Wenner-Gren proceeded to New York in 1908 and there entered into business. He reportedly married an American girl, the former Marguerite Liggette of Kansas City, who, it is reported, studied operatic singing in Berlin.

Axel Wenner-Gren was formerly Chairman of the Board of the Electrolux Company, world renowned manufacturers of refrigerators, vacuum cleaners and other products. Although succeeded in June of 1938 by the present Chairman of the Board, Mr. Groff, Wenner-Gren is believed to have retained a large interest in the Electrolux Company. He is reportedly the actual head of the Anglo-French Banking Corporation and through this source he carries on large operations abroad. Information was recently received that he owns 90% of the stock of this corporation.

Information has been received that Axel Wenner-Gren is called the "Rockefeller of Sweden" because he gave $7,500,000 for the establishment of a research foundation bearing his name. This foundation was established to promote scientific research and to encourage inter-Nordic cooperation. Information has been received that Wenner-Gren made over to the foundation securities which at present yield in excess of a million crowns annually ($250,000.00). The exact normal value of the securities is not known, but is conservatively estimated at 20,000,000 to

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30,000,000 crowns ($5,000,000 to $7,500,000). With the exception of the Nobel Munitions Legacy, the Wenner-Gren Foundation is the largest private endowment ever made in Sweden.

According to available information, the Bofors Company, which is a large war materials manufacturing concern in Stockholm, Sweden, and which is reportedly the only general industry established in Sweden for the production of cannons and munitions, is largely Wenner-Grens' and he is the recognized head of this company.

It is interesting to note that information has been received from a highly confidential and usually reliable source, that Axel Wenner-Gren is closely associated with Field Marshal Goering of Germany, who is reported to have large Swedish munitions interests. This close association is allegedly borne out by the fact that Goering reportedly sent for Wenner-Gren in order to request that he, Wenner-Gren, use his great influence to bring about a cessation of hostilities in the war between Finland and Russia. The inevitable conclusion to this incident, as stated by the confidential informant, is that the Bofors Company had been making large sums of money by selling armaments and munitions to the Finns and that a cessation of hostilities between Russia and Finland was essential to the successful continuance of the war with the Allies on the part of Germany.

In this connection information was received from this same confidential source that the Swedish heavy armament industry is overwhelmed with orders for equipment, a great deal of which is for export. The industry is capitalized at twenty-seven million crows and it is reported to have paid a dividend of 11%. It is further reported that the value of stock has increased 135% over previous quotations. Information was received that there is some indication that the heavy armament industry in Sweden is linked with the Nobel Munitions group, although the Krupp Munitions people are believed to be indirectly important stockholders.

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The informant advised that it is obvious that the moneyed interests in Sweden had much to gain by the continuance of the Russian-Finnish War as they were reported to be supplying armaments and munitions to Finland, as well as to Germany in its war against the Allies. Consequently, Germany was interested in bringing about a quick cessation of hostilities in the Russian-Finnish War in order that it would receive maximum supplies of armaments and munitions from Sweden.

Axel Wenner-Gren left Sweden in his palatial yacht, the "Southern Cross", formerly owned by the American flyer Howard Hughes, just prior to the outbreak of the present European war, being allegedly apprehensive of German designs on Sweden.

On September 3, 1939, the British owned SS ATHENIA was sunk. According to available information, the SOUTHERN CROSS was, at that time, on a voyage from Norway to Miami, Florida, with the owner, Axel Wenner-Gren, and his wife aboard. Being fearful that he might become "tangled-up" in the British "shipping control regulations" Wenner-Gren is reported to have decided to pass north of Scotland, rather than via the British east coast and the English Channel.

Information has been received that shortly before 9:30 P. M. (GMT) a radio message was intercepted by the radio operator aboard the SOUTHERN CROSS concerning the sinking of the SS ATHENIA, 65 miles away. The SOUTHERN CROSS reached the SS ATHENIA, according to available information, at 2:30 A. M.

Information has been received from a confidential source that the sinking of the SS ATHENIA may have been effected from the SOUTHERN CROSS. However, information received from another confidential source indicates that neither the SOUTHERN CROSS nor her owner and crew are believed to have been in any way concerned in the loss of the SS ATHENIA and that they did an efficient rescue job.

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About 1939 Axel Wenner-Gren purchased an estate in Nassau, Bahama Islands, and has spent considerable time there during the past year. It was reported that he made occasional trips to the United States, usually utilizing air travel in both directions.

Axel Wenner-Gren has now moved all of the furnishings from his Nassau estate and is presently enroute to various points on the West Coast of the United States and to Alaska.

According to available information, Wenner-Gren may now be acting as an agent of the German government. It was reported despite the fact that originally he may have had "anti-Nazi leanings" it is believed that due to the fact that he has extensive holdings in countries now under the domination of Germany, he may now be pro-Nazi.

The Yacht SOUTHERN CROSS arrived at Cristobal, Canal Zone, from Miami, Florida, on July 4, 1940, and transited the Canal the same day. The ship cleared from Balboa, Canal Zone, on July 5, 1940, direct for Los Angeles, California, although it is now reported that she stopped at an unnamed Mexican port enroute. On board the ship at the time she passed through the Panama Canal were Axel Wenner-Gren, his wife Marguerite, and his confidential secretary, Gene Gautia Liggett. These were the only passengers.

The yacht SOUTHERN CROSS arrived in Los Angeles, at 9:45 A. M., July 16, 1940. Information has been received from a confidential source that the ship was boarded by United States Immigration authorities at 10:00 A. M. and it was found that the owner, Axel Wenner-Gren, his wife and thirty-nine crew members, were on board. It was determined that Wenner-Gren and his wife have sixty day landing permits issued at Miami, Florida, at an unknown date. All crew members were granted landing privileges.

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The SOUTHERN CROSS operated under Panamanian registry from 1934 to 1938. She was reportedly changed to a Swedish registry in 1938. At the present time she is again under Panamanian registry.

The SOUTHERN CROSS also passed through the Panama Canal on February 10, 1940, from Callao, Chile. At that time it is reported that she had aboard a number of samples of machine guns and small arms. Axel Wenner-Gren reportedly invited certain individuals to come aboard the SOUTHERN CROSS at which time he allegedly demonstrated the guns to them.

Information has been received from a confidential source that until recently two Englishmen, one Paine and one Warlow, were agents for the Wenner-Gren interests in the city of Panama. However, on his recent trip there it was reported that one Hans Elliot, head of the Elliot Shipping and Land Company of the city of Panama, was his agent. According to available information, the activities of Hans Elliot are definitely questionable and it is reported that he may be a German agent.

Axel Wenner-Gren is reportedly a very close personal friend and business associate of Axel Wallenberg, former Swedish Minister to the United States and later Swedish Minister to Berlin, Germany. It has been reported that Wallenberg is now very pro-German.

Axel Wenner-Gren and his wife are close personal friends of movie actress, Greta Garbo. Miss Garbo visited with the Wenner-Grens at their estate in Nassau, Bahama Islands, while on a vacation cruise during the past year.

Axel Wenner-Gren is also a close personal friend of writer Fannie Hurst of New York. She reportedly arranged an

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interview had by Wenner-Gren with President Franklin Delano Roosevelt some time in December, 1936, or January, 1937.

On July 19, 1940, Axel Wenner-Gren, accompanied by his wife, his confidential secretary, Gene Gautia Liggett, and one Molly Beatrice McCoy, left Los Angeles, California, aboard the yacht SOUTHERN CROSS at 2:30 A.M. for San Francisco, California.

According to available information, a radio message was received by the SOUTHERN CROSS radio operator about 9:30 P. M. on July 19, 1940, via Chatham Radio, which read as follows:

"38 Rates unchanged milk drying normal
Stop Doing Marstrand for next week

Signed 'Lilja' "

The SOUTHERN CROSS arrived at Pier 41, San Francisco, California, at 1:30 P. M. on July 21, 1940. Alex Wenner-Gren left the yacht later in the afternoon and visited the San Francisco Fair at Treasure Island. Later that same day he contacted one A. DOUGLAS MURRYNE, an elderly, wealthy retired contractor who resides at Redwood City, California. Wenner-Gren had dinner that evening with his wife in the China-town section of San Francisco, returning to his yacht at an early evening hour.

On July 22, 1940, Wenner-Gren called at the offices of the Electrolux Corporation located in the Girrendes National Bank Building, San Francisco, California. He reportedly lunched

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at the St. Francis Hotel, San Francisco, California, with his wife and an unidentified man. Later in the afternoon Mrs. Wenner-Gren remained at the St. Francis Hotel, San Francisco, California, while Axel Wenner-Gren and the unidentified man who had lunch with him made a trip to Melo Park, California, in a Packard sedan, automobile registered to one H. J. Stork, Oakland, California. He returned to his yacht early that evening in the Packard sedan, which was then dismissed. Wenner-Gren and his wife spent that evening at the San Francisco Fair at Treasure Island, where they reportedly dined together and visited the Aquacade. They returned to the yacht for the night about 9:50 P. M.

It is reported that on July 23, 1940, Wenner-Gren gave a banquet at the Palace Hotel, San Francisco, California, for approximately five hundred employees of the San Francisco Division of the Electrolux Corporation. Wenner-Gren together with his wife and Mr. and Mrs. A. Douglas McBryde, visited the cocktail lounge on the roof of the Mark Hopkins Hotel, San Francisco, in the late afternoon, and then had dinner at John's Rendezvous, San Francisco, California. Wenner-Gren and his wife returned to the yacht SOUTHERN CROSS about 10:30 P. M.

According to available information, Wenner-Gren spent the forenoon of July 24, 1940, at the offices of the Electrolux Corporation, San Francisco. He had lunch at the Pacific Union Club with A. Douglas McBryde, and spent that afternoon at the Golden State Dairy Products Office, San Francisco. He returned to the yacht SOUTHERN CROSS during the early evening.

On July 25, 1940, Wenner-Gren was visited aboard the yacht SOUTHERN CROSS by one W. K. Dupre, an attorney from New York, New York, as well as by officials of the San Francisco Division of the Electrolux Corporation. Wenner-Gren was absent from his yacht for a period of approximately four hours in the afternoon having luncheon at the St. Francis Hotel, San Francisco,

Regraded Unclassified

and visiting the offices of the Electrolux Corporation. Information has been received that at 6:00 P. M. Wenner-Gren went alone to the Pacific Union Club for dinner and then visited a local theatre. He subsequently returned to the Pacific Union Club where he remained overnight.

The yacht SOUTHERN CROSS departed from San Francisco, California, for Seattle, Washington, at 6:00 P. M. on July 25, 1940, with all members aboard except Axel Wenner-Gren.

Axel Wenner-Gren spent the morning of July 26, 1940, at the Electrolux Corporation Offices in San Francisco, California. During the afternoon he reportedly departed for the Bohemian Grove, said to be an exclusive resort near San Francisco, California, with one John Francis Neylan, a prominent San Francisco attorney.

On July 28, 1940, Wenner-Gren returned to San Francisco, California, about 4:30 P. M. It is reported that he left for Seattle, Washington, via United Airlines at 6:40 P. M. that same date.

According to available information, Wenner-Gren arrived at the Seattle, Washington Airport at 11:50 P. M. on July 28, 1940, where he was met by two officers of the yacht SOUTHERN CROSS. He immediately boarded the SOUTHERN CROSS which was anchored offshore and spent the remainder of the night.

On July 29, 1940, Wenner-Gren came ashore about 10:45 A. M. with his wife and two other women and window-shopped until noon. He then attended a banquet for Electrolux Corporation employees at the Olympic Hotel, Seattle, until 3:00 P. M. He reportedly spent the remainder of the afternoon on a sight-seeing tour and returned to his yacht about 6:00 P. M.

Regraded Unclassified

MEMORANDUM
Re: [redacted]

The yacht SOUTHERN CROSS with Wanner-Gren aboard, departed from Seattle, Washington, at 7:50 P. M. on July 29, 1940, for Vancouver, B. C., Canada.

Regraded Unclassified

EDGAR HOOVER
DIRECTOR

49

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

August 3, 1940

PERSONAL AND
CONFIDENTIAL

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

My dear Mr. Secretary:

I am forwarding herewith a memorandum incorporating information received from a confidential source concerning the activities of the German Library of Information in New York City.

Sincerely yours,

J. Edgar Hoover

Enclosure

BY SPECIAL MESSENGER

Regraded Unclassified

August 3, 1940

MEMORANDUM

Re: German Library of Information

Information was received from a confidential source that on April 19, 1940, William McLaughlin, alias William Lyon, and Karl Voelcker, the owners of Voelcker Brothers, who are the official printers for the German Library of Information in New York, requested a list of the members of the legislative branches of the various states from the office of Boyd's City Dispatch in New York City. Reportedly, this list consists of some 7,000 names.

Further information was received that the new German White Book, consisting of over 700 pages and costing $13,500, exclusive of postage, has been printed but distribution is being held up pending negotiations now being conducted with the Post Office Department. Reportedly, 7,000 copies of this book have been printed and they are to be mailed to 7,000 names contained on a mailing list of the German Library of Information.

It would appear that there is a connection between the list of legislators of the various states and the mailing list mentioned above. The possibility is advanced that the German White Book will be transmitted to the legislators of the various states by the German Library of Information.

Regraded Unclassified

N EDGAR HOOVER
DIRECTOR

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

August 5, 1940

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

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

My dear Mr. Secretary:

For your information, I am transmitting herewith a digest of an editorial, "The Fifth Column and the Good Neighbor," appearing in a Mexico City newspaper, "El Universal" on June 5, 1940. "El Universal" has the largest circulation of any newspaper in Mexico City and is considered one of the more conservative papers.

This editorial has been reprinted in pamphlet form and the informant states that it is being used by numerous Government officials to hand out to English-speaking people to acquaint them with Mexico's attitude toward the United States with relation to the present European conflict. This particular pamphlet was given to my informant by a high-ranking official of the Mexican State Department and according to his statement bears the official endorsement of the Mexican Government.

Sincerely yours,

J. Ed. Hoover

Enclosure

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Regraded Unclassified

August 5, 1940

THE FIFTH COLUMN
AND THE
GOOD NEIGHBOR

From "El Universal"
Mexico City, June 5, 1940

The Government and the people of the United States, after emerging from an almost unbelievable stupor, have suddenly awakened to the peril of war. They now realize, more than ever before, the danger involved by alien activities on their territory and the urgency of problems connected with national defense. This includes the Panama Canal, which is indispensable for the transfer of American fleets from one ocean to the other.

Consciousness of the reality of this danger includes the problem of ascertaining whether the neighbors of the United States to the south are going to be good neighbors and true friends, or untrustworthy neighbors and secret enemies. So public attention has now been focused on the question of Mexico's international position and possible influences wielded in this country by agents of the German and Soviet Governments. In addition to this and due more especially to frequent statements emanating from the Dies Committee, a large section of the American press has been printing reports on the purported existence of a so-called "fifth column" in Mexico.

The frequent official statements to the effect that there is no "fifth column" in Mexico, nor even any threat of such an organization, constitute all that can officially be said on the subject. However, neither the Government nor the people of the United States should mistakenly assume that these declarations mean that Mexico is not on the alert as regards this problem.

The domestic measures which the Mexican Government has been taking and will continue to take, do not give the impression—nor would it be desirable for them to do so—of harsh steps calculated to make the public, at home and abroad, think that the Mexican Government overestimates the importance of the threat. Nor can it be expected that the Mexican people are going, overnight, to offer their cooperation with appropriate organs in the United States for common defense against such possible "fifth column" activities.

The long drawn-out controversy between the Government of Mexico and the American Oil Companies, has caused great resentment among the Mexicans. There is also a marked official displeasure due to the fact that these American Companies have tried, through agents working for them, to provoke sabotage of petroleum production. This feeling is intensified by the further fact that they have also attempted to foster an uprising against the present administration, with the hope that a new regime would return to them the oil properties expropriated by the present Government. The companies have, in these attempts, gone so far as to smuggle arms into the country and to keep on hand stocks of this kind of material, to turn it over, at a certain moment, to the rebel chieftain offering most chances of success.

This official resentment cannot be expected to disappear at a moment's

notice. It is obvious that if such contrabands of arms have been introduced, this can only have been possible because of the inefficiency or lenity of American authorities, for everyone knows that arms could hardly be imported into Mexico from South America. If the existence of contraband shipments from this latter source were to be actually proven, it is more than likely that the arms in question had been originally purchased in the United States. An authorized high official, has even assured us literally that "If there be a "fifth column" in Mexico, it is surely being handled from the United States with headquarters at Rockefeller Center, in the City of New York, where the offices of the American Oil Companies are located".

If this is the general atmosphere prevailing among the Mexicans and their Government, how can the Government and people of the United States, just because a change has been wrought in American public opinion by the menace of war, hope that the people of Mexico are going to react in exactly the same way as the Americans and prepare to fight the very same enemies? Mexico is a small but proud nation. The people and Government of Mexico, if won over by a display of good will, might easily be induced to become true allies of the United States in the hour of danger. As long, however, as the American Oil Companies feel themselves encouraged in their intentions to provoke disturbances in Mexico—due to the lenient attitude of the American Government, or to more energetic action on the part of the latter towards Mexico—it is going to be very difficult for the Mexicans to feel themselves united by community of interests with the people of the United States.

Hardly three months ago, the American Government sent a note to Mexico on the oil expropriation issue, in which the former attempted to show forth Mexico before the eyes of the world, and especially Latin America, as a nation in default on her international obligations. In that same note it was expected that Mexico would either yield, or else, be made to appear, contrary to all Latin-American precedents, as rejecting arbitration, which has always been one of the aims pursued by Pan American policies. Mexico replied in a suitably worded note, and has shown that Latin America's position, as it stands, does not support the American proposition. On the contrary, it rather seems to favor Mexico's attitude in rejecting arbitration as long as domestic means of redress are not exhausted.

The memory of the violent reaction provoked in Mexican public opinion, and even in other Latin American countries, by the delivery of this note from the American Department of State, is still fresh. Newspapers were filled with references to arbitration awards not complied with by the United States, and with articles recalling certain American policies, notably the so-called "dollar diplomacy" or the "big stick", that have left such bitter recollections in many American countries.

So far as the United States is concerned, and even though Mexico is a small country and the United States is very many timesmore powerful, Mexico's friendship is absolutely essential. Not only because Mexico is just south of the American border, but also because Mexico has, for quite a long time, been

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looked up to as a sort of guide and example by the other nations of the Americas in their defense against American dollar diplomacy and the big stick policy.

Mexican observers think that just as the United States has made efforts to win the good will of the great Brasilian people, threatened both inside and outside by a Nasi invasion, the American democracy should make a supreme effort to gain Mexico's friendship, frankly and completely. National interests should always prevail over private interests. This has been Mexico's policy throughout the period of her revolutionary governments and this should also be the policy of the United States. Mexicans fail to understand how the United States can, rather than win and promote Mexico's friendship and progress, prefer to protect the doubtfully legitimate interests of oil companies that have largely built up their fortunes out of the products of the Mexican subsoil.

In short, Mexico is not an easy prey, either for "fifth columns" or for diplomatic blandishments. If any Mexican or foreign factions should attempt to disturb order in Mexico, they will find the whole people solidly behind its present Government. The nation will rally to its defense, just as in the case of recent threats and diplomatic notes. But should proof fail to be shown of the actual existence of true friendship between the peoples of the United States and Mexico, evidenced by concrete and constructive acts, then the American Government can hardly expect Mexico to become its gratuitous and uncompromising ally.

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G-2/2657-234

G-2
J M

August 9, 1940.

MEMORANDUM FOR THE CHIEF OF STAFF (No. 68):

Subject: Messages from Military Attaches.

Following is a paraphrased message received from the Military Attache as shown:

Peiping, Filed 0200, August 9. The French Ambassador and staff now in Shanghai will return shortly to Peiping according to statement made to U. S. Assistant Military Attache by the French Military Attache in Peiping. Munson.

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

td

Copies to: General Watson
State Dept.
Mr. Morgenthau
ONI
WPD

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G-2/2657-220 RESTRICTED

No. 166 SITUATION REPORT M.I.D., W.D. August 9, 1940. 12:00 M.

This military situation report is issued by the Military Intelligence Division, General Staff. In view of the occasional inclusion of political information and of opinion it is classified as Restricted.

I. Western Theater of War.

1. No ground operations.

2. Air Force Operations.

On the 8th very large scale operations centered on attacks on convoys in the English Channel and perhaps against British shipping in Channel harbors. Repeated German attacks were made and were countered by the Royal Air Force. The claims and admissions of casualties by each side are regarded as unreliable. It is believed that this action is being renewed today.

Both sides continued harassing raids on the night of August 8-9. There is apparently a diminution in the British forces employed on night raids.

II. Mediterranean Theater of War.

1. No ground operations reported.

2. Air Force Operations.

An engagement between British (Gladiator) and Italian pursuit planes occurred on the 8th over Sidi Omar (Libya). Forces of 15-30 planes were engaged on each side. Reports of results were conflicting as usual, but the tone of the respective communiques suggests that the British achieved a success.

III. East African Theater of War.

The Italian advance into Somaliland has been resumed after the occupation of Zeila and Hargeisa.

RESTRICTED

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C O P Y

To: American Embassy, Moscow.

From: Secretary of State, Washington.

Date: August 9, 6 p.m.

No: 423

Reference is made to your telegram No. 885 of July 20.

Section One. (Paraphrased). There is included herewith as Section Two a reply to the memorandum which Lozovsky handed to you. Section Three of this telegram contains a first person note which you are requested to hand to the Commissar or Assistant Commissar at the same time you present him with the memorandum.

You should examine carefully both the documents in question in order to ascertain that there are no statements included in them which do not conform to the facts of which you may have knowledge. In case you believe that it would be advisable to make certain changes, you should first request the authorization of the Department.

The Department suggests that you endeavor to make an appointment, if possible on Monday, with the Commissar or Assistant Commissar for Foreign Affairs in order to present the documents. Please inform the Department of the hour and date of the interview in order that the Department may present copies of the memorandum and the note to the Soviet Ambassador here in Washington.

/Section

Regraded Unclassified

- 2 - #423, August 9, 6 p.m., to Moscow.

Section Two (GRAY)

The Government of the United States of America has given careful consideration to the memorandum handed to the American Charge d'Affaires at Moscow on July 20, 1940, in which the Soviet Government protested because the Federal Reserve Bank of New York had not transferred to the account of the State Bank of the U.S.S.R. certain gold held in the Federal Reserve Bank of New York belonging to the Banks of Lithuania, Latvia, and Estonia.

The memorandum states in part that the gold in question "was acquired by the State Bank of the U.S.S.R. from the Lithuanian, Latvian, and Estonian Banks on the basis of sale purchase agreements and was subject to transfer to the deposit of the State Bank of the U.S.S.R. by virtue of telegraphic orders of July 13, 1940, of the Lithuanian, Latvian, and Estonian Banks, orders which are unconditionally binding upon the Federal Reserve Bank".

Under the Gold Reserve Act of 1934 and regulations published pursuant thereto which have been in effect since January 31, 1934, gold in any form in the United States may be acquired and held, imported, exported, earmarked or held in custody for foreign or domestic account only to the extent permitted by and subject to

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the conditions prescribed in regulations which the Secretary of the Treasury of the United States is authorized to issue. Under regulations issued in January 1934 pursuant to such Gold Reserve Act, transfers of the character referred to in the memorandum of the U.S.S.R. may be made only if specifically licensed by the Secretary of the Treasury.

The nature of the United States Government control over gold situated in this country has been known or should have been known to the banks of Lithuania, Latvia, Estonia and U.S.S.R. The agreements pursuant to which the gold is held by the Federal Reserve Bank of New York provide that such gold is to be held "within the authority of, and subject to the terms of" the gold license issued to the Federal Reserve Bank by the Secretary of the Treasury. Under the terms of such gold license the Federal Reserve Bank is required, before it may make transfers of the type here in question, to obtain a specific license from the Secretary of the Treasury. Accordingly, the Federal Reserve Bank of New York had no authority to make the transfers of gold which were requested of it until it first received a license from the Treasury Department. In recent months the Federal Reserve Bank of New York has effected

transfers

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transfers of gold between accounts of the Bank for International Settlements and accounts of the Banks of Latvia and Lithuania. The exchange of telegrams between the Federal Reserve Bank and the Banks of Latvia and Lithuania in connection with such transactions must have made it entirely clear to such banks that transfers of gold are made by the Federal Reserve Bank of New York only pursuant to a license issued by the Secretary of the Treasury.

No agreement for the transfer of gold situated in this country, regardless of who may be the parties thereto, may be considered as "unconditionally binding" on the Federal Reserve Bank of New York in cases where no license for the transfer has been issued by the Secretary of the Treasury. The alleged sale, therefore, by the Banks of Lithuania, Latvia, and Estonia of gold held in the Federal Reserve Bank of New York to the State Bank of the U.S.S.R. was without binding force and effect in this country since no license authorizing the transfer of such gold has been issued by the Secretary of the Treasury. Title to the gold situated in this country cannot be considered to have passed by virtue of any arrangement made outside the country unless the transfer

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is authorized by a license issued by the Secretary of the Treasury of the United States.

The memorandum of the U.S.S.R. states that there was a "completely unjustified delay of three days" in the application by the Federal Reserve Bank for authority to transfer the gold to the State Bank of the U.S.S.R. The Government of the United Stated cannot agree with such a statement. On July 13 the Federal Reserve Bank of New York received a telegram dated July 12 from the Lithuanian Bank requesting the transfer of certain gold to the State Bank of the U.S.S.R., and also stating "You will receive instructions from beneficiary", meaning the State Bank of the U.S.S.R. On July 13, the Bank of Lithuania sent a further telegram to the Federal Reserve Bank of New York amending its telegram of July 12 and, on the same day, the Bank of Latvia sent a telegram to the Federal Reserve Bank of New York instructing that certain gold be transferred to the State Bank of the U.S.S.R. July 13 was a Saturday and the Federal Reserve Bank of New York is not open for business between noon on Saturday and the following Monday morning. The telegrams of July 13 were not received at the Federal Reserve Bank of New York until long after the close of

business

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business on Saturday, July 13, and too late for any action to be taken in connection therewith until Monday July 15. On July 15, the Federal Reserve Bank of New York also received for the first time telegraphic instructions dated July 13 and July 15 from the State Bank of the U.S.S.R. relative to such gold transfers. On the same day, namely July 15, the Federal Reserve Bank of New York applied to the Treasury Department for a license, pursuant to the Gold Regulations which had been in effect since 1934, to transfer the gold referred to in the telegrams from the Banks of Latvia, Lithuania, and the U.S.S.R. On the following day, July 16, the State Bank of the U.S.S.R. was advised by the Federal Reserve Bank of New York that application for such license had been made. There was, accordingly, no delay whatever on the part of the Federal Reserve Bank in dealing with this matter.

In this connection it should be pointed out that the Federal Reserve Bank of New York has not as yet received instructions from the Bank for International Settlements to transfer gold which it holds under earmark for the Bank for International Settlements and which apparently belong to the Bank of Estonia. On July 18, the

Estonian

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Estonian Bank advised the Federal Reserve Bank of New York that it had previously given instructions to the Bank for International Settlements concerning such transfer and asked the Federal Reserve Bank of New York to assit in obtaining the necessary license for the transfer. The Bank for International Settlements has never issued any instructions to the Federal Reserve Bank of New York to make such transfer. In view of the agreement between the Federal Reserve Bank and the Bank for International Settlements, pursuant to which such gold is held, the Federal Reserve Bank of New York is not in a position to take any steps looking to the transfer of such gold until it receives appropriate instructions from the Bank for International Settlements. On July 20, therefore, the Federal Reserve Bank of New York informed the Bank of Estonia that it would apply for the necessary licenses as soon as it received instructions from the Bank for International Settlements. No such instructions have been received up to the present time.

On July 15, 1940, the President of the United States, pursuant to the authority conferred on him by the Act of October 6, 1917, as amended, issued Executive Order No. 8484. This Order amended Executive Order No. 8389 of April 10, 1940, as amended, so as to extend all the

provisions

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provisions of Executive Order No. 8389 to, and with respect to, property in which Latvia, Estonia or Lithuania, or any national thereof, has, at any time on or since July 10, 1940, had any interest of any nature whatsoever, direct or indirect. Executive Order No. 8389 of April 10, 1940, provides that certain transactions involving property in which Norway or Denmark, or any national thereof, has had any interest on or since April 8, 1940, may be carried out only pursuant to license issued by the Secretary of the Treasury. On May 10, 1940, the provisions of Executive Order No. 8389 were extended to, and with respect to, property in which the Netherlands, Belgium or Luxembourg or any national thereof, has, at any time on or since May 10, 1940, had any interest. On June 17, 1940, the provisions of Executive Order No. 8389 were extended to, and with respect to, property in which France, or any national thereof, has, at any time on or since June 17, 1940, had any interest. Under Executive Order No. 8484 transactions of the character referred to in the memorandum of the U.S.S.R. involving property in which Latvia, Estonia, or Lithuania, or any national thereof, has, at any time on or since July 10, 1940, had any interest, may be carried out only pursuant to a license issued by

the

Regraded Unclassified

the Secretary of the Treasury. Accordingly, on July 16, 1940, the day following the issuance of Executive Order No. 8484 and the day after it had received instructions from the banks of Lithuania, Latvia, and the U.S.S.R., the Federal Reserve Bank of New York applied for a license pursuant to Executive Order No. 8484, authorizing the transfers of the gold in question. This application was in addition to the application for a license under the Gold Reserve Act of 1934 which, as previously indicated, was made by the Federal Reserve Bank of New York on July 15.

The measures against which the Soviet Government protest are neither arbitrary nor isolated manifestations of national policy. They are acts of conservation and control fully within the rights of the Government of the United States and involve no infringement of international law. Similar measures have been applied with respect to property situated in the United States belonging to various countries, or nationals thereof, which have been occupied by the armed forces of a foreign Power or otherwise deprived of their freedom of action by force or threats of force, giving rise to practical problems of the appropriate protection of American institutions and

nationals

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nationals from adverse claims which might result from the making of payments by them on instructions issued under duress, and of the protections of the interests of the rightful owners.

The attempt to transfer the gold belonging to the Banks of Lithuania, Latvia, and Estonia was made at a time when it had become apparent that the governments and peoples of those countries were being deprived of freedom of action by foreign troops which had entered their territories by force or threats of force. The attitude of the Government and people of the United States with regard to the use of force or threats of force in the conduct of international relations is well known. In keeping with this attitude, it is proper that the authorities of the American Government, in administering the order and regulations referred to, should not fail to take into consideration the special situation existing in the three Baltic countries.

References in the memorandum to legal property rights and to the elementary principles of international law prompt the Government of the United States to draw the attention of the Soviet Government to the fact that nationals of the United States have suffered heavy losses in

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in territories under the control of Soviet civil or military authorities as the result of acts committed by, under the direction of, or with the active approval of, such authorities. Certain of these losses which have been suffered during more recent months and the responsibility of the Soviet Government therefor are, however, being made the subject of a note to be addressed by the American Embassy at Moscow to the Commissariat for Foreign Affairs.

Section Three (First Person Note)

I have the honor, upon instructions from my Government, to draw the attention of Your Excellency to the fact that American institutions and nationals have suffered considerable losses in territories under the control of Soviet civil or military authorities as the result of acts committed by, under the direction of, or with the approval of, such authorities.

In September 1939, Soviet armed forces entered and occupied certain territories in Eastern Poland. While these territories were under the control of such forces certain persons or groups of persons proceeded to nationalize or confiscate property, including the property of nationals of foreign countries. Nationals of the United States own, or have interests in, property

situated

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situated in these territories. Although this Embassy has submitted numerous requests to the People's Commissariat for Foreign Affairs for information regarding the status of these properties, it has as yet received no indication from the Soviet Government with regard to the disposition thereof. Under cover of a note dated April 26, 1940, however, the People's Commissariat for Foreign Affairs transmitted to the Embassy a copy of an instruction of the People's Commissariat of Justice relating to the "nationalization of foreign properties in the territories of Western Ukraine and of Western White Russia". This instruction stated in effect that since measures nationalizing land of estate owners, banks, and large industries had been approved and proclaimed on October 28 and 30, 1939, before the formal incorporation of the territories in question into the Soviet Union, there are no bases for the presentation to the Soviet Union of claims arising from such measures even though the property with respect to which such claims are presented may subsequently have passed into the possession of organs of the Soviet Government.

In June 1940, Soviet armed forces entered and occupied Bessarabia and Northern Bukovina. Nationals of the United States own property and have interests in

property

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property in these provinces. Although inquiries have been made to the Soviet Government by the Embassy of the United States at Moscow no information has as yet been received with regard to the status of such property or property interests.

In the countries of Lithuania, Latvia, and Estonia nationals of the United States also own or have interests in certain properties. It is the understanding of my Government that steps have already been taken by certain persons or groups under the control of the authorities of the Union of Soviet Socialist Republics to nationalize or confiscate these properties and to take other actions injurious to American property or interests.

My Government instructs me to state that regardless of any disclaimers of responsibility therefor on the part of the Government of the Union of Soviet Socialist Republics, the Government of the United States holds, and will hold, the Government of the Union of Soviet Socialist Republics responsible for all losses to American nationals resulting from acts of nationalization or confiscation, or other acts injurious to the property or interest of such nationals, committed in territories under Soviet control by, under the direction of, or with the approval of, the authorities of the Union of Soviet Socialist Republics.

My

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My Government also directs me to bring to the attention of the Government of the Union of Soviet Socialist Republics the fact that the governments, institutions, and residents of certain of the countries which at present are wholly or in part under occupation by Soviet armed forces have debts aggregating large sums to the Government or nationals of the United States.

Accept, Excellency, the renewed assurances of my highest consideration.

Section Four (Paraphrased). Should the Commissar or Assistant Commissar give you the impression that the memorandum and the note may adversely affect Soviet-American relations, the Department desires that you inform him that because of the contents of the Soviet memorandum handed to you and because of the attitude which the Soviet authorities have displayed in connection with the interests and property of American citizens in Soviet-occupied and controlled territories, the Government of the United States, although it is hoping that Soviet-American relations will show an improvement, has no other choice than to present the documents in question. You may add that your government would be lacking in frankness if it did not state clearly its position in this matter.

WELLES, Acting.

lap

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TREASURY DEPARTMENT

WASHINGTON

August 9, 1940.

MEMORANDUM FOR THE SECRETARY:

Following are the more important facts about the McHale and McKinney tax cases:

Frank M. McHale

In the first year of the McNutt administration in Indiana, immediately after the legalization of beer, McHale organized two corporations (Hoosier Wine and Beer Company, State Brewing Company) to engage in the wholesale distribution of beer, securing a "port of entry" permit for each corporation. These permits gave the holders an absolute monopoly on the sale of "foreign" beer in eight counties, including and surrounding the City of Indianapolis. McHale took for himself one-half of the stock of each of these companies.

While these two corporations had separate permits, they actually operated as a single business unit, under the name of Hoosier Wine and Beer Company. However, they filed separate income-tax returns, equally dividing the earnings and the expenses of the joint operation.

In 1935, the State Brewing Company failed to renew its permit, and as a consequence was without license to engage further in the sale of beer. Despite this fact, the dual operation continued, and the two corporations continued to file separate income-tax returns, equally dividing the earnings and expenses of the operation.

This scheme had the effect of reducing the apparent liability of the enterprise as a whole for excess profits taxes and graduated income taxes.

Moreover, despite the fact that practically no capital was required to carry on the business, the earnings of the enterprise were allowed to accumulate. By the end of the year 1939, the undistributed surplus of the two companies amounted to approximately $170,000.

This failure to distribute net earnings was apparently for the purpose, and unquestionably had the effect, of

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defeating the imposition of surtaxes on the individual incomes of McHale and the other shareholders. In view of this situation, the provisions of Section 102 of the Revenue laws are to be invoked.

The total additional tax to be set up against the two McHale corporations is in the neighborhood of $60,000.

The effort will be made to collect this by civil proceedings. No prosecution is intended.

Frank E. McKinney

McKinney was City and County Treasurer at Indianapolis from 1936 to 1939, inclusive. When the sale of beer was legalized, he organized a corporation, known as the Universal Beverage Company, to engage in the wholesale beer business in and around Indianapolis. He took two-thirds of the stock in this corporation for himself. One-third was held by one Owen J. ("Donny") Bush.

McKinney has a power of attorney from Bush, and, pursuant to this power of attorney, actively manages all of Bush's affairs with respect to the company's business.

The principal business of the Universal Beverage Company has consisted of the distribution and sale of the beer produced by the F. W. Cook Brewing Company of Evansville, Ind. In 1935, McKinney induced an arrangement with this brewery for the payment to him of commissions on all beer sold by the brewery to the Universal Beverage Company. Under this arrangement, the Cook Company increased the price of its beer to the Universal Beverage Company by the exact amount of these commissions. The cost of the beer purchased by the Universal Beverage Company was thus inflated by the amount of these commissions, which were paid over in cash to McKinney by the Cook Company. As the result of this inflation of its cost prices, the Universal Beverage Company has shown virtually no net income and has paid only nominal income taxes.

McKinney passed on to Bush one-third of the amount of these commissions. The total commissions received during the years 1935 to 1939, inclusive, were in excess of $200,000.

In 1937, the stock belonging to McKinney was transferred to the name of Bush, and McKinney contends that this was a

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bona fide sale. Available evidence, however, indicates that it was not a bona fide sale, and that McKinney is still the owner of the stock.

The purpose of the commission arrangement induced by McKinney was to defeat the corporate income taxes for which the Universal Beverage Company would have been liable had not its purchases from the Cook Company been inflated by the use of the scheme described.

This scheme was definitely fraudulent, and the prosecution of McKinney for his part therein, as well as for certain other fraudulent irregularities connected with the management of the Universal Beverage Company, is contemplated.

The amount of the additional taxes, including penalties, to be asserted in this case is approximately $118,000.

Harold N. Graves
Assistant to the Secretary.

Regraded Unclassified

August 9, 1940

Secretary Morgenthau

E. H. Foley, Jr.

I am attaching a digest of decisions reviewed by the Board of Tax Appeals during the week ended August 8, 1940. Also attached are decisions of the United States Processing Tax Board of Review received during the week ended August 8, 1940.

E. H. F.

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DECISIONS REVIEWED BY THE BOARD OF TAX APPEALS
RECEIVED DURING WEEK ENDING AUGUST 8, 1940

98452, 98564-98568) John M. Keister, 42 B.T.A. No. 74 (Income Tax) Opinion by Mr. Smith.

Decided in favor of the Government. That the stockholder-taxpayer received a taxable dividend representing income (and not a return of capital) within the scope of Koshland v. Helvering, where (a) stock dividend consisted of nonvoting common stock paid to the holders of voting common and nonvoting common; (b) stock dividend consisted of nonvoting 7 per cent preferred stock issued to the holders of voting common and nonvoting common.

No dissents.

93196) Shelden Land Company, 42 B.T.A. No. 77 (Income Tax) Opinion by Mr. Leech.

Issue 1: Did the loss occasioned to corporation A, whose stock was owned by relatives of the Shelden family, fall within the ban of disallowable losses from sales or exchanges of property between members of a family where corporation A sold to corporation B, whose stock was entirely owned by a trust for the benefit of two members of the Shelden family?

Decided in favor of the taxpayer. That the loss is deductible (a) the corporate entities are not to be ignored as both were bona fide corporations; (b) if corporate entities be disregarded, still the sale was not between "members of a family" since the two people owning the stock in B owned substantially less than fifty per cent of the stock in A; (c) the sale was bona fide.

Issue 2: Was the taxpayer at the expiration of the redemption period entitled to an ordinary loss occasioned by a foreclosure sale?

Yes - decided in favor of the taxpayer. (a) the expiration of the redemption period fixes the loss; (b) respondent has made no determination of capital loss where the contention is rested for the first time on brief and not in deficiency letter or in pleadings.

No dissents.

Regraded Unclassified

97324, 97325) James Q. Newton Trust and James Q. Newton, Jr., 42 B.T.A. No. 73 (Income Tax) Opinion by Miss Harron.

Issue - Was there a statutory reorganization within the Revenue Act where bonds of the old corporation were exchanged for stock and bonds of the newly organized corporation pursuant to a plan of reorganization under Section 77B of the Bankruptcy Act?

Yes - decided in favor of the taxpayer. (a) Petitioner has not proved its case of "statutory merger or consolidation" even though a new charter was obtained from the State; a 77B reorganization does not per se constitute such merger or consolidation; (b) there was a reorganization under the Revenue Act provision predicated on the requirement that the transferor or its stockholders be in control of the new company, since under the Kitselman case bondholders represent such control.

Dissents: Mr. Murdock - for reasons expressed in his dissent in Alabama Asphaltic Limestone Co.
Dissents: Messrs. Van Fossan, Leech, Turner, and Disney without opinion.

91741) Paul Plunkett & Co., Inc., 42 B.T.A. No. 72 (Income Tax) Opinion by Mr. Tyson.

Issue 1 - Where commissions for services rendered by the taxpayer in bringing about the sale of certain large stock issues were paid to Westchester Corporation pursuant to a purported assignment, which corporation was owned by the petitioner through its nominee, do such commissions represent gross income of the taxpayer?

Yes - decided in favor of the Government. (a) The entity of the wholly controlled corporation is disregarded where used as a mere agency to conceal the real nature of the transaction; (b) the commissions were at all times subject to the unfettered control of the petitioner.

Issue 2 - Was the petitioner's return false and fraudulent?

Yes - decided in favor of the Government; with the result that the normal statutory assessment period does not bar this deficiency and penalty.

No dissents.

MR 8/8/40

Regraded Unclassified

DECISIONS of the UNITED STATES PROCESSING TAX BOARD OF REVIEW
received during the week ending August 8, 1940.

THE WILLIAM KELLY MILLING COMPANY, as
Agent for United Baking Company, Inc.
v. Docket No. 266.
Commissioner of Internal Revenue.

Issue: Does the Board have jurisdiction to review the disallowance of a claim for refund of an amount paid by or collected from a person as tax with respect to processing for a charge or fee? It appears from the petition that the claim for refund, the disallowance of which it is sought to have reviewed, was for an amount paid as tax upon the processing of wheat for United Baking Co. for a charge or fee.

Decided in favor of the Government on authority of Arabi Packing Co. v. Commissioner, 109 F.(2d) 278, cert. den., 60 S. Ct. Rep. 1093. (Order of dismissal by the Board dated August 1, 1940, signed by H. Stewart McDonald, Member.)

No dissents.

UNITED BAKING COMPANY, INC.
v. Docket No. 233.
Commissioner of Internal Revenue.

Issue: Does the Board have jurisdiction of a claim for refund of an amount alleged to have been paid by the petitioner to a third party? It appears from the amended petition that the claim for refund, the disallowance of which it is sought to have reviewed, was for amounts paid by petitioner to The William Kelly Milling Company because of the processing tax on wheat which was owned by petitioner and processed by The William Kelly Milling Company for a fee.

Decided in favor of the Government on authority of Fuhrman & Forster Company v. Commissioner, C.C.A. 7th, decided July 22, 1940. (Order of dismissal by the Board dated August 1, 1940, signed by H. Stewart McDonald, Member.)

No dissents.

Regraded Unclassified

Adams Brothers Mfg. Co.
v.
Commissioner of Internal Revenue.

Docket No. 244.

Issue: Is any refund due petitioner of amounts paid by it as processing tax upon the processing of cotton?

Decided pursuant to stipulation that the amount of refund due petitioner is $343.65
(Decision by the Board dated August 3, 1940, signed by John W. Edwards, Member.)

No dissents.

(James Hiram Gilliland,
also known as)
J. H. GILLILAND
v.
Commissioner of Internal Revenue.

Docket No. 281.

Issue: Should the petition be dismissed for failure to comply with Rules 4, 5, 6 and 7 of the Rules of Practice and Procedure before the Board? An imperfect petition was filed.

Decided in favor of the Government.
(Order of dismissal by the Board dated August 6, 1940, signed by Charles West, Member.)

No dissents.

Regraded Unclassified

August 9, 1940

Secretary Morgenthau

E. H. Foley, Jr.

I am attaching a digest of decisions reviewed by the Board of Tax Appeals during the week ended August 8, 1940. Also attached are decisions of the United States Processing Tax Board of Review received during the week ended August 8, 1940.

(Initialed) E. H. F., Jr.

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DECISIONS REVIEWED BY THE BOARD OF TAX APPEALS
RECEIVED DURING WEEK ENDING AUGUST 8, 1940

98452, 98564-98568) John M. Keister, 42 B.T.A. No. 74 (Income Tax) Opinion by Mr. Smith.

Decided in favor of the Government. That the stockholder-taxpayer received a taxable dividend representing income (and not a return of capital) within the scope of Koshland v. Helvering, where (a) stock dividend consisted of nonvoting common stock paid to the holders of voting common and nonvoting common; (b) stock dividend consisted of nonvoting 7 per cent preferred stock issued to the holders of voting common and nonvoting common.

No dissents.

93196) Shelden Land Company, 42 B.T.A. No. 77 (Income Tax) Opinion by Mr. Leech.

Issue 1: Did the loss occasioned to corporation A, whose stock was owned by relatives of the Shelden family, fall within the ban of disallowable losses from sales or exchanges of property between members of a family where corporation A sold to corporation B, whose stock was entirely owned by a trust for the benefit of two members of the Shelden family?

Decided in favor of the taxpayer. That the loss is deductible (a) the corporate entities are not to be ignored as both were bonafide corporations; (b) if corporate entities be disregarded, still the sale was not between "members of a family" since the two people owning the stock in B owned substantially less than fifty per cent of the stock in A; (c) the sale was bona fide.

Issue 2: Was the taxpayer at the expiration of the redemption period entitled to an ordinary loss occasioned by a foreclosure sale?

Yes - decided in favor of the taxpayer. (a) the expiration of the redemption period fixes the loss; (b) respondent has made no determination of capital loss where the contention is rested for the first time on brief and not in deficiency letter or in pleadings.

No dissents.

Regraded Unclassified

97324, 97325) James Q. Newton Trust and James Q. Newton, Jr., 42 B.T.A. No. 73 (Income Tax) Opinion by Miss Harron.

Issue - Was there a statutory reorganization within the Revenue Act where bonds of the old corporation were exchanged for stock and bonds of the newly organized corporation pursuant to a plan of reorganization under Section 77B of the Bankruptcy Act?

Yes - decided in favor of the taxpayer. (a) Petitioner has not proved its case of "statutory merger or consolidation" even though a new charter was obtained from the State; a 77B reorganization does not per se constitute such merger or consolidation; (b) there was a reorganization under the Revenue Act provision predicated on the requirement that the transferor or its stockholders be in control of the new company, since under the Kittelman case bondholders represent such control.

Dissents: Mr. Murdock - for reasons expressed in his dissent in Alabama Asphaltic Limestone Co.
Dissents: Messrs. Van Fossan, Leech, Turner, and Disney without opinion.

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Issue 1 - Where commissions for services rendered by the taxpayer in bringing about the sale of certain large stock issues were paid to Westchester Corporation pursuant to a purported assignment, which corporation was owned by the petitioner through its nominee, do such commissions represent gross income of the taxpayer?

Yes - decided in favor of the Government. (a) The entity of the wholly controlled corporation is disregarded where used as a mere agency to conceal the real nature of the transaction; (b) the commissions were at all times subject to the unfettered control of the petitioner.

Issue 2 - Was the petitioner's return false and fraudulent?

Yes - decided in favor of the Government; with the result that the normal statutory assessment period does not bar this deficiency and penalty.

No dissents.

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DECISIONS of the UNITED STATES PROCESSING TAX BOARD OF REVIEW
received during the week ending August 8, 1940.

THE WILLIAM KELLY MILLING COMPANY, as
Agent for United Baking Company, Inc.
v. Docket No. 265.
Commissioner of Internal Revenue.

Issue: Does the Board have jurisdiction to review the disallowance of a claim for refund of an amount paid by or collected from a person as tax with respect to processing for a charge or fee? It appears from the petition that the claim for refund, the disallowance of which it is sought to have reviewed, was for an amount paid as tax upon the processing of wheat for United Baking Co. for a charge or fee.

Decided in favor of the Government on authority of Arabi Packing Co. v. Commissioner, 109 F.(2d) 278, cert. den., 60 S. Ct. Rep. 1093. (Order of dismissal by the Board dated August 1, 1940, signed by H. Stewart McDonald, Member.)

No dissents.

UNITED BAKING COMPANY, INC.
v. Docket No. 333.
Commissioner of Internal Revenue.

Issue: Does the Board have jurisdiction of a claim for refund of an amount alleged to have been paid by the petitioner to a third party? It appears from the amended petition that the claim for refund, the disallowance of which it is sought to have reviewed, was for amounts paid by petitioner to The William Kelly Milling Company because of the processing tax on wheat which was owned by petitioner and processed by The William Kelly Milling Company for a fee.

Decided in favor of the Government on authority of Fairman & Forster Company v. Commissioner, C.C.A. 7th, decided July 22, 1940. (Order of dismissal by the Board dated August 1, 1940, signed by H. Stewart McDonald, Member.)

No dissents.

Regraded Unclassified

Adams Brothers Mfg. Co.
v.
Commissioner of Internal Revenue.

Docket No. 244.

Issue: Is any refund due petitioner of amounts paid by it as processing tax upon the processing of cotton?

Decided pursuant to stipulation that the amount of refund due petitioner is $343.65
(Decision by the Board dated August 2, 1940, signed by John M. Edwards, Member.)

No dissents.

(James Hiram Gilliland,
also known as)
J. H. GILLILAND
v.
Commissioner of Internal Revenue.

Docket No. 281.

Issue: Should the petition be dismissed for failure to comply with Rules 4, 5, 6 and 7 of the Rules of Practice and Procedure before the Board? An imperfect petition was filed.

Decided in favor of the Government.
(Order of dismissal by the Board dated August 6, 1940, signed by Charles Hect, Member.)

No dissents.

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THREE COPIES FOR TREASURY

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JT

PLAIN

STOCKHOLM

Dated August 9, 1940

Rec'd 9:20 p.m.

Secretary of State,

Washington.

815, ninth.

Stock prices have been steadily declining in the past week owing to political disturbances in the Baltic and to losses on Swedish investments in Baltic and other countries. Railway traffic during the last week July 6 per cent below the corresponding week 1939 general shipping in Stockholm harbor during first half 1940 50 per cent below last year while foreign shipping is only about 33 per cent of last year's volume. Riksbank report as of August seventh loans and discounts 692 foreign exchange reserve 577 metallic reserve 731 note circulation 1,385 national debt July thirty-first 3,764 all million crowns. Restitution of one half per cent on rediscounts for banks discontinued last March restored effective August ninth but discount rate still 3½ per cent. Sweden has concluded deal with Germany for 7,500,000 crowns for delivery Swedish prefabricated wooden houses to Norway during next three

months

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months further deal for several additional million crowns expected for delivery during late fall. Refer our 807 and 799 agreement concluded with Rumania by private Swedish oil company for delivery of petroleum products in tank cars to Sweden through Germany. All of the considerable supplies of Swedish-owned petroleum products caught in Norway and Denmark released and delivered here. Germany offering naphtha rubber solvents in carload lots. Trade negotiations with Italy postponed until autumn owing insistence of Italy on greater Swedish import quotas. Swedish agents American Machine Tools complain if shipments to Sweden refused business will quickly go to German manufacturers, refer our 813 and 814.

INFORM COMMERCE AND TREASURY.

GREENE

NPL

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JT

PLAIN
SHANGHAI VIA N.R.
Dated August 9, 1940
Rec'd 8:20 p.m.

Secretary of State,
Washington.

761, ninth.

FROM COMMERCIAL ATTACHE. Weekly financial.

Shanghai open market foreign exchange rates steadily declined during week due to the purchase of cover by tobacco rice and petroleum importers as well as to speculators buying because of reported tense situation in French Indo-China. There was some selling by exporters and speculators for profit at lowering rates, but not sufficient to meet demand. Reactions to steady decline were feeble, though at times selling slightly increased when rumors in regard to Anglo-Japanese relations caused belief that the threatened Far Eastern situation would curtail foreign trade thus reducing demand for exchange. Market sentiment believes that barring any real action in direction of rumored Sino-Japanese peace prospects firmer rates not expected near future. Interbank spot selling this morning around five seventeen thirty seconds

cents

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cents and three twenty three thirty seconds pence (on a Shanghai free sterling parity of United States dollars three point five seven compared with New York free sterling close yesterday at three point nine naught five) having a high during week of five thirty one thirty second and three fifty five sixty fourths and a low of five one half and three twenty one thirty seconds,

(END SECTION ONE)

BUTRICK
BUTRICK

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ATP

PLAIN

Shanghai via NR

Dated August 9, 1940

Rec'd 9:18 a.m. 10th

Secretary of State,

Washington

761 August 9. (SECTION TWO)

August delivery same as spot, September delivery one sixteenth cent and one thirty second penny lower Other quotations this morning: gold bars higher due lower exchange rated around yuan five seven hundred having high during week of yuan five seven three five and low of yuan five four two five, Weiwah cash discount rate around four point eight percent, Bank Japan notes yen one for Chinese yuan one point five higher due demand by Japan bound summer vacationists, military scrip yen one for Chinese yuan one point two eight, Shanghai customs gold unit for duty payment purposes equivalent to Hua Hsing yuan two point eight eight eight for Chinese yuan four point seven three naught because Hua Hsing currency, is arbitrary premium sixty four percent over Chinese yuan today. Central Bank conversion rate gold unit equals yuan two point seven naught seven or as dollars naught point six three eight seven five for duty payment

and valuation

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and valuation purposes respectively on shipments entering Chinese controlled ports, Tientsin exchange rates lower due decline of rates in Shanghai open market five one eighth cents and three thirteen thirty second pence, Tientsin Shanghai remittance change eight point seven five percent Tientsin Federal Reserve Bank yuan one nine four point six five for Chinese yuan one hundred. Other closing quotations yesterday: Chinese domestic bonds average five two point three naught, Shanghai general stocks steady average two three five point two four, Shanghai rubber shares steady average two five eight point four five percent. Following from press reports: National Government Chungking authorized issuance of United States dollars five million aviation bonds for public subscription, bonds to be amortized over period of five years. Consolidated tax collections began at Canton on August sixth on silk and cotton cloth cigarettes, where flour, bran, matches, cement, beer, alcohol and sulphuric acid. Japanese authorities at Canton plan organization of a new Kwangtung Provincial Bank.

Inform Commerce. (END OF MESSAGE)

BUTRICK

ALC

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CABLE

From: McKittrick
B.I.S.

Dated: August 9, 1940

To: Federal Reserve Bank of N. Y.

#353.

Your 471 of July 24.

Hope have reply my 328 before long as present situation very troublesome.

McKittrick

B.I.S.

(Rec'd. by phone from Mr. Liddy, Aug.9/40 - emk)

Regraded Unclassified

BRITISH EMBASSY,
WASHINGTON, D.C.

Personal and Secret

August 9th, 1940.

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,
Dear Mr. Secretary,
Very sincerely yours,

Lothian

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

Regraded Unclassified

Telegram despatched from London
on the evening of August 8th.

Naval. Yesterday evening British ship 7,000 tons with 732 naval and military details for Gibraltar escorted by destroyer, torpedoed off Northwest Ireland and sank three hours later. Nearly all ship's company got away in boats and rafts.

Four motor torpedo boats carried out offensive reconnaissance off French Northeast Coast.

2. Military.

Somaliland. Enemy strength reported in yesterday's summary referred only to centre column. Estimated enemy troops concentrated in immediate vicinity of Somali frontier at beginning of operations on August 4th 18,000.

On August 5th Italian column entered Zeila unopposed and same day strong enemy force estimated at four/five thousand troops, twenty light field guns 120 L/A and 30/40 machine guns occupied Hargeisa. Our delaying force fell back with slight losses, having inflicted severe casualties including three tanks out of twelve. Following morning Oadweina occupied by Italian force of 2,000 infantry with guns and A.F.V.'s. Small motorised force of Somali Camel Corps harassed enemy without loss. Air reconnaissance afternoon of August 6th reported no enemy movement east of Hargeisa.

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3. Naval Air Force. Bad visibility hindered night bombing August 6th/7th. Nevertheless satisfactory attacks made on one oil refinery, an enemy factory, an anti-aircraft battery and several aerodromes in Western Germany and Holland.

Yesterday 28 sorties of medium bombers despatched; all returned. Most tasks could not be completed owing to weather conditions but two aerodromes were bombed.

Last night 20 heavy bombers sent to attack oil plants and railway targets and seventeen to attack Gneisenau at Kiel and twelve mine-laying. All returned safely.

Reliable sources state that Italian submarine was hit by 250 pound A/S bomb during our attack on Massawa on August 4th.

4. German Air Force. Very little enemy activity August 7th and no bombing reported.

Last night warnings given over extensive area. Bombs fell in Southern Wales near Aylesbury, Exeter, Gamford School, Poole, in Northumberland and Yorkshire and mouth of the Clyde. Leaflets dropped near Manchester. No damage reported, no key points hit and casualties slight.

Mine-laying suspected off East Coast.

Transport aircraft very active on August 6th from Cologne area to aerodromes in Belgium and Northern France.

5. No shipping or air casualties reported during period.

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6. Middle East.

Egypt. Reference paragraph 7 of yesterday's summary. Eighth Hussars lost two tanks in this action and enemy column was halted near Egyptian border.

On August 6th one Sunderland attacked tanker escorted by destroyer off Tobruk. Same day another Sunderland whilst shadowing these ships was forced down with one of crew killed and four wounded. Same evening a reconnaissance aircraft sighted Sunderland being towed into Tobruk harbour by enemy destroyer.

Kenya. On August 5th Wajir aerodrome attacked by two enemy bombers one of which was damaged by our fighters before escaping. One of our aircraft badly damaged.

Palestine. On August 6th Haifa bombed by ten enemy aircraft; no details of damage yet available. Nine civilian casualties.

Regraded Unclassified

YALE UNIVERSITY
School of Law
NEW HAVEN, CONNECTICUT

Edwin Borchard
Professor of Law

August 9, 1940.

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

My dear Mr. Secretary:

This morning's press carries a somewhat vague announcement that you contemplate the possible appropriation of French assets in the United States publicly and privately owned to liquidate the losses of American citizens in France and the obligations of the French Government to the United States on its war debt.

This suggestion involves so far-reaching a policy that I wonder whether it has been accurately reported. In any event, however, I respectfully wish to draw your attention to the illegality and danger of taking private property to discharge a public debt. So clear was the impropriety of any such suggestion to our First Secretary of the Treasury that he wrote certain powerful letters known as the Camillus letters in opposition to the proposal that private property of those who invest in the United States shall be taken from them in liquidation of a debt that their Government might owe this country. I attach hereto certain extracts from the Camillus letters dealing with this proposition.

I venture to add that the current act of considering private property as if it was public property constitutes in my opinion a great danger to the existence of private property and to the continuation of our current economic system. The evil practice began with Article 297 of the Treaty of Versailles by which the allied governments undertook to confiscate the private property of German nationals within their control. Naturally, the United States was tempted to follow this unfortunate example in spite of the solemn promise of President Wilson and of the clear rules of international law that such confiscation is illegal. It is in fact not only illegal but ultimately almost suicidal because it implies that the safety of private property abroad depends on success in arms. Nevertheless, in spite of foreign pressure the temptation to confiscate--with the exception of the Chemical Foundation patents--was reasonably resisted and the United States returned 80% of the private property in the hands of the Alien Property Custodian. Unfortunately, in 1934, the Harrison Resolution was proposed which stopped the return even of the promised 80% in cases still pending. This was a further impairment of private property and a short-sighted act of revenge which merely weakened the institution of private property and accomplished no purpose whatever except to give a ground for charges of unwisdom and illegality against the United States. We still hold 20% of the property taken in 1917 and 1918 though much of it has long since ceased to be owned by German nationals. Only the other day an exiled German lawyer in New York wrote me that he is practically starving to death although the Alien Property Custodian holds a few thousand dollars of his life savings.

Such practices in my humble opinion are inconsistent with the welfare of the United States and with the perpetuation of our economic system. I call attention to them now only because the threat that the practice will be continued and that we seem to regard private property as if it were public property holds great dangers for the future. I trust that there is actually no intention of

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The Honorable The Secretary of the Treasury August 9, 1940.

touching French-owned or any other foreign-owned private property here as a means of liquidating a public debt owed by the Government of its owners.

I attach hereto an extract from John Bassett Moore's discussion of this subject in his work International Law and Some Current Illusions, Chapter 1, in which Judge Moore includes quotations from Hamilton's Camillus letters.

Very faithfully yours,

(Signed) Edwin Borchard

B.N

Enclosures

dm

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International Law and Some Current Illusions. Chapter 1.

"The Preacher has told us that the thing that hath been shall be, that what is done shall be done again, and that 'there is no new thing under the sun.'[1] So it is in the present instance. Hamilton, in his denunciation of the principle of confiscation, did not overlook those who, as he said, 'then defended the confiscation or sequestration of debts as our best means of retaliation and coercion, as our most powerful, sometimes as our only means, of defense'; and, pursuing his protest, he declared:

'But so degrading an idea will be rejected with disdain, by every man who feels a true and well-informed national pride; by every man who recollects and glories, that in a state of still greater immaturity, we achieved independence without the aid of this dishonorable expedient; that even in a revolutionary war, a war of liberty against usurpation, our national councils were too magnanimous to be provoked or tempted to depart so widely from the path of rectitude; by every man, in fine, who, though careful not to exaggerate, for rash and extravagant projects, can nevertheless fairly estimate the real resources of the country, for meeting dangers which prudence cannot avert.'[2]

"Such a man would, said Hamilton, look for the security of the country 'in the courage and constancy of a free, brave, and virtuous people--in the riches of a fertile soil--an extended and progressive industry--in the wisdom and energy of a well-constituted and well-administered government--in the resources of a solid, if well-supported, national credit--in the armies, which, if requisite would be raised--in the means of maritime annoyance, which if necessary, could be organized, and with which we could inflict deep wounds on the commerce of a hostile nation'; and would 'indulge an animating consciousness, that, while our situation is not such as to justify our courting imprudent enterprises, neither is it such as to oblige us, in any event, to stoop to dishonorable means of security, or to substitute a crooked and piratical policy, for the manly energies of fair and open war.'[3] . . .

"No less pertinent is the confession of Alexander Hamilton, made a century-and-a-quarter ago, that, serious as the evil of war had appeared to him to be, yet the manner in which it might be carried on was in his eyes 'still more formidable.' It was, said Hamilton, 'to be feared that, in the fermentation of certain wild opinions, those wise, just, and temperate maxims, which will forever constitute the true security and felicity of a state, would be overruled,' and that, one violation of justice succeeding another, measures would be adopted which even might 'aggravate and embitter the ordinary calamities of foreign war.'[4]

1. Book of Ecclesiastes, Chap. 1, Verse 9.

2. Works of Alexander Hamilton (Lodge's ed.), Vol. V, pp. 408-409.

3. Id., p. 409.

4. Works of Alexander Hamilton (Lodge's ed.), Vol. V, p. 406.

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

CONFIDENTIAL FILES

L. W. Knoke

DATE August 9, 1940.

SUBJECT: TELEPHONE CONVERSATION WITH BANK OF ENGLAND.

I called Mr. Bolton at 12:15 today. In looking over our purchases and sales for their account of sterling at the official rates, I had found, I said, that foreign banks here in the market such as the Japanese and the Chinese, seem to be doing nothing. Was there any explanation for this? None at all, Bolton replied, except that they may have no business to transact now. As far as the Japanese banks were concerned, their inactivity might, on second thought, be ascribed to the negotiations now being carried on with them regarding settlement of transactions between the yen and the sterling area. My main interest in the matter, I continued, was to be sure that I understood the whole setup correctly and that we, acting as agent for the Bank of England, were to accept any buying or selling orders from any bank, be it Japanese or Chinese or anything else, as long as that bank had a registered sterling account. Whatever risk there was involved in thus dealing with the market would be the risk of the Bank of England and we would take orders from any such bank. Bolton replied, "There is no difference at all" and any risk involved would, of course be their's.

I referred to my talk with Mr. Hawker of July 31 and the question put to me by our brokers here whether we would do business with the market through brokers as long as the market paid the commission. As far as the banks were concerned this was, of course, nothing more than charity but maybe some of them were willing to pay a small commission from time to time in order to see the brokers continue in

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 9, 1940.

CONFIDENTIAL FILES

SUBJECT TELEPHONE CONVERSATION WITH BANK OF ENGLAND.

L. W. Knoke

business in preparation for better days. Bolton repeated what Hawker had said before, namely, that there could be no objection to allowing the brokers to intervene.

I mentioned that Goldman Sachs & Co. had offered us a raft of securities, mostly equities, by order of "Mrs. Florence Rosenhain in London, for account of the Bank of England." Wasn't there a mistake somewhere? Bolton replied there must be; that he did not know anything about it; that he would look into the matter and suggested that meanwhile we tell Goldman Sachs & Co not to deliver to us until they had heard from us further.

Before leaving on a short vacation he would like, Bolton said, to straighten out two things that were bothering him:

(1) All kinds of inquiries were reaching him from this market in connection with the new sterling regulations and he was wondering whether I would not have a word with Mr. Loree and suggest to him that all such inquiries be made through us; that would, for one thing, canalize these inquiries and, for another, enable us to keep informed of any changes. I replied that that seemed to be in line with a discussion which Mr. Sproul had had with Mr. Catterns during my absence and that I would arrange the needful with Mr. Loree. I assumed, I said, that Mr. Loree would also hear from him. This Bolton confirmed.

(2) The sterling quotations that were reaching London from New York: all ~~xxxx~~ press reports seem to refer to the free market rate as though that were the only rate. As a result many people in

Regraded Unclassified

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 9, 1940.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH BANK OF ENGLAND.

L. W. Knoke

3

London who had heard of all the changes recently inaugurated suspected that there had been no real change at all. He was only putting it to us, he said, in case we saw our way clear to drop a word to the press. He would do the same in London. I replied that I would see what we could do but could not assure him that the press would respond.

LWK:KW

Regraded Unclassified

(Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 4:00 p.m., August 9, 1940.)

It is believed that the Credit Suisse in New York holds in the names of its nominees a number of Standard Oil Company shares on behalf of the Sturzenewegger Bank, of Basle. The latter bank has taken over many of the activities of Greutert et Cie, of Basle, (which was a well known cloak for German activities) and is very closely connected with the I. G. Farben and other large German companies

(Init) R. J. S.

9/8/40

COPY

Regraded Unclassified

Statement by Secretary Morgenthau
Before the Ways and Means Committee of
the House of Representatives, August 9, 1940.

Regraded Unclassified

STATEMENT BY SECRETARY MORGENTHAU

The national defense program places upon us the duty of reconsidering certain features of the tax structure now, in order to obtain a rapid expansion of production for defense and a better distribution of its cost to the taxpayer.

I should like first to outline the fiscal situation as it has developed since the beginning of June, when the Revenue Bill of 1940 was under consideration.

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According to the Budget estimates, as of June 3rd, with the revenue laws then in force and the appropriations which had passed or were pending, the expected deficit for the fiscal year 1941 was $4,350,000,000. The balance of the borrowing authority at that time under the limitation of $45,000,000,000 was $1,950,000,000. With the rate of expenditure anticipated at that time this balance would be exhausted and the working balance of the Treasury would be seriously depleted by the end of January, 1941.

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In view of these circumstances, a provision was placed in the Revenue Act of 1940 authorizing the issuance of not more than $4,000,000,000 of short-term obligations for financing national defense expenditures. At the same time additional taxes were provided, most of which are to be used to retire within five years any defense obligations issued under this authority. As I reported to you, these provisions of the bill then pending before your Committee were sufficient to meet the situation as it existed at that time.

Regraded Unclassified

With the rapid deterioration of world conditions, however, it became necessary to plan for an expansion of the program for national defense, and the President requested the Congress to provide additional funds for this purpose. I have here a statement showing the appropriations and contract authorizations for defense now made or pending before this Congress. The total as of August 5th is $14,702,000,000, to be expended during the next few years as rapidly as circumstances will permit.

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The Bureau of the Budget and the Treasury now estimate that the receipts for the current fiscal year will amount to $6,367,000,000, and that the total expenditures will probably exceed $12,000,000,000, leaving a net deficit of about $5,700,000,000. I have a further statement showing the revised Budget estimates as of August ~~1st~~ 5th, compared with those made on June 3rd and those included in the President's Budget Message of January 3, 1940.

Regraded Unclassified

To meet the expected deficit of $5,700,000,000, we had as of July 31st, a balance of borrowing power of $965,000,000, under the debt limitation of $45,000,000,000 and the whole of the $4,000,000,000 authorization of the 1940 Revenue Act. In addition, the Treasury had a working balance of $1,504,000,000.

By the end of the calendar year 1940, the borrowing power under the general limitation will be down to about $800,000,000, and that under the $4,000,000,000 authorization will have been reduced to about $2,460,000,000.

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On June 30, 1941, according to present estimates, the balance under the general debt limitation will have shrunk to $300,000,000, and the $4,000,000,000 authority will have been exhausted. In addition, it will have been necessary to draw upon the working balance of the Treasury, reducing that balance to about $1,275,000,000.

On the basis of these estimates it is obvious that in view of the requirements of the defense program, the present combined debt limitation of $49,000,000,000 will sooner or later need to be increased. Whether an increase will be required before the end of the present fiscal year must depend in the first instance upon the speed at which the defense program progresses.

Regraded Unclassified

Naturally we all hope that present estimates of the rate of defense expenditure can be greatly exceeded, and certain changes in the tax law that we are now discussing are for this very purpose.

At the same time, I want to point out that in addition to readjusting the tax structure in a way to speed the production of defense material, the proposed tax legislation should also aim at an increase in revenues which will help to strengthen the fiscal position of the Treasury.

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Accordingly, it is desirable not only to provide for changes in the period of amortization on war facilities, and for the suspension of the present profit limitation on certain army and navy contracts, but also to enact an excess profits tax that will provide additional revenue without restricting the productive activity necessary for defense.

I am in hearty accord with the statement made by this Committee in its report on the last Revenue Bill, in which you called attention to the need for providing special amortization, and for preventing the creation of new war millionaires.

Regraded Unclassified

Since those statements of policy were made, however, there has arisen in the minds of contractors who desire to do business with the Government a barrier of uncertainty as to the conditions under which they will operate. In some cases, on this account, contractors have been hesitant to accept government contracts. To remove this hesitancy, it has been my opinion that immediate steps should be taken to obtain adequate remedial legislation.

Regraded Unclassified

The Treasury Department accordingly presented to the Subcommittee a plan for an excess profits tax, with corresponding changes in the amortization rules and the Vinson-Trammell Act. The Subcommittee has adopted many features of this plan and has added other provisions which alter the excess profits tax in certain respects. I think we all agree, however, that the present need is for immediate action, so that those business men who have hesitated to participate in the national defense program because of tax uncertainties may proceed without further delay. It is therefore essential that differences as to details of the bill be not allowed to stand in the way of early passage of this urgently needed legislation.

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Members of the Treasury staff will of course be glad to give any assistance which the Committee may desire.

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Regraded Unclassified

Statement by Secretary Morgenthau Before the Ways and Means Committee of the House of Representatives, Friday, August 9, 1940.

The national defense program places upon us the duty of reconsidering certain features of the tax structure now, in order to obtain a rapid expansion of production for defense and a better distribution of its cost to the taxpayer.

I should like first to outline the fiscal situation as it has developed since the beginning of June, when the Revenue Bill of 1940 was under consideration.

According to the Budget estimates, as of June 3rd, with the revenue laws then in force and the appropriations which had passed or were pending, the expected deficit for the fiscal year 1941 was $4,350,000,000. The balance of the borrowing authority at that time under the limitation of $45,000,000,000 was $1,950,000,000. With the rate of expenditure anticipated at that time this balance would be exhausted and the working balance of the Treasury would be seriously depleted by the end of January, 1941.

In view of these circumstances, a provision was placed in the Revenue Act of 1940 authorizing the issuance of not more than $4,000,000,000 of short-term obligations for financing national defense expenditures. At the same time additional taxes were

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provided, most of which are to be used to retire within five years any defense obligations issued under this authority. As I reported to you, these provisions of the bill then pending before your Committee were sufficient to meet the situation as it existed at that time.

With the rapid deterioration of world conditions, however, it became necessary to plan for an expansion of the program for national defense, and the President requested the Congress to provide additional funds for this purpose. I have here a statement showing the appropriations and contract authorizations for defense now made or pending before this Congress. The total as of August 5th is $14,702,000,000, to be expended during the next few years as rapidly as circumstances will permit.

The Bureau of the Budget and the Treasury now estimate that the receipts for the current fiscal year will amount to $6,367,000,000, and that the total expenditures will probably exceed $12,000,000,000, leaving a net deficit of about $5,700,000,000. I have a further statement showing the revised Budget estimates as of August 5th, compared with those made on June 3rd and those included in the President's Budget Message of January 3, 1940.

To meet the expected deficit of $5,700,000,000, we had as of July 31st, a balance of borrowing power of $965,000,000 under the debt limitation of $45,000,000,000 and the whole of the $4,000,000,000 authorization of the 1940 Revenue Act. In addition, the Treasury had a working balance of $1,504,000,000.

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By the end of the calendar year 1940, the borrowing power under the general limitation will be down to about $800,000,000, and that under the $4,000,000,000 authorization will have been reduced to about $2,460,000,000. On June 30, 1941, according to present estimates, the balance under the general debt limitation will have shrunk to $300,000,000, and the $4,000,000,000 authority will have been exhausted. In addition, it will have been necessary to draw upon the working balance of the Treasury, reducing that balance to about $1,275,000,000.

On the basis of these estimates it is obvious that in view of the requirements of the defense program, the present combined debt limitation of $49,000,000,000 will sooner or later need to be increased. Whether an increase will be required before the end of the present fiscal year must depend in the first instance upon the speed at which the defense program progresses. Naturally we all hope that present estimates of the rate of defense expenditure can be greatly exceeded, and certain changes in the tax law that we are now discussing are for this very purpose.

At the same time, I want to point out that in addition to readjusting the tax structure in a way to speed the production of defense material, the proposed tax legislation should also aim at an increase in revenues which will help to strengthen the fiscal position of the Treasury. Accordingly, it is desirable

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not only to provide for changes in the period of amortization on war facilities, and for the suspension of the present profit limitation on certain army and navy contracts, but also to enact an excess profits tax that will provide additional revenue without restricting the productive activity necessary for defense.

I am in hearty accord with the statement made by this Committee in its report on the last Revenue Bill, in which you called attention to the need for providing special amortization, and for preventing the creation of new war millionaires.

Since those statements of policy were made, however, there has arisen in the minds of contractors who desire to do business with the Government a barrier of uncertainty as to the conditions under which they will operate. In some cases, on this account, contractors have been hesitant to accept Government contracts. To remove this hesitancy, it has been my opinion that immediate steps should be taken to obtain adequate remedial legislation.

The Treasury Department accordingly presented to the Subcommittee a plan for an excess profits tax, with corresponding changes in the amortization rules and the Vinson-Trammell Act. The Subcommittee has adopted many features of this plan and has added other provisions which alter the excess profits tax in certain respects. I think we all agree, however, that the present need is for immediate action, so that those business men who have hesitated to participate in the national defense

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Members of the Treasury staff will of course be glad to give any assistance which the Committee may desire.

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APPROPRIATIONS AND CONTRACT AUTHORIZATIONS FOR NATIONAL DEFENSE 1/

(Figures in millions of dollars)

	Army	Navy	Total
Appropriations made	2,320	1,867	4,187
Appropriations pending	1,662	601	2,263
Contract authorizations approved	577	312	889
Contract authorizations pending	2,250	498	2,748
	6,809	3,278	10,087
Two-ocean navy and other construction previously authorized		4,615	4,615
	6,809	7,893	14,702

1/ As of August 5, 1940.

Does not include any estimate of costs of bill to authorize selective compulsory military training and service or bill to authorize the President to order the national guard into active military service.

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REVISED BUDGET SUMMARY

(In millions of dollars)

	1941		
	Revised Aug. 5, 1940	Revised June 3, 1940	In budget
I Receipts			
Internal revenue	6,448	5,732.8	5,649.6
Railroad Unemployment Insurance Act	7	6.8	6.8
Customs	300	300.	273.
Miscellaneous receipts	221	221.4	221.4
Total	6,976	6,261.0	6,150.8
Deduct net appropriation to Federal Old-age and Survivors Insurance Trust Fund	609	608.7	602.8
Net receipts	6,367	5,652.3	5,548.0
II Expenditures			
Legislative, judicial, executive	37	37.	37.6
Civil departments and agencies	1,060	940.	952.2
General Public Works 1/	586	556.	541.3
National defense 2/	5,000	3,250.	1,939.7
Veterans pensions and benefits	562	560.	560.7
Aids to Agriculture (Incl. Farm Sec. Admn. 1941)	1,090	950.	1,028.8
Aids to Youth	375	375.	308.
Social Security	427	437.	436.9
Work Relief (Incl. WPA 1941)	1,400	1,400.	1,122.8
Refunds	70	71.	71.
Interest on public debt	1,100	1,100.	1,100.
Transfers to trust accounts	226	225.	225.2
Supplemental items (regular)	125	100.	100.
Total expenditures (excl. debt retirement)	12,058	10,001.	8,424.2
III Net deficit	5,691	4,348.7	2,876.2
IV Debt retirement	100	100.	100.
V Gross deficit	5,791	4,448.7	2,976.2

1/ Excludes Army and Navy
2/ Includes public works

August 5, 1940.

Regraded Unclassified

THE SECRETARY OF THE TREASURY
WASHINGTON

August 9, 1940.

Dear Mr. President:

I desire to make a recommendation that persons resident for a year or more in the United States, who, for at least six months prior to "freezing" control, have been sending money to their relatives or dependents in countries subject to "freezing" control, be authorized to continue to make payments up to $50 per month for an individual and $10 for each additional member of a family, not exceeding $100 a month to one family. There is enclosed a memorandum containing more detailed information with respect to transactions of this type.

This policy was approved at a meeting with Mr. Long and Mr. Livesey of the State Department, which was also attended by Under Secretary Bell and Mr. Chamberlain of the Foreign Funds Control.

Faithfully,

H Morgenthau Jr.

The President

The White House.

H M Jr.
FDR

Photostat to Mr. Chamberlain
8/16/40

Regraded Unclassified

August 7, 1940

Re: Relief Payments to Blocked Countries.

The Foreign Funds Control would like to have a policy fixed in regard to payments of relief by residents in the United States to dependents in countries subject to control. Applications to send relief to over 1,000 persons have been received. They are for small amounts. A quick investigation of the records would indicate that many of the applications are for the benefit of a wife or a wife and children while some apply to parents, brothers or sisters and some contain a request to send relief to a personal friend, usually an old person or a woman. In some cases the applications are for permission to send relief to a wife, who is a national of and resident in the country covered by the order, but who has American children. As to the amount, probably 90% of the applications are for $100 or less and about 50% are for sums of $50 or less. Applications from Norwegians form the largest group up to the present. There have been a few for France and other occupied countries.

A large proportion of the requests are to continue payments which American citizens, or persons domiciled and resident in the United States or persons who have applied for citizenship, had made prior to the going into effect of exchange control. In such cases it would seem clear that the application to send relief money to the dependent in the occupied territory has not been the result of pressure applied in the occupied territory, nor would there be difficulty in determining that the application represented a genuine case of a maintenance payment. Letters received making the applications indicate great anxiety on the part of the persons applying over the situation of their dependents abroad, and it may be assumed that the foreign-born population will grow more concerned as conditions grow worse. It should also be pointed out that payments may be made freely to Germany, Italy and Japan and to other countries not under the exchange control.

It is suggested that the refusal to allow such relief payments in small amounts will probably cause a strong feeling among the foreign-born groups affected, and that there will be representations by Senators and Members of Congress on behalf of constituents based on humanitarian grounds. It is also believed that the result of making these relief payments in small amounts to individuals abroad will improve the sentiment towards America in the countries to which relief is sent.

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On the best information available, it appears probable that these relief payments would reach the persons to whom sent. It is probable that the German government will assure payment to the persons to whom the relief is sent as it is in its interest not to stop these payments. The Red Cross informs us that experience in Poland would lead to the same conclusion.

The amount involved in dollars is not expected to be very large, if the amount which can be sent in each case is limited and the class of persons who may make the remittances is restricted to American residents who have been making such remittances prior to the going into effect of the control.

It is suggested that persons resident for a year or more in the United States, who, for at least six months prior to "freezing" control, have been sending money to their relatives or dependents in countries subject to "freezing" control, be authorized to continue to make payments up to $50 per month for an individual and $10 for each additional member of a family, not exceeding $100 a month to one family.

Regraded Unclassified

THE UNDER SECRETARY OF STATE
WASHINGTON

August 9, 1940.

My dear Henry:

I have your note under today's date enclosing a draft letter which you propose sending to the President which recommends that persons resident for a year or more in the United States who at least six months prior to "freezing" control, have been sending money to their relatives or dependents abroad be allowed to continue in limited sums and this will advise you that I see no objection to the proposal. Mr. Long has advised me of the conference with you yesterday and I am in accord.

Very truly yours,

Enclosures:
Letter to President and
memorandum returned.

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

Regraded Unclassified

AUG 9 1940

Dear Mr. President:

I desire to make a recommendation that persons resident for a year or more in the United States, who, for at least six months prior to "freezing" control, have been sending money to their relatives or dependents in countries subject to "freezing" control, be authorized to continue to make payments up to $50 per month for an individual and $10 for each additional member of a family, not exceeding $100 a month to one family. There is enclosed a memorandum containing more detailed information with respect to transactions of this type.

This policy was approved at a meeting with Mr. Long and Mr. Livesey of the State Department, which was also attended by Under Secretary Bell and Mr. Chamberlain of the Foreign Funds Control.

Faithfully,

(Signed) H. Morgenthau, Jr.

The President

The White House.

Enclosures:
1 carbon of this letter
Original and 1 carbon of memorandum
1 photostat and 1 carbon of letter from Sumner Welles.

File in Mr. Bell's office

By Messenger

Regraded Unclassified

August 7, 1940

Re: Relief Payments to Blocked Countries.

The Foreign Funds Control would like to have a policy fixed in regard to payments of relief by residents in the United States to dependents in countries subject to control. Applications to send relief to over 1,000 persons have been received. They are for small amounts. A quick investigation of the records would indicate that many of the applications are for the benefit of a wife or a wife and children while some apply to parents, brothers or sisters and some contain a request to send relief to a personal friend, usually an old person or a woman. In some cases the applications are for permission to send relief to a wife, who is a national of and resident in the country covered by the order, but who has American children. As to the amount, probably 90% of the applications are for $100 or less and about 50% are for sums of $50 or less. Applications from Norwegians form the largest group up to the present. There have been a few for France and other occupied countries.

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It is suggested that persons resident for a year or more in the United States, who, for at least six months prior to "freezing" control, have been sending money to their relatives or dependents in countries subject to "freezing" control, be authorized to continue to make payments up to $50 per month for an individual and $10 for each additional member of a family, not exceeding $100 a month to one family.

Regraded Unclassified

AUG 9 1940

Dear Sumner:

Attached is a draft of a letter which I propose to send to the President, together with a copy of a memorandum regarding relief payments to blocked countries.

I hope that it will be possible for you to give your approval to the recommendation set out therein.

Very truly yours,

(Signed) H. Morgenthau, Jr.

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

DWB:HLE
August 9, 1940
2 Enclosures +
cc of each

By Messenger 10'10

File in D.W. Bell's office

Regraded Unclassified

THE UNDER SECRETARY OF STATE
WASHINGTON

August 9, 1940.

My dear Henry:

I have your note under today's date enclosing a draft letter which you propose sending to the President which recommends that persons resident for a year or more in the United States who at least six months prior to "freezing" control, have been sending money to their relatives or dependents abroad be allowed to continue in limited sums and this will advise you that I see no objection to the proposal. Mr. Long has advised me of the conference with you yesterday and I am in accord.

Very truly yours,

Enclosures:
Letter to President and
memorandum returned.

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

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 9, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

The original file from which the attached photostatic copies were made was loaned to me on August 8 by Mr. Stopford of the British Embassy. I have returned the original file to him. This set of documents is of considerable interest in showing the setup of Panamanian corporations through which foreign funds may be concealed.

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THE CHASE NATIONAL BANK

Of The City of New York.

Cable Address-Chasebank.

Panama, R.P.

January 12, 1940.

Credit Suisse,
Berne, Switzerland.

Gentlemen:

In accordance with your letter of December 11th, we were pleased to make inquiries on your behalf with our attorneys, Messrs. Arias, Fabrega & Fabrega, Box 409, Panama, R.P. who have replied as follows:

"Our fee for the information of a Panama corporation shall be of $150.00, exclusive of expenses, and the annual fee for acting as statutory Agent of the said company will be of $100.00. We would furnish, if so desired, original incorporators and directors necessary for the formation of the company, who would resign after the company has been formed and endorse the original stock in favour of the real parties in interest.

The expenses depend largely upon the length of the documents and are such as translation fees, Notary's fee, stamp papers, etc. They may be estimated approximately at $ 75.00. In addition, there is a registration fee, payable only once, based upon the capital of the corporation at the following rate:
$12.50 for the first $20.00.00 and $0.25 for every additional thousand.

In the event that we can be of further service in the matter, please do not hesitate to call on us.

Yours very truly,

J.E. Healy, Jr.
Assistant Cashier and Manager.

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ARIAS, FABREGA & FABREGA
ABOGADOS
CALLE SEGUNDA No. 8
PANAMA, R. DE P.

CABLE ARIFA
DIRECCION POSTAL
APARTADO 838
PANAMA, R. DE P.

June 6, 1940.

[illegible] Suisse,
[illegible]
[illegible]

Re: UNION INVESTMENT CORPORATION, INC.

In accordance with your letter of the 9th ult., we have caused the incorporation and registration of the above entitled Corporation and now send you herewith the following documents:

1. Notarial Instrument No. 767 executed before Notary Public Number One of the Circuit of Panama, in evidence of the protocolization of the Articles of Incorporation, duly recorded in the Public Registry Office, Mercantile Division, Volume 99, Folio 188, Entry No. 23,113 Bis.

2. Certified copy of the Articles of Incorporation in English and one uncertified copy

3. Copies of the draft of By-Laws to be adopted.

4. Transfer of Incorporators' Subscriptions.

As you will observe, we have omitted all reference to the Articles of Incorporation and the By-Laws to the Examiner, since under Panamanian law no such office is provided for. We see no objection, however, to the creation by the Corporation, as a strictly internal matter, of the office of Examiner. We merely omitted mention to such office to avoid a possible objection by the Registrar.

We are remitting to The Chase National Bank our statement of expenses and fees in connection with the incorporation, amounting to $306.02.

Yours very truly,

Arias, Fábrega & Fábrega

ARIAS, FABREGA & FABREGA

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TRANSFER OF SUBSCRIPTIONS

We, the undersigned, VICENTE SAENZ and SYDNEY JOCELYN WILLIAMS, being the subscribers of the whole of the share capital of UNION INVESTMENT CORPORATION, INC, namely 300 Shares without par value do hereby renounce in favor of all rights, title and interest in the said shares and do hereby authorize the Secretary or Treasurer of the Corporation to have the said shares issued as may be directed by the Corporation.

DONE in Panama, this 6th day of June, 1940.

Vicente Saenz
Vicente Saenz

Sydney Jocelyn Williams
Sydney Jocelyn Williams

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ARTICLES OF INCORPORATION
OF
UNION INVESTMENT CORPORATION, INC.

The undersigned, VICENTE SAENZ and SYDNEY JOCELYN WIL-, of full age, males, and domiciled in the City of Pa-, for the purpose of forming a corporation, pursuant to provisions of the Panama Corporation Law, do hereby es-lish, form and constitute the following articles of in-ration:

FIRST:--The name of the corporation is:
UNION INVESTMENT CORPORATION, INC.

SECOND:--The purposes for which the corporation is es-lished are:

a) To acquire, hold, sell, assign, transfer and other-se dispose of shares, stocks, debentures, debenture stock, bonds, obligations, choses in action, certificates of inter-st or other securities or evidences of indebtedness of or issued or guaranteed by any corporation, company, partner-ship or association, incorporated or constituted in the Re-public of Panama or elsewhere, and certificates of interest or securities or evidences of indebtedness issued by any in-dividual residing or carrying on business in the Republic of Panama or elsewhere, and debentures, debenture stock, bonds, obligations, choses in action, certificates of inter-st and securities issued or guaranteed by any government, sovereign ruler, commissioners, public body or authority, supreme, municipal, local or otherwise, whether in the Repu-blic of Panama or elsewhere:

b) To acquire any such shares, stocks, debentures, de-benture stock, bonds, obligations, choses in action certifi-cates of interest, securities and evidences of indebtedness by original subscription, tender, purchase, exchange or otherwise, to subscribe for the same, either conditionally or otherwise, and to guarantee the subscription thereof and to exercise and enforce all rights and powers conferred by or incidental to the ownership thereof:

c) On the security of personal property only, to lend money to, guarantee contracts of or otherwise assist any cor-poration, company, partnership, association or individual, shares, stocks, debentures, debenture stocks, bonds, obliga-tions, choses in action, certificates of interest, securities or evidences of indebtedness of which or of whom are held by the company and to guarantee the payment of dividends on any shares of the capital stock of any such corporation or company:

d) To construct, maintain, operate, buy, sell or lease buildings and structures suitable for the purposes of the company, and in particular but without limiting the generality of the foregoing, for the reception and storage of personal property of every kind and nature, and to act as agents, con-signees and bailees thereof, and to take all kinds of person-al property for deposit and safekeeping on such terms as may be agreed upon:

e) To act as selling agents, managers or otherwise as the agent or representative of corporations, companies, part-nerships, associations or individuals engaged in business in connection with which the company may think it desirable so to act or shares, stocks, debentures, debenture stock, bonds, obligations, choses in action, certificates of interest or other securities or evidences of indebtedness of which or of whom are held by the company:

f) To investigate the business, undertaking the affairs of any corporation, company, partnership, association or indi-

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vidual and, for that purpose, to appoint and remunerate accountants, appraisers or other experts or agents:

g) In general to do any or all of the things hereinbefore set forth, and such other things as are incidental or conducive to the attainment of the objects and purposes of the corporation, as principal, factor, agent, contractor, trustee, or otherwise, either alone or in conjunction with any person, firm association or corporation; and in carrying on its business and for the purpose of attaining or furthering any of its objects, to enter into, make, perform and carry out contracts, whether involving a trustee relationship or otherwise, with any person, partnership, association, combination, organization, entity, corporation, government, governmental subdivision, or other body whatsoever; and to do such acts and things, and to exercise any and all such powers to the same extent as a natural person might or could lawfully do to the extent now or hereafter allowed by law.

THIRD:-- The total number of shares that may be issued by the corporation is THREE HUNDRED (300), all of which shares shall be without nominal or par value and shall be in bearer form.

The stated capital of the corporation shall be at least equal to the whole of the aggregate par value of all issued shares having par value, plus the aggregate amount of consideration received by the corporation for the issuance of shares without par value, plus such amounts as from time to time by resolution of the Board of Directors may be transferred thereto.

All or any such shares without par value may be issued from time to time by the corporation acting through the Board of Directors, without action by the shareholders, for such consideration as may be fixed from time to time by the Board of Directors. Any and all shareswithout par value so issued, for which the consideration so fixed has been paid or delivered, shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon.

The shares of this corporation are to be common shares and are to be invested with the power to vote.

FOURTH:--The private property of the shareholders shall not be subject to the payment of corporate debts to any extent whatsoever.

FIFTH:--The corporation may with respect to any fully paid and non-assessable shares issue a certificate stating that the bearer of the certificate is entitled to the share or shares therein specified. Such shares may be transferred by the delivery of the certificate or certificates representing such shares.

Any holder of a certificate for shares issued to bearer may exchange such certificate for a certificate or certificates for a like number of shares of the same class issued in his name; and the holder of a certificate for shares issued in the name of the owner may exchange it for a certificate or certificates for a like number of shares issued to bearer. The holders of bearer certificates shall be deemed to be shareholders of the corporation to the full extent as registered holders of shares of the corporation.

SIXTH:--The number of shares which each subscriber to the Articles of Incorporation agrees to take, is as follows:

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NAME	RESIDENCE	NO. OF SHARES
Vicente Sáenz	Calle Segunda No.8, Panama, R. P.	150
Sydney Jocelyn Williams	Calle Segunda No. 8, Panama, R. P.	150

SEVENTH:--The domicile of the corporation is Calle Segunda No. 8, Panama City, Republic of Panama, and the name of the Resident Agent is ARIAS, FABREGA & FABREGA whose domicile is also Calle Segunda No. 8, Panama City, Republic of Panama.

EIGHTH:--The corporation is to have perpetual existence.

NINTH:--The Board of Directors and their names and addresses are as follows:

NAMES	ADDRESSES
Ernest Walker	Rabbenthalstrasse 52, Berne, Switzerland.
Henry Nuesli	Lavaterstrasse 42, Zurich 2, Switzerland.
Paul Tschanz	Haldeliweg 32, Zurich 7, Switzerland.

The powers of the corporation shall be exercised by the Board of Directors, except such as are by law or by the Articles of Incorporation or by the By-Laws conferred upon or reserved to the stockholders. In addition to such other powers as by law, by these Articles of Incorporation or by the By-Laws are reserved to the stockholders, the stockholders shall have power (1) to vote on the reports and conclusions of the Board of Directors or of the executive committee and (2) to vote with reference to the annual business result of the corporation as submitted by the Board of Directors.

Any two of the directors shall be authorized to sign collectively on behalf of the corporation.

Subject to the provisions of the law, the number of directors, who shall be elected by the stockholders, shall be fixed by the by-laws of the corporation. In case of any vacancy in the Board of Directors through death, resignation or other cause, such vacancies shall be filled by the stockholders. Directors need not be stockholders; but directors may be removed at any time, without cause, by the vote of the holders of a three-fourths (3/4) majority of the issued shares.

At any meeting of the directors, any director may be represented and vote by proxy or proxies, who need not be directors, appointed by an instrument in writing, public or private, with or without power of substitution.

The stockholders may appoint two or more directors to constitute a committee or committees, who shall have and exercise the powers of the board of directors in the management of the business and affairs of the corporation to the extent and subject to the restrictions expressed in the Articles of Incorporation, the By-Laws or the resolution appointing such committee or committees.

TENTH:--If the Board of Directors deem it advisable at any time that this corporation be dissolved, the board within fifteen days after the adoption of a resolution to that effect

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by a majority of the whole board at any meeting called for that purpose, shall cause notice of this adoption of such resolution to be given to all of the stockholders having voting power, and a meeting of such stockholders shall then be called for the purpose of taking action on such resolution. If at such meeting such resolution shall be ratified by the holders of three-fourths (3/4) of the shares issued, present in person or by proxy, the corporation shall be forthwith dissolved by the directors who shall act as trustees of the assets of the corporation in liquidation. This corporation may, however, in the manner prescribed by law, be dissolved at any time without such meetings upon the written consent of all the stockholders having voting power.

ELEVENTH:--The corporation, by a majority vote of three fourths (3/4) the issued shares, reserves the right to amend, alter, change and to repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by law, and all rights conferred on officers, directors and stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, we hereby sign and execute these Articles of Incorporation, in the City of Panama, this 28th day of May, 1940.

Vicente Sáenz

Sydney Jocelyn Williams

El suscrito, uno de los incorporadores de la sociedad anónima denominada UNION INVESTMENT CORPORATION, INC., que es la sociedad que se organiza en este PACTO SOCIAL, certifica que lo anterior es copia fiel del original de dicho Pacto Social de dicha sociedad, protocolizado por Escritura Pública número 767 otorgada ante el Notario Público Primero del Circuito de Panamá, el día 28 de Mayo del año de 1940, y que una copia fiel de dicha Escritura Pública fué inscrita en el Registro Público, Personas Mercantil, al folio 188 del Tomo 99, Asiento número 23, 113 Bis.

Cédula 3-3911

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BY - LAWS

OF

UNION INVESTMENT CORPORATION, INC.

ARTICLE I - OFFICES

Section 1. Registered Office. - The registered office of the corporation shall be at Calle Segunda No. 8, in the city of Panama, Republic of Panama.

Section 2. Other Offices.- The corporation may also have offices at such other places as the Board of Directors may from time to time appoint or the business may require.

ARTICLE II - MEETINGS OF STOCKHOLDERS

Section 1. Place of Meeting.- All meetings of the stockholders of the corporation shall be held at the office of the corporation in the Republic of Panama, unless otherwise specified in the notice thereof or waiver of notice; provided, however, that this is subject to Section 4 of this Article; and provided further that the directors, by the affirmative vote of a majority of their number, may change the place for the holding of stockholders' meetings to any place within or without the Republic of Panama.

Section 2. Annual General Meeting.- The Annual General Meeting of the stockholders of the corporation must be held within three months after the annual settlement of accounts fixed on June 30. If for any reason said meeting shall not be held at the time herein provided, the same may be held at any time thereafter, upon notice or waiver of notice as hereinafter provided, or the business thereof may be transacted at any special meeting called for that purpose.

Section 3. Special Meetings.- Special Meetings of the stockholders may be called by the President or by order of a member of the Board of Directors, whenever they deem it necessary, and it shall be their duty to order and call such meeting whenever persons holding not less than one tenth of the outstanding capital stock of the corporation entitled to be voted at such meeting shall in writing request the same. The business of such special meeting shall be confined to the objects stated in the notice thereof.

Section 4. Notice of Meetings.- Notice of the time and place of the annual or of any special meeting of the stockholders shall be given by the Board of Directors to every stockholder of record in a postage prepaid letter addressed to each such stockholder at such address as shall appear opposite his name upon the registry of the company, fifteen (15) days before the date fixed for said meeting.

If the Company has issued bonds to bearer, notice of the meeting of stockholders, unless waived in writing before or after the meeting, shall be published in such newspaper as the Board of Directors may designate.

The notice of a special meeting shall also set forth the objects of the meeting. All of any of the stockholders may waive notice of any meeting, before or after the holding of such meeting, and the presence of a stockholder at any meeting, in person or by proxy, shall be deemed a waiver of notice thereof by him. Meetings of the stockholders may be held at any time and for any purpose, without notice, when

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all of the stockholders are present in person or by proxy or when all of the stockholders waive notice and consent to the holding of such meeting.

Section 5. Voting at Stockholders' meetings.-

The holder of a certificate or certificates representing bearer shares shall be entitled to one vote at any meeting of the stockholders for each share of stock represented by such certificate or certificates upon presentation at such meeting of such certificate or certificates or upon presentation of such other evidence of ownership as may be prescribed by the Board of Directors.

At any meeting of the stockholders, any registered holder of stock of the corporation shall be entitled to one vote for each such share standing registered in his name at the time of the closing of the transfer books for said meeting, or if such transfer books shall not have been closed, then for each such share of stock standing registered in his name at the time fixed by the Board of Directors as prescribed in Section 7 of Article 6 of these By-Laws.

Section 6. Proxies - Each holder of stock shall be entitled to vote in person or by proxy appointed by an instrument in writing, subscribed by such stockholder, or by a duly authorized attorney.

Section 7. Manner of voting.- All elections shall be by ballot; and all questions shall be decided by a majority of three-fourths (3/4) of the shares issued.

Section 8. Stock Register.- The stock register shall state the number of shares issued to bearer, the date of issue and that such shares are fully paid and no-assessable.

The office or agent having charge of the stock register shall keep a complete alphabetical list of the registered stockholders, together with the residence of each and the number of shares held by each, which list and stock register shall be kept on file at any office of the corporation. The stock register shall be the only evidence as to who are the registered stockholders entitled to vote at any meeting of the stockholders thereof.

The stock register shall be kept either at the Company's registered office in Panama or at the Company's main place of business, or at such other place as the Board of Directors may from time to time determine.

Section 9. Quorum - The holders for the time being of at least three fourths (3/4) of the total number of shares of stock issued and outstanding and entitled to be voted at any meeting, represented in person or by proxy, shall constitute a quorum for the transaction of business, unless the representation of a larger number shall be required by law. In the absence of a quorum, the stockholders attending or represented at the time and place fixed for such meeting shall have been called, may adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted by a quorum of the stockholders at the meeting as originally convened.

Section 10. Presiding Officer and Secretary.- The President, and in his absence, the senior Vice-President, shall call meetings of the stockholders to order and shall act as chairman of such meetings; but in the absence of the

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President and Senior Vice-President, the Vice-President next in rank shall preside. In the event that neither the President nor any Vice-President be present, then the Board of Directors may appoint any stockholder to act as chairman to preside at the meeting. The Secretary of the corporation shall act as Secretary of all meetings of the stockholders, but in his absence the presiding officer or the stockholders may appoint any person to act as Secretary of the meeting.

ARTICLE III - BOARD OF DIRECTORS:

Section 1. Election, Qualification and Vacancies.-

The property and business of the corporation shall be managed and controlled by a Board of Directors, which shall consist of three members, but such number may be altered from time to time by the amendment of these By-laws. As provided in the Articles of Incorporation, directors need not be stockholders.

The directors shall be elected by the stockholders, and shall serve for one year or until the election and qualification of their successors. The term of office of the first directors shall be until the first annual meeting of the Stockholders or until the election and qualification of their successors. In the event of vacancies in the Board of Directors through death, resignation, disqualification or other cause, said vacancies shall be filled by the stockholders.

Section 2. Place of Meeting.- Any meeting of the Board of Directors may be held at such places as may be from time to time established by resolution of the Board, or as may be from time to time fixed in the notice or waiver of notice of the meeting.

Section 3. Regular Meetings.- Regular meetings of the Board may be held upon such notice, or without notice, as the Board of Directors may by resolution from time to time determine.

Section 4. Special Meetings.- Special meetings of the Board shall be held whenever called by the President on two days' notice to each director, either in person or by mail or by telegraph. Special meetings of the Board may be held for any purpose, without notice, whenever all of the directors are present, or shall waive notice of and consent to the holding of such meeting.

Section 5. Quorum.- Any two of the directors elected shall constitute a quorum for the transaction of business. In the absence of a quorum, the director present in person or by proxy at the time and place at which the meeting shall have been called, may adjourn the meeting from time to time, and from place to place until a quorum shall be present. The act of the directors present in person or by proxy at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 6. Voting Other Shares.- The directors shall have power to determine who shall be entitled to vote in the name and behalf of the corporation upon, or other securities of other companies held by the corporation.

Section 7. Compensation.- The compensation of the members of the Board shall be fixed by the stockholders of the corporation.

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ARTICLE IV - EXECUTIVE COMMITTEE

Section 1. Appointment and Vacancies.- There may be an Executive Committee of two or more directors of whom the President shall be one designated by resolution passed by the holders of three-fourth (3/4) of the issued shares. Vacancies in the membership of said committee shall be filled by the vote of a 3/4 majority of the issued shares at a regular meeting, or at a special meeting called for that purpose.

Section 2. Meetings and Powers.- The Executive Committee may meet at stated times or on notice to all by any of their own number. During the intervals between meetings of the Board such committee shall advise with and aid the officers of the corporation in all matters concerning its interests and management of its business, and generally perform such duties and exercise such powers as may be directed or delegated by the Board of Directors from time to time. The Board may delegate to such committee authority to exercise all of the powers of the Board, except the power to amend By-laws, while the Board is not in session.

Section 3. Minutes.- The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board when required.

ARTICLE V - OFFICERS

Section 1. Election, Term and Vacancies.- The officers of the corporation, who need not be stockholders, shall be a President, one or more Vice-Presidents, a Secretary, an Assistant-Secretary and a Treasurer, all of whom shall be elected by the Board of Directors, if more than one Vice-President is elected, priority shall be fixed by the order of election, unless otherwise determined by the Board of Directors. The Board may also appoint such other officers and agents as may be deemed necessary, who shall have such authority and perform such duties as may from time to time be prescribed by the Board.

Officers elected by the Board shall hold office for one year, or until their successors are elected and qualified, provided, that any officer may be removed at any time by the affirmative vote of a majority of the whole Board. Vacancies occurring among the officers of the corporation shall be filled, and their salaries fixed, by the Board of Directors. No officer need be a director, and any person may hold two or more offices, except those of President and Vice-President.

Section 2. President.- The President shall be ~~of~~ the chief executive officer of the corporation, and shall preside at all meetings of the stockholders and directors. He shall have general and active management of the business of the corporation subject to the Board of Directors, and shall see that all orders and resolutions of the Board are carried into effect. He shall execute contracts and other obligations authorized by the Board, and may, without previous authority of the Board, make such contracts as the ordinary business of the corporation shall require. He shall have the usual powers and duties vested in the office of President of a corporation, but may delegate any or all of his powers to any person whom he shall deem to be properly qualified to represent the company. He shall have power to select and appoint all necessary officers and servants of the corporation, except those selected by the Board of Directors, and to remove all such officers and servants except those selected by the Board of Directors, and make new appointments to fill the vacancies.

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Section 3. Vice-Presidents.- The Vice President or Vice-Presidents, if there be more than one, shall have such powers and perform such duties as shall be determined by the Board of Directors.

In the absence or disability of the President, the Vice-President or Senior Vice-President, as the case may be, or in their absence or disability the next ranking Vice-President, shall be vested with and required to perform all the duties of the President.

Section 4. Secretary.- The Secretary shall attend all meetings of the stockholders, of the Board of Directors and of the Executive Committee, and record the votes and proceedings of such meetings, in a book or books to be kept for that purpose. He shall keep the corporate seal in safe custody and affix it to any instrument requiring the same. He shall attend to the giving and serving of notices of meetings, and shall have charge of such books and papers as properly belong to his office, or as may be committed to his care by the Board of Directors or Executive Committee. He shall also perform such duties as appertain to his office or as may be required by the Board of Directors.

All minutes of stockholders' meetings or other record of proceedings of stockholders shall be signed by all stockholders present at such meetings or taking part in such proceedings, present in person or by proxy.

Section 5. Assistant-Secretary.- The Assistant-Secretary shall have such powers and perform such duties as shall be determined by the Board of Directors. Furthermore, in the absence or disability of the Secretary the Assistant-Secretary shall be vested with and required to perform all the duties of the Secretary.

Section 6. Treasurer.- The Treasurer shall have custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President or the Board of Directors, whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the company.

Section 7. Oaths and Bonds.- The Board of Directors may by resolution require any officers, agents or employees of the corporation to give oaths or to furnish bonds for the faithful performance of their respective duties.

Section 8. Signatures.- All checks, drafts or orders for the [illegible] all acceptances, bills of exchange [illegible] notes [illegible] signed by any officer or officers [illegible] resolution of the Board of Directors.

Section 9. Vacancies.- Vacancies occurring in any of the offices of the corporation [illegible] be filled for the unexpired term by the Board [illegible] Executive Order.

Section 10. Performance of Duties.- In the event of death, [illegible] disqualification, disability, absence, [illegible] refusal to act of any officer or director of the corporation, or for any reason that the Board of Directors or Executive Committee may deem

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ficient, the Board of Directors or Executive Committee may delegate the powers and duties of such officer or agent to any other officer or agent, or to any director, for the time being.

ARTICLE VI - SHARES OF STOCK

Section 1. Certificates of Stock.- All certificates for shares of the capital stock of the company shall be in such form, not inconsistent with the law and the Articles of Incorporation of the company, as may be approved by the Board of Directors, and shall contain a reference to the inscription of the corporation in the Mercantile Registry, and be signed by the President or Vice-President and by the Secretary of the Company. All certificates of stock shall be consecutively numbered.

Section 2. Shares.- The corporation shall issue fully paid and non-assessable shares to bearer but if the Board of Directors so determine, such shares may, at the option of the stockholder, be, at any time, registered in the name of the holder thereof.

Section 3. Stock Register.- The stock register shall state the number of bearer shares issued, the date of issue and that such shares are fully paid and non-assessable.

The stock register will also indicate the names in alphabetical order of all registered stockholders of the corporation, if any, the place of residence of said persons, the number of shares held by each of them, the date of acquisition, and that such shares are fully paid and non-assessable.

Section 4. Registered Stockholders.- The corporation shall be entitled to treat the holder of record of any share or shares of stock of this company as the holder in fact thereof, and shall not be bound to recognize any equitable or other claim to or interest in such shares of either class on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of Panama.

Section 5. Cancelled and Lost Certificates.-

All surrendered certificates of stock shall be cancelled, and no new certificate therefor shall be issued until a like certificate for the same number of shares shall have been surrendered and cancelled. Any person claiming a certificate of stock to be lost or destroyed shall make an affidavit or affirmation of that fact, and shall advertise the same in such manner, if any, as the Board of Directors may require, and shall, if the Board of Directors so require, give the corporation a bond of indemnity in such sum as they may direct, whereupon a new certificate may be issued of the same tenor and for the same number of shares as the one alleged to have been lost or destroyed.

Section 6. Transfers of Bearer Shares.- Shares of capital stock issued to bearer shall be transferable by delivery of the certificate or certificates representing such shares, and the Company shall be entitled to treat the bearer of such certificates as having full and complete title to the shares represented by the said certificates.

Section 7. Transfers of Shares.- Transfers of stock shall be made on the books of the corporation by the holder in person or by attorney, upon the surrender and cancellation of the certificate or certificates for such shares but the

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Board of Directors may appoint a bank or trust company to act as the transfer agent or registrar of transfers of such certificates. The transfer books of the company may be closed for such period as the Board of Directors shall direct but not exceeding forty days prior to the day of the annual or any special meeting of the stockholders, and may also be closed by the Board for such time as may be deemed advisable for dividend purposes, during which time no stock shall be transferable. The Directors may also fix a day not more than forty days prior to the holding of any such meeting as the day as of which stockholders, other than the holders of shares issued to bearer, entitled to notice of and to vote at such meeting shall be determined, in which event, only stockholders of record on such day shall be entitled to notice of or to vote at such meeting.

Section 8. Addresses of Registered Stockholders.-

Every registered stockholder shall furnish the Secretary with an address to which notices of meetings and all other notices may be addressed, but in default thereof, such notices may be sent to stockholders at their last known address or at the principal office of the Company.

Section 9. Regulations.- The Board of Directors shall have the power and authority to make such rules and regulations as they may deem expedient governing the issue, transfer and registration of the certificates for shares of the capital stock of the company.

ARTICLE VII - DIVIDENDS

Section 1. Dividends.- Dividends upon the issued and outstanding stock of the company may be declared at any regular or special meeting of the Board of Directors.

Section 2. Stock Dividends.- When the directors shall so determine, dividends may be paid in stock of the corporation; provided the stock requisite for such purpose shall be authorized and provided, and provided that, if such stock has not theretofore been issued, there shall be transferred from surplus to the capital of the corporation an amount at least equal to that for which such stock could be lawfully issued.

ARTICLE VIII - FISCAL YEAR

The fiscal year of the Company shall be the calendar year and shall therefore end on the thirty-first day of December in each year.

ARTICLE IX - SEAL

The corporate seal is, and until otherwise ordered and directed by the Board of Directors shall be, an impression upon paper or wax, bearing the name of the corporation, the year of its organization, and the words "Corporate Seal Panama".

ARTICLE X - [illegible]

These by-laws may be altered, amended or repealed by the vote of the holders of three-fourths (3/4) of all the issued shares at any regular or special meeting of stockholders, provided notice of such proposed alteration, amendment or repeal shall have been waived by all the stockholders, or at any regular or special meeting of the stockholders at which all of such stockholders are present without such notice or waiver of notice.

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STRICTLY CONFIDENTIAL

(Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 4:00 p.m., August 9, 1940.)

On the 29th January 1940 the Swiss-American Corporation, of New York, informed the Handelstrust West N. V. of Amsterdam, that they were holding for account of the Handelstrust West $15,000. St. Louis-San Francisco Railway Company Consolidated 4½% bonds Series "A". Certificates of Deposit were registered in the name of the Alte Leipziger Lebensversicherungs-Gesellschaft auf Gegenseitigkeit, Leipzig, and that to enable these certificates to be transferred to the name of the Corporation's nominees, certain transfer powers must be signed.

On the 13th March 1940 the Laenderbank, of Vienna, instructed three financial institutions in New York to transfer various stocks and bonds to the Swiss-American Corporation, of New York, for the credit of the Handelstrust West N.V., of Amsterdam, as under:-

1. Guaranty Trust Company

St. 80 Baltimore & Ohio Railroad Consds. A $100
St. 50 Goldfield Consolidated Mines Corp. Cm Stock
St.300 Moon Motors common stock shares
St. 25 Radio Corp. of America common stock
St. 60 Shell Union Oil Corp. Cap. Stock
St.100 Socony Vacuum Oil Cap. Stock

$18,000 7% Kingdom of Serbs, Croats & Slovenes
$ 200 5% Kingdom of Yougoslavia Funding bonds
$ 31 Teilzertificates same Loan
$10,000 Rumanische Stabilisierungs Anleihe 1959
$ 2,000 7½% Hungarian Land-Mortgage 1961
$ 100 3% Provence of Buenos Aires, Argentine Republic 1936 - 1964
$ 1,000 7% Bohmische Glasindustrie 1957
$ 3,000 8% Czecho Slovac State Loan 1922 Gold Bonds
$ 4,000 7% Rhein-Elle-Union Gelsenkircken Mining Corp.
$ 1,000 Rein-Westphalia Electr Power Mortg. Bonds 1952

2. National City Bank

$8,000 6% Budapester Stadanleihe 1927/1962
$2,000 8% Czechosl State Loan 1922 Gold Bonds
$2,000 8% Karsbader Stadtanleihe Cps. p.1.71935 FF
$ 300 3% Fundingbonds der Konversionskassen for German Foreign debts
$ 25 Certificates - ditto - L. i. 1939

Hellgarten/

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3. Hallgarten & Company

$ 3,000	8%	Kingdom of Serbs, Croats & Slovens. Extl. L.
$ 200	5%	Yugoslav Funding 0669. Sirie 1.
$ 500	5%	" " " " 11.
$ 109		Teilzert to Yugoslav Funding 5% 11.
$26,000	6%	Budapester Stadtanleihe 1927 - 1962

The Swiss-American Corporation is controlled by the Credit Suisse and is located in the same office as the New York Agency of the Credit Suisse.

The Handelstrust West N. V. was founded shortly after the outbreak of war under the auspices of the Dresdner Bank and German banks transferred holdings of securities to it.

(Init.) 9.8.40 R . J. S.

(COPY)

Regraded Unclassified

COPY

BRITISH EMBASSY

Washington, D. C.

9th August, 1940

My dear Mr. Cochran,

I enclose a copy of a memorandum which was given today to the State Department. I sent a copy of the original memorandum of July 12th on the 2nd of August to you, but I believe that in that copy the title was given as - "Financial Measures taken in Latin-American States with regard to Territories Occupied by Germany."

Yours sincerely,

/s/ R. J. Stopford

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

Regraded Unclassified

COPY

MEMORANDUM

Financial Measures Against Germany in Latin American States

On the 12th of July 1940 a memorandum with the above heading was given by His Majesty's Ambassador to the State Department with reference to paragraph 9 of the Aide-memoire dated the 3rd of July 1940.

Since that date the following information has been received with regard to the position in Venezuela. The Venezuelan Minister of Foreign Affairs has informed His Majesty's Minister at Caracas that the Venezuelan Government had under consideration some form of control of assets of countries occupied by Germany. The Venezuelan Government had also refused to intervene when the German Minister had protested against a recent request by the Dutch Charge d'Affaires to banks and firms holding sums due to Netherlands houses to remit them to the U.S. The German Minister had requested that, as the sums arose out of ordinary commercial transactions, they should be remitted to Holland. The Minister of Foreign Affairs, however, informed His Majesty's Minister privately that these and other funds could not in fact be exported owing to the lack of foreign currency, and that, as the Central Exchange Board was the sole authority for such matters, the attempt to transfer such funds abroad could always be stopped on those grounds. With regard to the export of gold from the French owned gold mines in

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Venezuela the Minister of Foreign Affairs said that the export of bullion was subject to a special permit, which could be withheld.

His Majesty's Minister explained to the Minister of Foreign Affairs that action on those lines did not cover the whole field and the Minister of Foreign Affairs undertook to examine the whole matter carefully and to enquire from the Venezuelan representatives in other Latin American Republics as to the action taken or contemplated by the Governments to which they were accredited.

His Majesty's Ambassador has also been informed that a decree was issued on the 14th of July by the Argentine Government whereby all entities or persons receiving securities from abroad must inform the Central Bank, from whom permits must be obtained, before such securities may be sold or proceeds remitted abroad. The Post Office and Customs authorities are instructed to check the entry of such securities into the country.

August 9th, 1940

Regraded Unclassified

C
O
P
Y

BRITISH EMBASSY,

WASHINGTON, D. C.

9th August 1940.

Dear Merle,

I should be grateful if you could ask the Committee to consider the enclosed case as a matter of urgency.

Yours ever,

(Signed) Jerry Pinsent

Regraded Unclassified

COPY

Telegram from London dated the 8th August 1940.

Ministry of Supply have purchased flax in Latvia which is to be forwarded across Russia to Istambul by Russian forwarding company, Transorgtrans.

Messrs. Malcolm, London, on behalf of Ministry's Flax Control advanced sterling to Latvian Bank for account of Transorgtrans for payment of forwarding charges from Riga to Istambul.

Transorgtrans sold the sterling to Manhattan Bank of New York. This amount, namely United States dollars 27,460.30 has been blocked by American authorities on the grounds that it appeared to be a Latvian balance. Transorgtrans are refusing to forward flax across Russia unless the money is released.

Please certify to American authorities that this amount has been paid for expenses due to Russia for transport from Riga to Istambul of flax and tow purchased by His Majesty's Government and request their permission for these funds to be transferred to Chase National Bank for account of Gosbank, Moscow.

(Initialed) G.H.S.P.

British Embassy,

9th August 1940.

Regraded Unclassified

COPY

(Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 4:00 p.m., August 9, 1940)

BRITISH EMBASSY,

Washington, D. C.

9th August, 1940

Dear Mr. Cochran,

I enclose a copy of the telegram which we have received from London with the information about the negotiations between German and French heavy industries. There are certain words (which I have underlined in red) in the third paragraph which do not make sense and I am obtaining a repetition of these from London.

I have also asked for further explanations as to the meaning of the penultimate paragraph and as to the companies concerned, which we have not been able completely to identify.

Yours sincerely,

/s/ R. J. Stopford.

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

STRICTLY CONFIDENTIAL

Regraded Unclassified

COPY

The following telegram has been received from London. It is believed that the information comes from a reliable source:

" Negotiations have been going on for some time between German and French heavy industries. Conducted on the one hand by Goering special representative ZAN (group undecypherable) and by POENZGEN, ROECHLIN and BUCHER and on the other hand by DeWENDEL and SAUVNICKE. FLANDIN is acting as liaison with the French Government.

On the German side the objective is absorption and partial closing down of French heavy industry but it is thought that final agreement will not be signed peaceably.

French industrialists will be given a share in STAHLVEREIN and HERMANN WERKE which will take over the management of French industry. DeWENDEL alone is said to have agreed to [receive] block of shares worth 50 million Reichs marks as price for immediate handing over of DeWENDEL Minerals and iron shares in National Bank and LONGWY and Lille works are being taken over by STAHLVEREIN. On completion of final contract DeWENDEL will receive further allocations. Financial side of transactions is in the hands of KIMMISCH of the Reichsbank.

Control of Banque de Paris et des Pays Bas has been taken over by Bulling of the Reichsbank. Object of this is to put into German hands French shares in Roumanian oil wells. Principal companies concerned are Societe Francaise de Petrole, Steana Francaise, Stahlverein, Romana, Commercial, International de Petrole, etc. It is hoped thus to bring the French shares in the Standard Oil Co. and other international oil firms under German control.

All the French armament industry will be closed after the war. Citroen works have been placed under the control of Opel Werke in particular the works making torpedoes and tanks. "

R.J.S.

9 August 1940

Regraded Unclassified

PARAPHRASE OF Sections 1 & 2 TELEGRAM RECEIVED

FROM: American Embassy, Vichy (Paris), France.

DATE: August 9, 1940, 7 p.m.

NO.: 300.

FROM MATTHEWS FOR THE TREASURY DEPARTMENT.

This morning I went to Chatel Guyon to see Rueff, who seemed unusually depressed. For more than a week the Bank of France at Chatel Guyon has not been able to get in touch with the Governor or others who are in Paris either by letter or telegram. Occasional limited telephone calls have been the only means of communication. Rueff said that Governor Fournier's automobile has been requisitioned by German officials--his car is over fourteen horsepower--and the offices of the Under Governor, Boissanger, and others have been taken over by the German Commissioner. Rueff didn't know if the Lazard accounts had actually been blocked in the occupied territory but said that such a thing would not surprise him. In the unoccupied territory the Lazard accounts were not blocked. Evidently the Germans now are commencing to turn the screws on the Bank of France, and Rueff harbors no illusions regarding the future. French officials have been forbidden by the Germans to issue Orders of Mission to Jews or French colonials. (Orders of Mission are documents which are now required of all travelers

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travelers who proceed from the unoccupied territory to occupied territory, or from occupied territory to unoccupied territory, and often from one place to another inside unoccupied territory. These Orders of Mission are highly prized). This means that Rueff cannot go back to Paris. Within the next 2 days, two more trains, each carrying 1000 Bank of France employees, are going back to the Paris area.

MURPHY

EA:MSG

Regraded Unclassified

BRITISH EMBASSY,
WASHINGTON, D.C.

August 9th, 1940

Dear Mr. Morgenthau,

I understand that the first of the motor boats purchased by us from Higgins Company, New Orleans, have now been safely shipped for the United Kingdom.

It is now clear to me that I was under a mistake in thinking that possible delay in the shipment of these boats emanated from the Treasury.

I have cabled to the Admiralty to confirm the assurance which I gave verbally yesterday to the effect that the boats will not be used for belligerent purposes.

I wish to thank you again for your intervention which ensured that these boats left yesterday.

Lothian

The Honourable
Henry Morgenthau, Jr.,
United States Treasury,
Washington.

Regraded Unclassified

August 9, 1940

To: The Secretary

From: Mr. Young

Subject: Effect of Export Control on Swedish Orders

Thirty-four Republic pursuit planes complete with engines were on hand this morning at the Republic plant for delivery to Sweden. Twelve more will be completed by the end of August and an additional sixty-nine by the end of 1940, which will complete the order. The manufacturer anticipates no difficulty in securing engines to meet this production schedule.

The State Department has advised us that there is an old export license issued in March or April covering seventeen of the above planes. No other export licenses have been approved to cover these deliveries.

Vultee will begin to deliver pursuit planes to the Swedes in September. The total order is for 156 of which it is estimated that 44 will be delivered in 1940 and 112 in 1941. No export license has been approved for these planes.

These are the only unfilled orders for airplanes for Swedish account at this time.

The Swedish Government has on order with the Western Cartridge Company a total of 23,100,000 rounds of 9-millimeter parabellum cartridges. A license was issued on March 21 by the State Department for 10,500,000 rounds, and an additional license issued for the balance on June 7. Of this total, 3,250,000 rounds have been paid for and are stored in New York awaiting shipment. In addition, 4,000,000 rounds are stored in the warehouse of the manufacturer at New Haven, Connecticut. Of this 4,000,000 rounds, approximately 2,250,000 have been paid for, and I have been informally advised that the manufacturer is worried concerning the balance of payments due.

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Despite the fact that export licenses for war supplies are not being issued for the Swedish Government, the licenses covering this ammunition have not been revoked. Thus, the situation occurs where this Country will be shipping ammunition to Sweden this fall and part of the winter, or approximately a period of eight months after the policy was set forth that such exports to Sweden should cease.

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 9, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

Mr. McKeon of the Federal Reserve Bank of New York gave us the following information regarding Russian balances with the Chase National Bank.

Principal changes in the State Bank of Russia's dollar account during the week ended July 31 were as follows:

In-payments: From Skandinaviska Bank, Stockholm, $1,220,000; from Irving Trust Company by order of Bank of Canton Ltd., Hong Kong, $67,000; from Narodni Banka, Prague, $65,000.

Out-payments: To Amtorg's account, $500,000; to Finlands Bank, Helsingfors, $129,000; to Union Bank of Switzerland, Zurich, $75,000; to Bank for Foreign Trade, Moscow, $50,000.

On July 31, the State Bank had $5,828,000 in its dollar balance and $2,371,000 under its letter of credit account. On the same date, Amtorg had a dollar balance of $932,000 and a letter of credit account for $1,642,000.

Principal changes in the State Bank's dollar account during the week ended August 7 were as follows:

In-payments: From Skandinaviska Bank, Stockholm, $1,400,000; from Union Bank of Switzerland, Zurich, $200,000; from Amtorg's account, $126,000; from Thorer and Hollander, New York, $104,000.

Out-payments: To Amtorg's account, $1,000,000; to State Bank's letter of credit account, $242,000; to Limited Company, formerly the Skoda Works, Posen (Prague), $222,000; to Skandinaviska Bank, Stockholm, $50,000.

On August 7, the State Bank had $6,137,100 in its dollar balance and $2,328,900 under its letter of credit account. On the same date, Amtorg had a dollar balance of $667,300 and a letter of credit account for $1,648,300.

H.M.J.

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 9, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 10:15 this morning Mr. Georges Picot, the French Financial Attache ad Interim, telephoned me from New York. He stated that he must cable his government immediately in regard to the reported statement of the Secretary of the Treasury in regard to the holding of French assets in this country pending a clarification of the war debt problem. Mr. Picot asked me if I could define our policy and confirm the press story. I told Mr. Picot that I could not undertake to interpret a statement attributed to the Secretary of the Treasury, which I had not heard, and of which I did not have the exact text. When Mr. Picot pressed his question as to whether the Secretary's statement constituted a new enunciation of American policy which could be accepted as official, I told him that I was not aware that there had been any inter-departmental consultations which could have led to any definite decision in the premises. I added that legislation would be required before assets of a foreign country in the United States could be taken over to offset claims which we may have against that country. I added that it was my belief that anything which the Secretary may have said at his press conference on this subject resulted from questions by correspondents, and did not constitute any prepared statement which it had been planned to issue.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: Consul General, Beirut, Lebanon.

DATE: August 9, 1940, 7 p.m.

NO. : 74

Today a press despatch was published here with a Washington date line and asserted to be identical with broadcasted reports yesterday from the United States which contains the following substantial text:

French funds blocked in the United States in all probability will be retained in payment of war debts of France was announced officially by Secretary of the Treasury Morgenthau.

Referring particularly to a recent application by the French-American Banking Corporation, New York, as correspondent of Banque de Syrie for the releasing of funds of the Beirut Office des Charges now in the Banque de Syrie account "Central de Devise" with Chase National Bank, the authorities here are not accepting the above report as true and are anxious to be reassured. The above funds, amounting to approximately $500,000, the High Commission emphasizes, constitute the principal resources abroad of this mandated territory and he points out that a part of these funds have been earmarked for part payment on Socony-Vacuum and other obligations outstanding.

PALMER

EMB

EA:EHS

Regraded Unclassified

August 9, 1940
8:52 a.m.

Secretary Stimson: Hello.

H.M.Jr: Morgenthau.

S: Good morning.

H.M.Jr: Good morning. I've talked to my people and they think that you'll follow me right away unless somebody upsets the apple cart, but that's the understanding.

S: Yes.

H.M.Jr: And they think that you'd better be up there .....

S: I'll be up on time but I want to be sure that Doughton understands it.

H.M.Jr: Yes, he does. They've talked with him.

S: Oh, they've talked with him.

H.M.Jr: And they say you ought to be there

S: I'll be there at 10 o'clock.

H.M.Jr: That's what they said to show yourself, so that they know .....

S: I'll be there at 10 o'clock.

H.M.Jr: Right.

S: Thank you very much.

H.M.Jr: Thank you.

Regraded Unclassified

August 9, 1940
8:58 a.m.

H.M.Jr: Hello.

J. Edgar Hoover: This is J. Edgar Hoover talking, Mr. Secretary.

H.M.Jr: Good morning.

H: How are you this morning?

H.M.Jr: Fine. Mr. Hoover, I'm following these payments from these various Embassies, the German, the Japanese, Italian and Russian. I wondered if you couldn't detail some one person and have him work with Merle Cochran, who manages the Stabilization Fund for me.

H: I can do that.

H.M.Jr: Because the English sent a new man over here by the name of Stopford and he gave us a lot of information yesterday and what I want to know is how much are each of these Embassies and Consuls spending and there are too many loopholes. We're not getting it all.

H: I think that's true.

H.M.Jr: So if you could designate some one person and then let him come over and see Merle Cochran and then the two of them can follow it.

H: I'll have that done this morning. Fine. I'll do that this morning.

H.M.Jr: Because I was surprised at the stuff that this man Stopford gave us that I realized -- and when you gave me that stuff on that bank in San Francisco -- we're not getting the whole picture.

H: I think that's true and I think we ought to pool all our assets on that, both the English and .....

H.M.Jr: Well, the English sent a special man over and he just arrived.

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H: Well, I'll have one of my men see Mr. Cochran today.

H.M.Jr: Thank you.

H: I'll take care of it right away.

H.M.Jr: Thank you.

H: Fine. Thank you very much.

H.M.Jr: Good-bye.

H: Good-bye.

Regraded Unclassified

August 9, 1940
12:33 p.m.

H.M.Jr: Hello.

Operator: Colonel Jouette.

H.M.Jr: Hello.

Colonel Jouette: Hello, Mr. Morgenthau?

H.M.Jr: Talking.

J: Yes, sir. This is Colonel Jouette of the Aeronautical Chamber of Commerce. I am not talking in that vein though. I was appointed by the Secretary of War as a special mission to assist in some negotiations between War and Navy and State Department and Pan American Airways on a national defense matter down through South America on the east coast and it's necessary that one little thing in that on the question of closing agreements on the contracts that have already been drawn up, and I was wondering if you could give an appointment to Juan Trippe and myself sometime on Monday.

H.M.Jr: I don't think I'll be here Monday but I'll be here Tuesday.

J: Well, swell. That'll be fine.

H.M.Jr: On a closing agreement?

J: Yes.

H.M.Jr: I tell you what you do in order -- so that we may make speed. Supposing you send it over in advance to me so that I can have Mr. Foley study it.

J: I see.

H.M.Jr: You see what I mean?

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J: Yes, sir.

H.M.Jr: How's that?

J: I think that that might do the trick. I didn't know how much you knew about this because it's a little bit out of the ordinary. It's a matter of extreme speed on this self-defense matter, -- national defense, I mean.

H.M.Jr: I know a little about it.

J: I see.

H.M.Jr: Well, I tell you. I'll put you down for 3 o'clock on August 13th, and if you would send the thing over -- the details of it, to Mr. Edward Foley, General Counsel, you see, so that he can be studying it and be able to give you an answer when you come over here.

J: Well, that's fine. 3 o'clock on Tuesday then.

H.M.Jr: And I'll tell Mr. Foley that you're going to send him a memorandum in advance.

J: Fine.

H.M.Jr: Thank you.

J: Thank you very much, sir.

Regraded Unclassified

The memo referred 168
to consisted of various
drawings of designs
for campaign buttons.

Regraded Unclassified

ASSISTANT SECRETARY OF THE TREASURY
WASHINGTON

August 9, 1940.

Dear Mr. Secretary:

Realizing that while you are away you like to know that your two "blokes" and the rest of the crowd are hard at work, I thought you would like a report on the afternoon's activities.

With the pending legislation, of course everyone is working very hard. I enclose herewith a memorandum representing the results of the afternoon's work. Though I hesitate to complain, I must admit that I received a minimum of assistance from kibitzers, Foley, Cairns, Kades, O'Connell and Murphy.

Sincerely,

John

H m Jr.
retained the memo -

Regraded Unclassified

Paraphrase of telegram no. 300, August 10, 1940 from Vichy, SECTIONS THREE, FOUR, AND FIVE.

An answer has been sent to the request of Germay for information on the amount and location of gold and foreign exchange holdings of the Bank of France but he is not certain how complete the reply was due to lack of communications.

Also I saw Arragon(?) and the French Morgan partner, Pesson Didion, who returned this morning from Paris. I asked about the difficulties that Morgan might be having in Paris, keeping in mind telegram from the Department of State, dated August 7, 8 p.m., no. 247.

Pesson Didion told me that their safe deposit vault at the Bank of France had been requested by the Germans to be opened. As this vault was empty, they were pleased to do so. A German official was, of course, required to be present at the opening of boxes on the Place Vendome which their clients had desired to open and any gold, unset stones or securities were, rather than returned to the clients box, recorded as deposited with Morgan. Three British employees of Morgans are under arrest; two at Paris and one at Niort.

He said no other interference than this on the part of the occupying authorities was made. In fact it was just the opposite because when one of the officials of the bank explained the "difficulty" of getting a reply to the request

for

Regraded Unclassified

for information on the bank's assets to a representative of the German Bank supervision office (see telegram from me dated July 12, 10 p.m. no. 59), the German representative shrugged his shoulders and said that for the time being at least no reply was really necessary. Pesson Didion interpreted this to mean that either the Germans are in no hurry or that first of all the measure is directed at institutions controlled by Jews. Antisemitism is rapidly growing, he added, and the gestapo, installed at the Ritz, are arriving in larger forces.

Regraded Unclassified

PARAPHRASE OF SECTIONS SIX, SEVEN AND EIGHT OF TELEGRAM NO. 300, DATED AUGUST 9, 1940, 7 P.M., FROM THE AMERICAN EMBASSY, VICHY (PARIS).

Today Leigh Hunt (National City Bank) also came from Paris and this afternoon he called here. Hunt said that in view of the fact that as yet the National City Bank is doing sound business in Paris, he hadn't had any contact with German officials. Neither had any pressure been exerted on his bank by the Germans. However, Mr. Hunt indicated that in view of the fact that the siege social of the bank, under the provisions of the decree which was transmitted in Embassy's Telegram no. 233 of August 2, 5 p.m., is at Paris, the Germans can, under its terms, take such supervisory measures as they desire at any time. Tonight Hunt is departing to talk with Pearce at Le Puy.

To indicate the control of German censorship in unoccupied territory, I was informed by a dependable American newspaperman that French censorship, acting under the "guidance" of Germany, had prohibited <u>any</u> reference in news dispatches from Vichy to either of the two bank control decrees, which I transmitted in my telegrams nos. 261 and 233.

Today Cariguel lunched with me in the vicinity of Clermont Ferrand. Cariguel's story on the German control was similar to that of Rueff. Governor Fournier, Cariguel said, is growing more discouraged, because without

any

Regraded Unclassified

any means of communication between the unoccupied and the occupied territory, it is impossible to administer the bank. It is Cariguel's opinion as well as mine that the disruption of communications is primarily for purposes of pressure and not motivated by the military necessity of the Germans.

Belgian bank notes likewise are causing somewhat of a problem for Cariguel; some 1,600 million francs were taken in from Belgian refugees by the Bank of France. Later 800 million of these francs were turned over to the Bank of Belgium by the Bank of France. Cariguel is afraid that there will soon be an exhaustion of the supply of Belgian francs now that there is a heavy return flow of Belgian refugees who are demanding Belgian bills. (?) Cariguel does not want the Belgians to take with them French notes. On the other hand, the Germans won't permit any more Belgian notes to enter the unoccupied zone. Cariguel said, incidentally, that the accounts of the Bank of France are so messed up that it would not be possible to issue the weekly statement yet for several weeks at least.

This afternoon Alphand departed for Lisbon, Portugal.

(End of Message)

MURPHY

EA:MSG

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 10, 1940

TO Secretary Morgenthau

FROM Mr. Morgenthau

STRICTLY CONFIDENTIAL

There is attached a copy of a confidential memorandum handed to me yesterday by Mr. Stopford of the British Embassy. This concerns the payment of $100,000 to the German Consulate General in San Francisco which was the subject of the letter addressed to you under date of August 7 by Director Hoover of the F. B. I.

I showed the attached memorandum to Mr. Hoover's representatives who called on me yesterday afternoon. They took down some notes therefrom for their guidance in making further investigations of the payments being currently made to the German Consulate General in San Francisco.

Regraded Unclassified

COPY

(Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 4:00 p.m., August 9, 1940)

SECRET

STRICTLY CONFIDENTIAL

I have been informed very confidentially that the Swedish Consulate General in San Francisco paid by cheque on August 6th an amount of $100,000. to the German Consulate General in that City.

I am informed that the two principal banks through whom regular payments are made to the German Consulate General in San Francisco are the Pacific National Bank and the Crocker First National Bank. The Vice-President and Foreign Exchange Manager of the Pacific National Bank is a Mr. Kaufmann, whose father is an official in the German Consulate General. During the last war Mr. Kaufmann, Sr., was imprisoned for his participation in a plot directed against British rule in India; the son was implicated, but sufficient evidence was not forthcoming to secure a conviction. The second Vice-President and Foreign Exchange Manager of the Crocker First National Bank (whose reputation otherwise is not questioned) is a brother of the Mr. Kaufmann of the Pacific National Bank. One report states that the regular remittances through these two banks amount to about four million dollars a month, but it has not been possible to check this estimate.

R.J.S.

August 8th, 1940.

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 10, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Stopford handed me the attached memorandum yesterday evening. I told him that I doubted that large consignments of gold and bank notes were reaching the United States by Clipper ships. I pointed out that the traffic in American bank notes had been toward Europe, American currency being in demand for hoarding. Furthermore the likelihood of the Clipper ships having to stop at Bermuda for various reasons on their westward trip makes quite hazardous the sending of valuables which might be seized by British censors, especially since these are prone to suspect Swiss banks as cloaks for German owners. I added that the postal laws and regulations prohibit the transportation in the regular mails or parcel post from any foreign country into the United States of any consignment of gold coin, gold bullion, or gold dust, having a value in excess of fifty dollars.

Two representatives from the Federal Bureau of Investigation were in my office yesterday and I showed them the attached memorandum. They stated that their colleagues were watching closely the mail and parcels which come by Clippers and they are of the opinion that there have been no important arrivals of either gold or currency.

Mr. Stopford did not insist upon a definite answer to the question posed in the second paragraph, that is, whether the United States Government would be prepared to prohibit the import of gold and notes by Clipper. Our records do not indicate any arrival of gold on Clipper ships from Europe. The sending thereof by mail or parcel post is prohibited by the above-quoted regulations. The shipping thereof by freight would be very expensive. I feel that we should not take any step at the present time to put a definite prohibition upon the import of gold and notes by Clipper ships. We can be on the watch as to any possible misuse of this air service, and take such action in the future as may be warranted.

The two Federal Bureau of Investigation agents stated that German agents were using the route via Russia and the Pacific in reaching the United States, rather than traveling or sending documents over Western Europe and the Atlantic.

H. M. P.

Regraded Unclassified

STRICTLY CONFIDENTIAL

(Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 4:00 p.m., August 9, 1940)

Telegram from London of August 8th, 1940:

"I am informed from trustworthy source that westbound Clipper has large consignments of gold and dollar notes sent by Swiss banks on behalf of Germans and that certificates of non-enemy ownership by Swiss banks are easily obtained and quite worthless.

Can you ascertain whether United States Government would be prepared to prohibit the import of gold and notes by Clipper? Genuine American interests could always be protected by license."

(Init.) 8/8/40 R.J.S.

COPY

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 10, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

During our conversation yesterday afternoon, Mr. Stopford of the British Embassy referred to the question of Netherlands gold. I asked him how much gold he thought might have been in the vaults of the Netherlands Bank when the Germans came in. He estimated this between twenty and forty million pounds sterling. He stated that the British had been urging the Dutch for some time to get their gold out to England. A considerable part had been moved. One British destroyer carrying such gold had been sunk. The amount of gold thereon was only around $2,000,000. A special representative had been sent from London to assist in expediting the clearing out of the gold. A meeting was arranged at the offices of the Netherlands Bank for the afternoon before Amsterdam was invaded and certain precautions with respect to the disposition of securities were planned, including the placing of dynamite in bank vaults, but Stopford is not aware that the plans to destroy the vaults and contents were actually carried out. The British representative who was sent on the special mission to Amsterdam in the above connection gave rather a thrilling account of his departure. Between Amsterdam and Scheveningen he reported meeting up with and "engaging" two German parachutists.

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 10, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

The Federal Reserve Bank at New York transmitted to the Treasury a memorandum setting forth a plan for the transformation of the accounts of the Bank of Canada with the Federal Reserve Bank of New York into Canadian Government accounts, and also for opening a new account through which payments would be made for Canadian Government purchases in the United States. The procedure outlined in the memorandum and accompanying documents is somewhat simpler than that involved in the British case, since officers in Ottawa will be authorized to do the signing, without requiring transmission of power to authorities in the United States, and the matter will be submitted by the Canadian Government through the Canadian Legation in Washington, without the added step of working through the American Legation at Ottawa.

After talking with Mr. Knoke of the Federal Reserve Bank, I referred the complete set of documents from New York to Mr. Livesey in the State Department, with the request that the State Department study the question and give us their reaction thereto as soon as possible. I emphasized that Governor Towers of the Bank of Canada had telephoned New York after asking that all haste be taken toward consummating the arrangement, and I asked that the State Department give us a clearance on the general plan, as set forth in document "A", as a preliminary answer, with the understanding that we can work out an exchange of letters later.

At 12:15 this noon Mr. Livesey telephoned me back from the Department of State to the effect that Mr. Hickerson and he had gone over the file of memoranda which I had sent the Department of State and were able to give their answer insofar as document "A" was concerned. They find this satisfactory, and are willing that negotiations along the suggested lines should proceed with the Canadian authorities. The only suggestion was that the Federal Reserve Bank let Governor Towers of the Bank of Canada know that we assume in Washington that Prime Minister Mackenzie King will sign for the Canadian Government. Furthermore, the Department of State will choose its own language in identifying certain letters from the Canadian Government and from the Canadian Legation in Washington which it will be required to transmit. I telephoned the foregoing information to Mr. Knoke at 12:30, who was quite happy to receive this speedy clearance. Mr. Logan had left the bank, but this matter will be taken up with Governor Towers on Monday morning. It is understood that the State Department will give us an answer later in regard to documents "B" and "C" and that the Treasury will then consult with the Federal Reserve Bank on these drafts.

Regraded Unclassified

August 12, 1940.

Mr. Knoke telephoned me from New York this morning and is anxious to learn whether the Treasury Department approves the suggestion of the Federal Reserve Bank of New York that it accept in its own name the gold deposits of the British, Netherlands and Canadian Governments, and act as fiscal agent of the Treasury only in handling the dollar accounts. I told him that I would have to consult Secretary Morgenthau or Under Secretary Bell on this point.

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MEMORANDUM

August 8, 1940.

Mr. Logan of the New York Federal Reserve Bank called regarding a visit which Mr. Towers of the Bank of Canada had paid to him and Mr. Knoke.

Mr. Logan stated that Mr. Towers had discussed with them the transferring of the dollar account, now held by the Federal Reserve Bank for the Bank of Canada, to an account in the name of the Government of Canada. Mr. Towers also indicated that the Canadian Government desired to set up a special dollar account in the Federal Reserve Bank from which purchases in this country would be made and a gold account in which gold may in the future be deposited.

The Federal Reserve Bank gave Mr. Towers a short memorandum indicating a suggested procedure for handling this matter. The procedure suggested involves the sending of a letter by the Canadian Government through the Canadian Ambassador to the State Department, the contents of which would be communicated to the Treasury Department and, in turn, to the Federal Reserve Bank. Mr. Logan indicated that they had told Mr. Towers that a revised memorandum of the procedure would be prepared and sent to him.

Mr. Logan stated that he had prepared and was sending to us for our consideration the revised draft of procedure and letters which the Federal Reserve Bank would like to have the Canadian Government send to the State Department and the State Department send to the Treasury Department. Mr. Logan indicated that if we had no objection to the proposed memorandum of procedure, Federal Reserve Bank would transmit it to Mr. Towers. Mr. Logan also indicated that if we agreed to the proposed letters, he would like for us to discuss them with the Department of State.

Mr. Logan raised the following questions in connection with the above matters: Mr. Towers mentioned something about initiating the transaction by leaving a memorandum with the Treasury, as was done in the case of the British Account. Mr. Logan raised the question as to whether it was necessary to go through this additional step, indicating that it might delay the matter instead of expediting it. He would like to know our view.

Mr. Logan stated that while the Federal Reserve Bank took the position that it did not have legal authority to hold dollar accounts for foreign governments, it has always felt that it has authority to open gold accounts for such foreign governments. In view of this fact, Mr. Logan stated that he believed that the gold account, which it is

Regraded Unclassified

proposed to open for the Canadian Government, should be held by the Federal Reserve Bank of New York as a private bank and not as fiscal agent. Accordingly, he feels that our letter with respect to the opening of the accounts for the Canadian Government should indicate that only the dollar accounts are being held by the Federal Reserve Bank as fiscal agent. In this connection he mentioned that it was his view that at some appropriate time it should be made clear that the British and Dutch Governments' gold accounts are not fiscal agency accounts. He suggested that this might be an appropriate time to make this matter clear.

JBF

JBF:mcc - 8-8-40

Regraded Unclassified

August 8, 1940.

To Mr. Bernstein

From Walter S. Logan

Subject: Proposed accounts for and in the name of the Canadian Government with the Federal Reserve Bank of New York.

Attached are the following:

A Memorandum of "Points which it is suggested be covered in a letter from the Canadian Government to the Secretary of State of the United States to be transmitted through the Canadian Minister in Washington, D. C."

B Draft of suggested letter from the Canadian Minister to the Secretary of State.

C Draft of suggested letter from the Secretary of State to the Secretary of the Treasury.

A is a revision and expansion of a memorandum which Mr. Knoke and I gave to Governor Towers of the Bank of Canada yesterday when we discussed this matter with him. I suggested that the proposed letter of the Canadian Government not be written until we communicated with him further in order that we might discuss the matter with the Treasury Department and make such changes in, or additions to, the memorandum as might seem desirable or helpful. I told Governor Towers at that time that when we communicated with him further we would probably send him a revised edition of the memorandum. Accordingly, we are now sending you our revision of the memorandum A for your comments or suggestions.

We do not intend to send Governor Towers copies of B and C, but we are sending them to you to enlist your assistance in discussing the matter with the State Department and the Canadian Minister to the end of obtaining letters substantially in these forms. You will note, however, that at the end of A there is an unnumbered paragraph which contains suggestions regarding the letter of transmittal from the Canadian Minister to the Secretary of State. The substance of these suggestions is that the Canadian Minister write a letter in the attached form B.

As you know, consistent with the procedure followed in connection with opening and maintaining dollar accounts for other foreign governments, we consider it necessary, in order to enable us to open and maintain dollar accounts for the Canadian Government, that we be requested and authorized to do so, as fiscal agent of the United States, by the Secretary of the Treasury.

Atts.
WSLLCSR

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DRAFT-August 8, 1940.
WSL:RHB/GSR

PROPOSED ACCOUNTS FOR AND IN NAME OF CANADIAN GOVERNMENT WITH FEDERAL RESERVE BANK OF NEW YORK

POINTS WHICH IT IS SUGGESTED BE COVERED IN A LETTER FROM THE CANADIAN GOVERNMENT ~~TO THE CANADIAN GOVERNMENT~~ TO THE SECRETARY OF STATE OF THE UNITED STATES TO BE TRANSMITTED THROUGH THE CANADIAN MINISTER IN WASHINGTON, D.C.

1. The funds in the dollar account with the Federal Reserve Bank of New York in the name of the Bank of Canada are the property of the Canadian Government, and the Canadian Government desires that such funds be transferred to a dollar account to be opened and maintained for and in the name of the Canadian Government with the Federal Reserve Bank of New York.

2. The Canadian Government also desires that another dollar account be opened and maintained for and in its name with the Federal Reserve Bank of New York from which it is intended that payments will be made in connection with purchases, or contracts for purchases, in the United States by the Canadian Government.

3. The Canadian Government has no gold in the United States at the present time; but, in order to provide for the contingency that it may at some future time, it desires also that a gold account be opened and maintained for and in its name with the Federal Reserve Bank of New York.

4. Accordingly, the Canadian Government requests the Secretary of State to transmit to the Secretary of the Treasury and the Federal Reserve Bank of New York the request of the Canadian Government that the Federal Reserve Bank of New York

(a) open and maintain accounts for and in the name of the Canadian Government as follows:

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Dollar Accounts

(indicating the specific designation of the respective accounts)

Gold Account

(indicating the specific designation of the account)

and

(b) transfer to such dollar account designated _____ the balance in the account in the name of the Bank of Canada with the Federal Reserve Bank of New York.

5. All dollar funds and all gold which may in the future be transferred, deposited, or placed in the dollar accounts or gold account in the name of the Canadian Government with the Federal Reserve Bank of New York will be the funds and property of the Canadian Government.

6. The Canadian Government has authorized the Bank of Canada to make payments and withdrawals from and deposits in the above-mentioned dollar account designated _____ and the above-mentioned gold account, and has authorized and instructed the Bank of Canada to manage and operate, and give all manner of instructions affecting or in connection with, said accounts, and authorises and requests the Federal Reserve Bank of New York to accept and act upon any instructions of the Bank of Canada with respect to such accounts and agrees with the Federal Reserve Bank of New York that such instructions will be binding upon the Canadian

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CORRECTION on DOCUMENT "A"

Page 3 - 4th line

to such accounts is enclosed herewith; the Federal Reserve Bank of New York will be advised by the Bank of Canada direct of any changes that may be made in this list from time to time.)

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[illegible]nt. (The signature circular of the Bank of Canada containing the list, and facsimile signatures, of the persons who are authorized to sign in behalf of the Bank of Canada with respect to such accounts is enclosed herewith.) The Canadian Government authorizes and requests the Federal Reserve Bank of New York to accept and act upon any telegram or radiogram, relating to such accounts, which is received by the Federal Reserve Bank of New York in the name of the Bank of Canada and conforms to arrangements agreed upon between the Bank of Canada and the Federal Reserve Bank of New York with respect to the authentication of telegrams or radiograms by the use of test numbers, and agrees that any such telegram or radiogram will be binding upon the Bank of Canada and the Canadian Government and will have the same force and effect in all respects as a letter signed in behalf of the Bank of Canada by its officers who are authorized to sign correspondence and documents containing instructions or other communications such as are contained in the telegram or radiogram.

7. The officers of the Canadian Government listed below, who hold the respective offices indicated opposite their names, are authorized to make payments and withdrawals from and deposits in the above-mentioned dollar account designated _____ and to access and operate, and give all manner of instructions affecting or in connection with, such account:

Name	Title
Name	Title

(indicate whether authorized to sign singly or jointly)

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Specimen signatures of the above-listed officers of the Canadian Government are being sent to the Canadian Minister in Washington, D. C., with the request that he authenticate them and transmit them to you with this letter.

8. The Canadian Government requests that copies of this letter, together with its enclosures, be transmitted by the Secretary of State to the Secretary of the Treasury and the Federal Reserve Bank of New York.

It is suggested that the letter from the Canadian Government covering the foregoing points, together with the authenticated specimen signatures of the Canadian Government officers and the signature circular of the Bank of Canada, be transmitted to the Secretary of State of the United States through the Canadian Minister to the United States in Washington, D. C., and that in transmitting such letter the Canadian Minister advise the Secretary of State:

(1) That he has been instructed by his Government to transmit such letter to the Secretary of State, and that such letter has been signed in behalf of his Government by _____(name)_____, who is the ____(governmental position)_____.

(2) That he has also been instructed by his Government to transmit to the Secretary of State, for transmission to the Secretary of the Treasury and the Federal Reserve Bank of New York, (a) the specimen signatures, authenticated by him, of the Canadian Government officers (giving their

Regraded Unclassified

names and official titles) authorized by his Government to give instructions with respect to the dollar account designated _____, which the Federal Reserve Bank of New York is requested to open and maintain, and (b) the signature circular of the Bank of Canada containing the list, and facsimile signatures, of the persons authorized to sign in behalf of the Bank of Canada instructions with respect to the dollar account designated _____, and the gold account designated _____, which the Federal Reserve Bank of New York is also requested to open and maintain.

Regraded Unclassified

A

(August 8, 1940.)
RHB/WSL:GSR

DRAFT OF SUGGESTED LETTER FROM CANADIAN MINISTER TO SECRETARY OF STATE

I have been instructed by my Government to transmit to you the enclosed letter which has been duly signed in behalf of my Government by _____(name)_____, who is the _____(governmental position)_____.

My Government has also instructed me to transmit to you, for transmission to the Secretary of the Treasury and the Federal Reserve Bank of New York, (1) the enclosed specimen signatures, authenticated by me, of _____(name and governmental position)_____ and _____(name and governmental position)_____ who are duly authorized by my Government to give instructions with respect to the dollar account designated _____ which the Federal Reserve Bank of New York is requested to open and maintain, and (2) the enclosed signature circular of the Bank of Canada containing the list, and facsimile signatures, of the persons authorized to sign in behalf of the Bank of Canada, which is duly authorized by my Government to give instructions with respect to the dollar account designated _____ and the gold account designated _____ which the Federal Reserve Bank of New York is also requested to open and maintain.

Will you kindly transmit a copy of this letter and its enclosures to the Secretary of the Treasury of the United States and to the Federal Reserve Bank of New York.

Enclosures.

Regraded Unclassified

DRAFT-August 8, 1940.
RHB:WSL/GSR

DRAFT OF SUGGESTED LETTER FROM SECRETARY OF STATE TO SECRETARY OF TREASURY.

Enclosed herewith are two sets of certified copies of letters which this Department has received from the Canadian Government and from _____, the Canadian Minister to the United States. Also enclosed are the specimen signatures of (Name and position) _____ and (Name and position) _____, authenticated by the Canadian Minister, and the signature circular of the Bank of Canada, which were enclosed with the letter from the Canadian Minister. The Canadian Minister's signature on the authentications of the specimen signatures has been authenticated by this Department.

The Department of State is satisfied that _____ who executed the letter in behalf of the Canadian Government was duly authorized and empowered to do so, and recognizes that the requests, instructions and representations set forth in such letter emanate from and are the requests, instructions and representations of the Canadian Government.

Will you please transmit a copy of this letter and one copy of each of the enclosed copies of letters, enclosed specimen signatures, and enclosed signature circular to the Federal Reserve Bank of New York.

Enclosures.

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BRITISH EMBASSY,
WASHINGTON, D.C.

August 10th, 1940

PERSONAL AND
SECRET

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Lothian

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

Regraded Unclassified

Telegram despatched from London
on evening of August 9th, 1940.

192

Naval

West-bound Channel convoy repeatedly attacked yesterday: first by E-boats off New Haven in early morning and subsequently off the Isle of Wight about 9.00 a.m., noon and 5 p.m. by large formations of enemy aircraft, each about 100 strong. During the first attack three ships approximate total tonnage 2500, sunk and destroyer "Bulldog" claims sinking one E-boat. During all attacks our fighters broke up enemy formations and several bombers jettisoned their bombs into the sea. In all four attacks exclusive of two balloon trawlers sunk and two damaged, total five ships sunk (5100 total tonnage) two abandoned, seven damaged; remaining seventeen ships of convoy were undamaged and proceeded into Portland. Enemy lost 52 aircraft destroyed (including seventeen bombers and fourteen further probable casualties). Our losses were 18 fighters. Six hundred survivors from British ship reported sunk in yesterday's summary have reached Scottish port.

2. Royal Air Force.

Low cloud and heavy haze made night bombing August 7th and August 8th very difficult: "Gneisenau" not located but 9 Hamptons attacked dock area at Kiel: Wellingtons also attacked

railway/

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railway and oil targets. Other machines bombed secondary targets and hits were seen on large factory in West Ruhr. Six aircraft successfully laid mines.

Yesterday 13 Blenheim sorties despatched against enemy aerodromes and 6 on offensive reconnaissance. Weather generally unfavourable but 2 aerodromes attacked. One aircraft missing.

Last night 28 heavy bombers sent to attack "Bismarck" at Hamburg and military targets in North-west Germany: 18 to attack synthetic oil plant. All returned safely except 1.

During afternoon of August 7th nine F.A.A. aircraft attacked petrol installation near Bergen. All tanks destroyed and workings hit by 1 250 lb.bomb.

3. German Air Force.

Last night single aircraft active over England, bombs being dropped near Dover, Bristol Channel and Birkenhead areas and in residential out-skirts of Birmingham. Some damage to private property and 1 person killed and 2 wounded: about 20 people trapped in houses in Birmingham.

4. Shipping Casualties.

Yesterday one British ship 9,000 tons with cargo of meat sunk by U-boat off northern Ireland. Estimated that between beginning of May and end of July some 100,000 tons of German and neutral shipping sunk off German coast in Baltic, and its approaches as result of our bombing operations. It is not suggested that these are the only losses.

5. Middle East.

Egypt. Three Italian bombers attacked

Ismail/

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Icsemi and Gebeit area on August 7th causing slight damage to latter.

Same day 4 Blenheims escorted by Gladiators caused severe fires at Army store south of Bardia.

Aden. One British fighter destroyed on the ground during Italian bombing on August 8th.

Eritrea. On August 7th two medium bombers registered direct hits on naval vessel and on quay at Massawa submarine base: five heavy bombers also attacked Italian air force headquarters at Massawa where buildings were hit.

Somaliland. At Hargeisa our aircraft bombed transport on August 5th and attacked barracks on August 7th. On August 8th they covered disembarkation operations at Berbera during which enemy bomber believed damaged.

Battalion of Black Watch arrived at Berbera evening of August 8th.

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TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE August 10, 1940

TO Secretary Morgenthau

FROM Mr. White

There is attached a list of memoranda and reports prepared in the Division of Monetary Research during June and July, 1940.

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Memoranda Prepared in the Division of Monetary Research during June and July, 1940.

Possibility of Financial Assistance to China.

British Empire foreign exchange assets.

Brief on "Reflections on Certain Features of the Far Eastern Situation and Certain Problems of U.S. Far Eastern Policy".

Translation of "Documents from the German White Book No. 6".

Statement made by Secretary Morgenthau at Hearings before the Senate Finance Committee June 12, 1940.

Criticism of Article by Flynn in Wall Street Journal.

Exchange Control as a Result of Italy's participation in the War.

Report on conference in Secretary Morgenthau's office June 25.

Report on conference held at the White House June 27, 1940.

Report on conference in Secretary Hull's office June 19, 1940.

Report on conference held in Secretary Morgenthau's office July 10, 1940.

The Ecuadorean request for a financial, monetary, banking and economic expert.

Comment on British proposal that the United States be prepared to scrutinize gold imports.

Reports on Norwegian Assets.

Reports on Danish Assets.

Establishment of a bank to permit substantial aid in the post-war reconstruction.

State Department's views on exchange control.

Regraded Unclassified

Recent Developments over French Indo-China.

Reports on TFR-100.

Conference in Mr. Bell's office on defense tax stamps.

Suggested Agenda for Discussion with Sir Frederick Phillips.

Estimated French Investments in the United States.

Outline for Review of Foreign Funds Control.

Foreign Funds Control - Foreign Holdings of U.S. Property Affected by Control.

Quantity of U.S. Exports of Petroleum Products to Japan.

Value of U.S. Exports of Petroleum Products to Japan.

Spanish Petroleum Imports.

Statistics on exports of petroleum and scrap iron.

U.S. Trade with Japan - Statistics on Cotton and Silk.

The British Deficit.

Sales of Gold by the U. S. Stabilization Fund to Various Foreign Central Banks.

Estimated Silver Stocks of Germany, Italy and Certain Invaded Countries of Europe.

The Treasury's Silver Policy and Recommendations.

Cuban Exchange Stabilization Fund.

Summary of "The Gold Problem" in the National City Bank Letter for June.

Memoranda on Frozen Funds.

Problems Confronting our Foreign Funds Control.

The German Food Situation.

Germany's Monetary Exploitation of Occupied Territories.

Reasons for Enactment of S. 4204.

Regraded Unclassified

Funds of Germany and Italy in the United States.

Criticism of Memo "British World Investments and Potential Dollar Resources".

Purchases of Foreign Silver.

Increase in Monetary Gold Stock of the U.S. since Jan. 31, 1934.

Annual Production of Gold by Major Countries.

Increases in Gold Stock on Account of Imports and Domestic Mine Production.

Forms on foreign exchange assets, balance of payments, etc. for use in attempting to secure more data on the British Empire.

Department of Commerce statement that the British hold certain amounts of foreign dollar bonds.

Dept. of Commerce will cease to compile export statistics on a ten-day basis.

Balance of Payments of Latin America.

Brazilian officials concocting Important Coffee-Cotton Operation.

Foreign Investments in Latin America.

Munitions exported to and licensed for Latin America by the United States.

Federation of American Republics.

A Federation of American Republics as Proposed by Rev. Cunningham of Notre Dame University next July.

Germans and Italians in Latin America.

How old is the idea of an American League?

Latin American Bonds in the New Hemisphere Program.

Who holds the cards? The stake: Latin America.

The All-American Trading Corporation.

Dillon Read flotations of Latin American bonds.

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Strength of Bank of Mexico on eve of election.

Argentine Surpluses.

What can Argentina do?

Arthur Krock on the Quarter-Sphere Theory of Defense.

Economic Conditions in Latin America.

The Habana Conference.

Dollar Balances of Balkan Countries in the U.S. and U.S. Balances in the Balkan Countries.

Estimated French Investments in the U. S.

British Direct Investments in Order of their Importance.

Net Reduction of Foreign Exchange Resources of the Allies.

U. S. Exports during May; by commodity groups and countries.

British and French expenditures in the United States.

Imports into Europe of selected commodities from American and non-American sources for the year 1938.

Net American Exports and Net European Imports of Selected Commodities in 1938.

Canadian reaction to U.S. defense measures.

U. S. Trade Developments in June.

Discrepancy between Federal Reserve Bank and Treasury figures of British Expenditures in this country.

U. S. Domestic Exports of Petroleum Products to U.S.S.R. and Japan since the outbreak of the War.

U. S. Exports of Petroleum.

Exports of Iron and Steel Scrap from U.S. to Selected Countries.

A program for immediate large-scale United States aid to the Allies short of military participation.

Ban on export of national defense materials.

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Payments assistance to the Allies.

Hitler's Continental Domination; Oil; The Near East.

Present status of discussions with State Department concerning new exchange control provision.

Cargo congestion at Haiphong.

Chinese Currency Situation.

Recent Far-Eastern Developments.

The Yunnan-Burma road and the problem of transportation of supplies to China.

Conference on July 9 on possibility of a dumping action against importation of Mexican oil.

Memo on Italian commercial policy submitted by Mr. Sappington.

German Aims with Respect to Japan.

Present status of negotiations on a revised exchange article for the Venezuelan and other trade agreements.

Aluminum.

The U.S.S.R. as a source of strategic and critical materials.

Japanese discrimination.

Amount required to purchase petroleum exports of Mexico, Venezuela and Colombia.

Netherlands East Indies - Exports and Imports of Principal Petroleum Products, 1937-38.

Exports of principal petroleum products of Venezuela, Colombia, Mexico, Netherlands West Indies.

Petroleum and Petroleum Products.

Japanese discrimination against Americans in North China.

Monopoly in the Optical Glass Industry.

Magnesium Monopoly.

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Dumping Cases Completed:

Mowers (harvesting machines) from Germany.

Wick lanterns (hurricane lanterns) from Germany.

Rattan reeds from Germany.

Arc screen glass from the United Kingdom.

Color prints from Germany.

Thumb tacks from Germany and Japan.

Cadmium colors from Germany.

Soy sauce from Germany.

Books in the German language from Germany.

Wood-cased lead pencils, pencil leads, crayons and paper stumps from Germany and France.

Current reports: (In addition to those listed February 1, 1940)

Weekly table on Expenditures of Bank of England and Bank of France from Special Accounts at New York Federal Reserve Bank.

Correspondence:

141 Letters replied to.

Regraded Unclassified

TREASURY 18609

JT

GRAY

RIGA

Dated August 10, 1940

Rec'd 12:47 p.m.

Secretary of State,

Washington.

273, August 10, 7 p.m.

Resolution of the Government of August 8 published in today's press prohibits as from today, buying and selling of all kinds of securities; owners are required to turn over all shares to the Bank of Latvia between August 10 and August 15; Bank of Latvia will enter into no settlement in respect of shares not surrendered; such shares will not be taken into consideration in distributing profits of non-nationalized enterprises. Violation punishable by confiscation of property and fine.

PACKER

HPD

Regraded Unclassified

CABLE

FROM: Commercial Attache Nicholson
Shanghai, China.

DATE: August 10, 1940.

For the Secretary of the Treasury.

Shanghai market closed quiet August 9th at 3-3/4 for cash and August 3-47/64 for September for sterling 5-17/32 for cash and August 5-15/32 for September for U.S. dollars. Gold bars closed at 5,685 and wei wah at discount of 4.75%.

NICHOLSON

Regraded Unclassified

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION CONFIDENTIAL

DATE August 10, 1940.

TO Secretary Morgenthau

FROM Mr. Haas

Subject: The Business Situation,
Week ending August 10, 1940.

Summary

(1) No change has occurred in the levelling-out tendency in industrial activity. Both the New York Times weekly index and Barron's index declined very slightly during the week ended August 3, and preliminary data for steel and automobile production suggest no important change in the combined indexes for the following week.

(2) Industrial production hereafter will be measured by a new FRB index, announced publicly today, which has been drastically revised. The June figure (preliminary) is 121 (1935-39 = 100), equivalent to 114 on the old basis. Early data indicate about 122 for July.

(3) Our weekly new-orders index has improved somewhat following its recent downturn, due to increased orders for steel and textiles in the week ended August 3. A decline in automobile sales in late-July, apparently because of the imminence of 1941 models, seems likely to be soon corrected.

(4) Prices of basic food products and of some industrial materials have weakened further under the influence of closed European markets. The price of zinc, however, has been one of the exceptions, showing a firming trend in the face of declines in copper and lead prices. A strong statistical position is responsible, with stocks of zinc at the lowest level since 1937.

- - - - -

Business activity holding steady

No change has yet occurred in the various business indices to suggest that a renewed rise in industrial production is getting under way. The weekly indexes of business activity continue to reflect a period of hesitation. Both

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the New York Times index and Barron's index declined very slightly during the week ended August 3 (see Chart 1) and prices of industrial materials (lower line on chart) have held about steady.

To some extent, the present period of hesitation is related to the falling off in activity at the automobile plants, due to a more rapid than usual reduction in output in preparation for a quick changeover to new model cars. There is little doubt that the speeding up of all automobile factories to active production on 1941 models, which is expected by the middle of September, will provide some stimulus to general business activity. A substantial rise in industrial production above present levels, however, apparently will depend upon more active ordering of armament materials.

New orders improve

The recent decline in our weekly new-orders index (see Chart 2) has been broken by an upturn in both steel and textile orders in the week ended August 3. The rise in the combined index would have been greater except for a decline in automobile sales late in July, apparently due to the imminence of new models on the market, and therefore of a temporary nature. This has reduced our index of new orders for goods other than steel and textiles.

Trade reports indicate that activity in the textile markets has become definitely more pronounced, promising a continued high volume of orders in coming weeks. The past week, for example, is reported to have seen an unusually large number of buyers in the market, with shortages of various classes of finished goods in retail channels indicated by the many requests for immediate delivery. Recent bidding on Government orders revealed shortages of heavy industrial cottons, such as ducks and wide sheetings, with deliveries on some lines not obtainable until December. These indications suggest a relatively high level of textile activity during the fall months.

New steel orders reported by the U. S. Steel Corporation rose to 96 per cent of capacity in the week ended August 1, as compared with a recent low of 74 per cent in the previous week. The automobile companies are beginning to take increased amounts of steel, probably foreshadowing substantial buying when the production of 1941 models gets well under way. Detroit and

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Pittsburgh both report increased buying of automobile steel. A resumption of railroad equipment buying last week, with heavy orders from various sources for both freight and passenger cars and for locomotives, also contributed significantly to steel demand.

Gains in automobile production imminent

Estimated automobile production last week fell below 12,000 units for the first time since 1934, as a result of practical completion of 1940 model production. (See Chart 3.) With trade reports indicating that Hudson, Packard, and Pontiac have already gone into production of 1941 models, a period of rising activity in the automobile industry seems likely to get under way more quickly than in previous years.

The concern exhibited in trade circles during May over the statistical position of the industry, as a result of high dealer stocks of new cars and fears of substantial sales declines, has completely vanished in the light of heavy retail sales in June and July. Some shortage of new cars to meet retail demand in August and early September is expected by trade observers. Retail sales (new car registrations) in the 1940 model season to the end of June have been high enough to hold production 24 per cent above the previous season, despite reduced exports, as indicated by the following table:

	Sept.-June 1938-39	Sept.-June 1939-40	Increase or Decrease (Percent)
	(In thousands)		
U.S. production, cars and trucks	3,016	3,734	+24
U.S. registrations, cars and trucks	2,400	3,088	+29
U.S. exports,			
Passenger cars	146	95	-35
Trucks	101	91	-10

Complete figures on sales, registrations and exports for July are not yet available, but retail sales reports of individual companies have been encouraging. Thus, Ford and Mercury sales in July were the best for the 1940 model year with the one exception of March, while General Motors retail sales in July were up 42 per cent over July 1939, as compared

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with a 39 per cent year-to-year gain shown in June. In the last period of July, however, General Motors sales dropped to an indicated daily average of 3,900 units from 5,200 in the previous period. Detracting somewhat from the significance of recent high sales figures is the possibility that they may have included some anticipatory buying in expectation of higher automobile prices in the near future.

New index of industrial production

Announced publicly this morning, the FRB index of industrial production from now on will be published on a new basis, representing a drastic revision from the previous index. The new index for June (preliminary) will be 121, corresponding to about 114 on the old index. Preliminary data indicate a new index of about 122 for July.

The new index differs from the old in several important respects:

(a) It is established on a broader base, and hence covers more adequately the general field of industrial production. The inclusion of various new and growing industries shows the rising general trend of industrial production more prominently than did the old index, and gives greater effect to production in the war industries.

(b) Revisions of seasonal trends have made the index more stable, giving month-to-month changes more real significance.

(c) A re-arrangement of weights among the different components, giving less weight, for example, to the iron and steel index, also contributes to greater stability, as does the inclusion of a larger number of industries.

An over-all picture of the revised index in comparison with the old index is shown in Chart 4. It will be noted (upper section of chart) that the new index in recent years has been somewhat higher than the old, averaging 2 to 3 points higher in 1938 and 1939, and 7 points higher during the first 6 months of 1940. The changes in relative importance given to the various industries, and the important new industries that have been added, are shown in the lower section of the chart. A reduction in weight given to the iron and steel industry, it will be noted, is largely accounted for by a new component, the machinery group. Similar components in the two indexes are represented by similar colors.

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Commodity prices tend downward

Price changes in the commodity markets last week, on the whole, were not pronounced, but the trend of agricultural prices continued downward, and weakness was shown by some industrial materials although the group average held about steady. The cutting off of European markets is operating to dam up world supplies of many raw materials, with consequent pressure on prices. Prices of tin, copper, and lead were among those marked down last week.

Heaviness in agricultural prices was partly due to somewhat larger Government estimates for the two leading crops than had been expected in the trade. The 1940 wheat crop is placed at 761 million bushels, against 755 million last year. The cotton estimate indicates a 1940 crop of 11,429,000 bales, versus 11,817,000 last year. Cotton prices weakened on Saturday after announcement of a Government loan rate at 9.80 cents at ports, net weight basis. The rate is about equal to present market prices at Gulf ports.

Zinc price situation improving

In contrast with declining price trends for lead, copper, and tin last week, zinc (an important constituent of brass) has continued to show the price strength that had been evident over the past several months. From a low average of 5.54 cents a pound in February, the price of Prime Western zinc at St. Louis has risen steadily to 6.25 cents in July. Futures prices of zinc have been gradually improving in recent weeks, and are now at the best levels since late June.

An analysis we have made of the zinc price situation (see Chart 5) shows the rise to have been due chiefly to a strengthening in the domestic statistical situation. Stocks of zinc at smelters (lower section of chart), which were reduced drastically by the heavy demand last fall, declined further in July to a new low since 1937. Over the past 6 months the production of zinc has been generally declining, while deliveries (representing consumer takings) have more recently shown a noticeable improvement. (See central section of chart.)

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Apparently reflecting increased armament orders and increased zinc demand from the steel industry, sales of Prime Western zinc during the three-week period ended August 3 rose to 33,115 tons, the highest for a similar period at least since last November. As a consequence, unfilled orders for zinc on August 3 had increased to the highest figure since early December.

Since the price of zinc is closely related to domestic stocks, production, and deliveries, a "basic price" may be estimated from an average relationship of zinc prices to these three factors. In the upper section of Chart 5 is shown a comparison of the estimated "basic price" with the actual price of Prime Western zinc at St. Louis from 1935 to date. It will be noted that the "basic price" anticipated the upturn in zinc prices in 1935 and 1936, and indicated a weakening price situation some time before the downturn in 1937. In more recent years the spot price has closely followed the variations in this "basic price", even under changed world conditions.

Weekly business indexes

Although divergent trends were shown in the movements of the various components of the New York Times index of business activity during the week ending August 3, the combined index showed little change and declined only slightly to 101.5 from 101.7 in the previous week.

The principal factor in this small decline was a sharp decrease in the index of automobile production as a result of an earlier than seasonally expected termination of 1940 model production. The lumber index lost one-half of the fairly sharp gain of the previous week, while cotton mill activity and "all other" freight car loadings showed moderate declines.

On the other hand, the index of electric power production rose for the fourth consecutive week as a result of a further increase in electric power output to the second highest figure on record. The index of steel ingot production showed a noticeable gain as a result of a contra-seasonal increase in actual steel operations, and the index of miscellaneous carloadings advanced a trifle.

Barron's index of business activity for the week ending August 3 moved in line with the Times index, declining slightly to 109.6 from 110.0 in the previous week.

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Preliminary data for the week ending August 10 reveal a further slight contra-seasonal rise in actual steel operations, which will result in a gain of around 2 points in the adjusted index of steel ingot production. On the other hand, a further contraction of over 5,700 units occurred in automobile production, cutting weekly output down to 11,635 units, which undoubtedly will stand as the low point for the entire year. This decline will cause a further decrease of 1.5 points in the adjusted index of automobile production.

Steel operations for the week beginning today are scheduled at a rate of 89.5 per cent of capacity, a decline of 1.0 point from the previous week, due largely to vacation shutdowns at Pittsburgh. This is in line with seasonal expectations, and will cause little or no change in the adjusted steel index.

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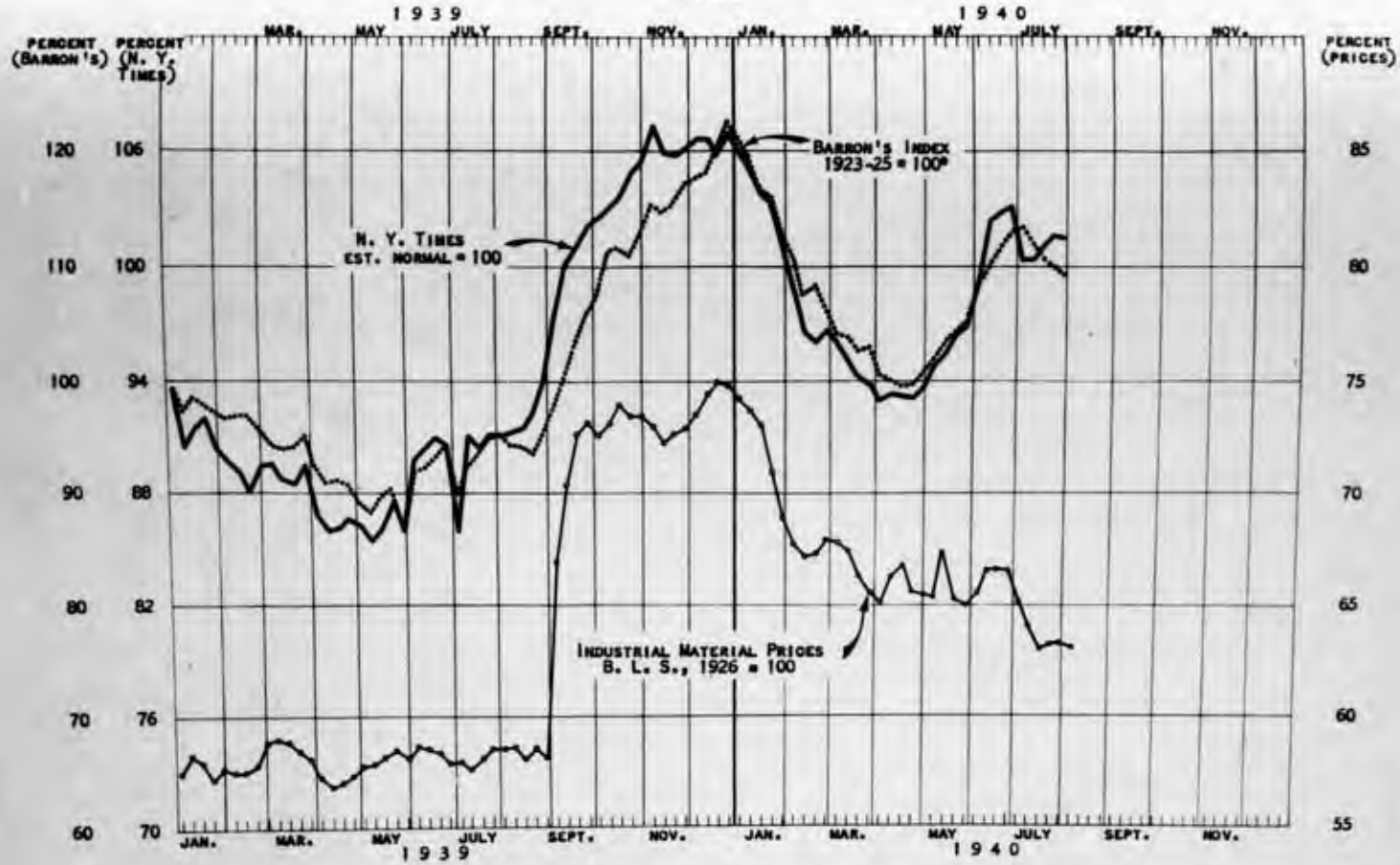
INDICES OF BUSINESS ACTIVITY AND PRICES OF INDUSTRIAL MATERIALS

Weekly



*ADJUSTED FOR SEASONAL, NOT FOR TREND

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Chart 1

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INDICES OF NEW ORDERS

Combined Index of New Orders and Selected Components

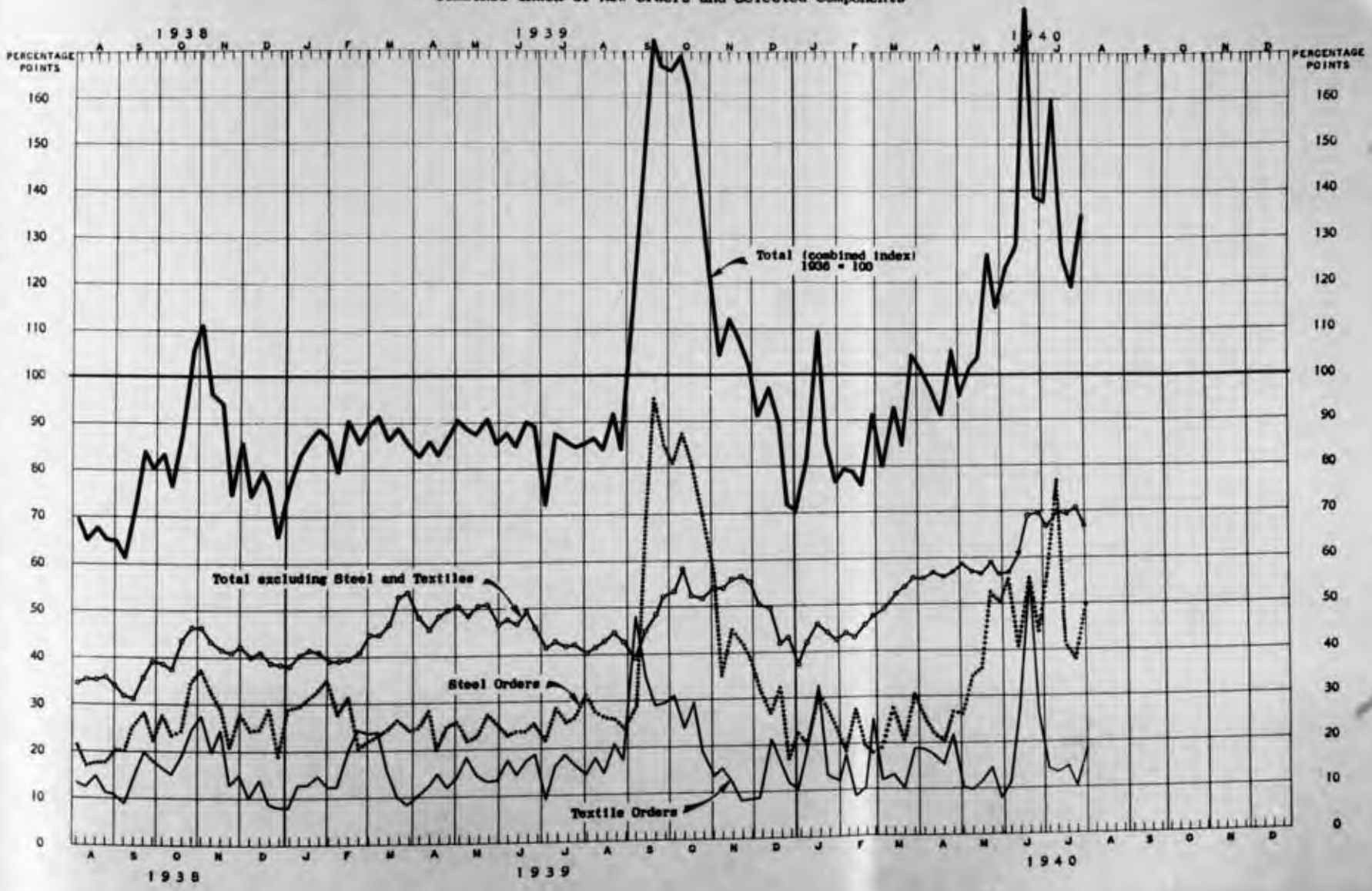

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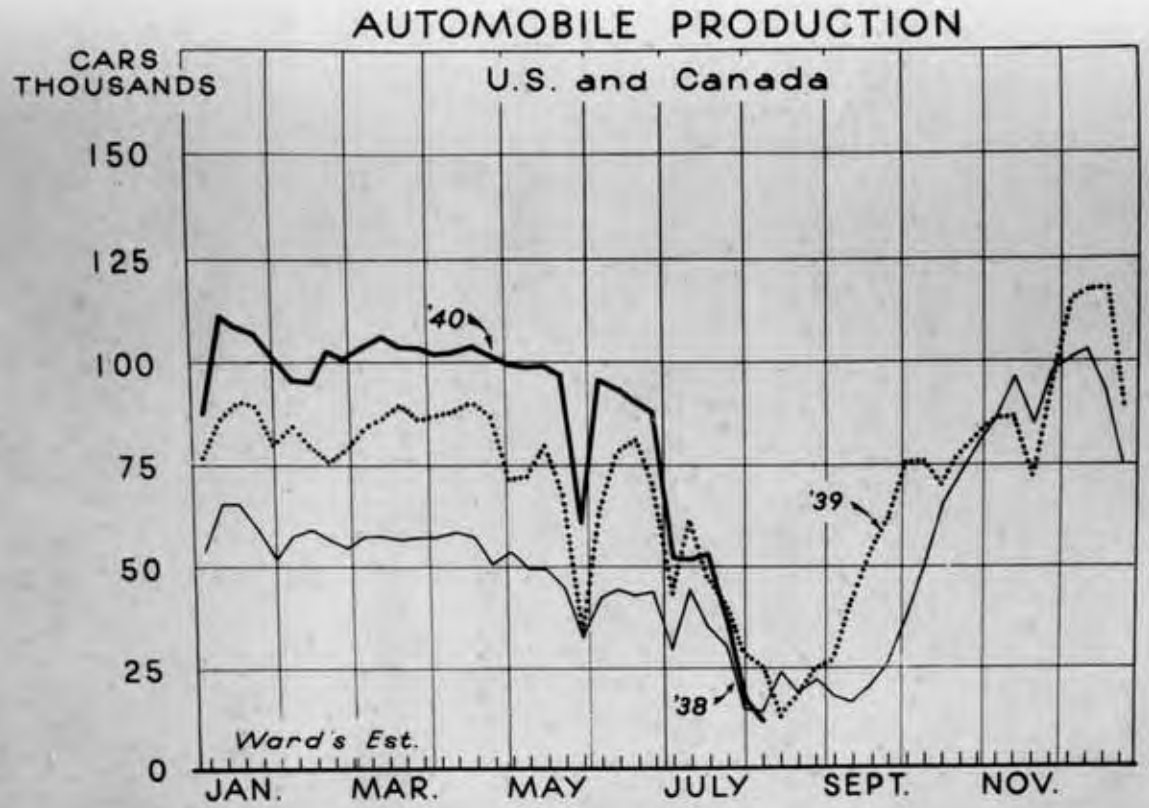
Chart 3



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

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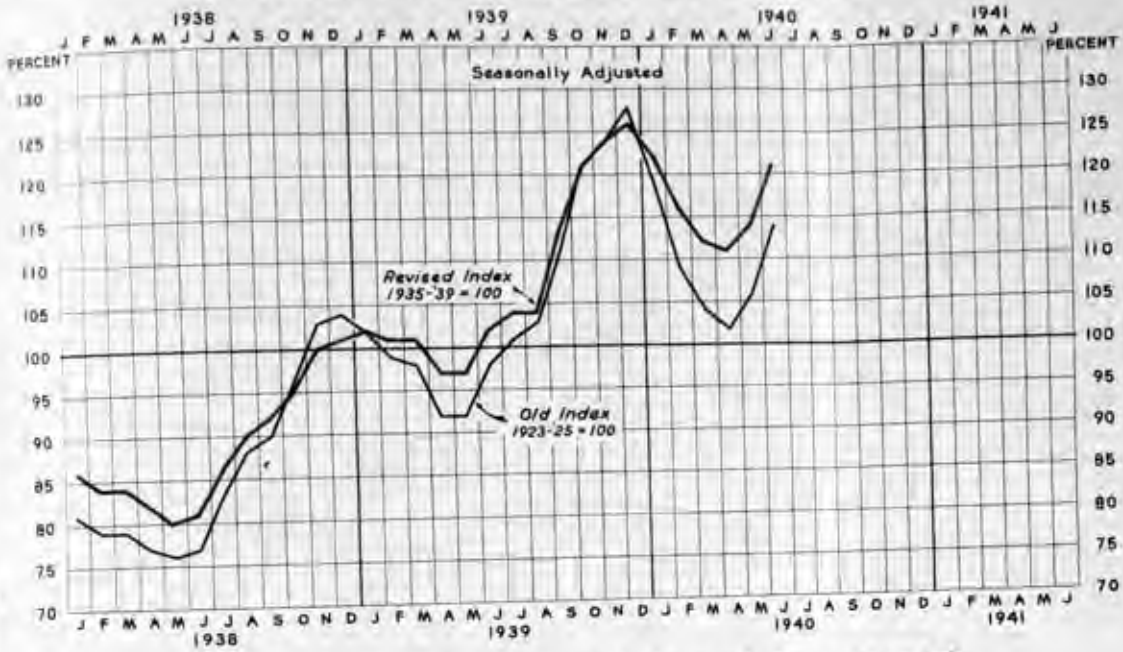
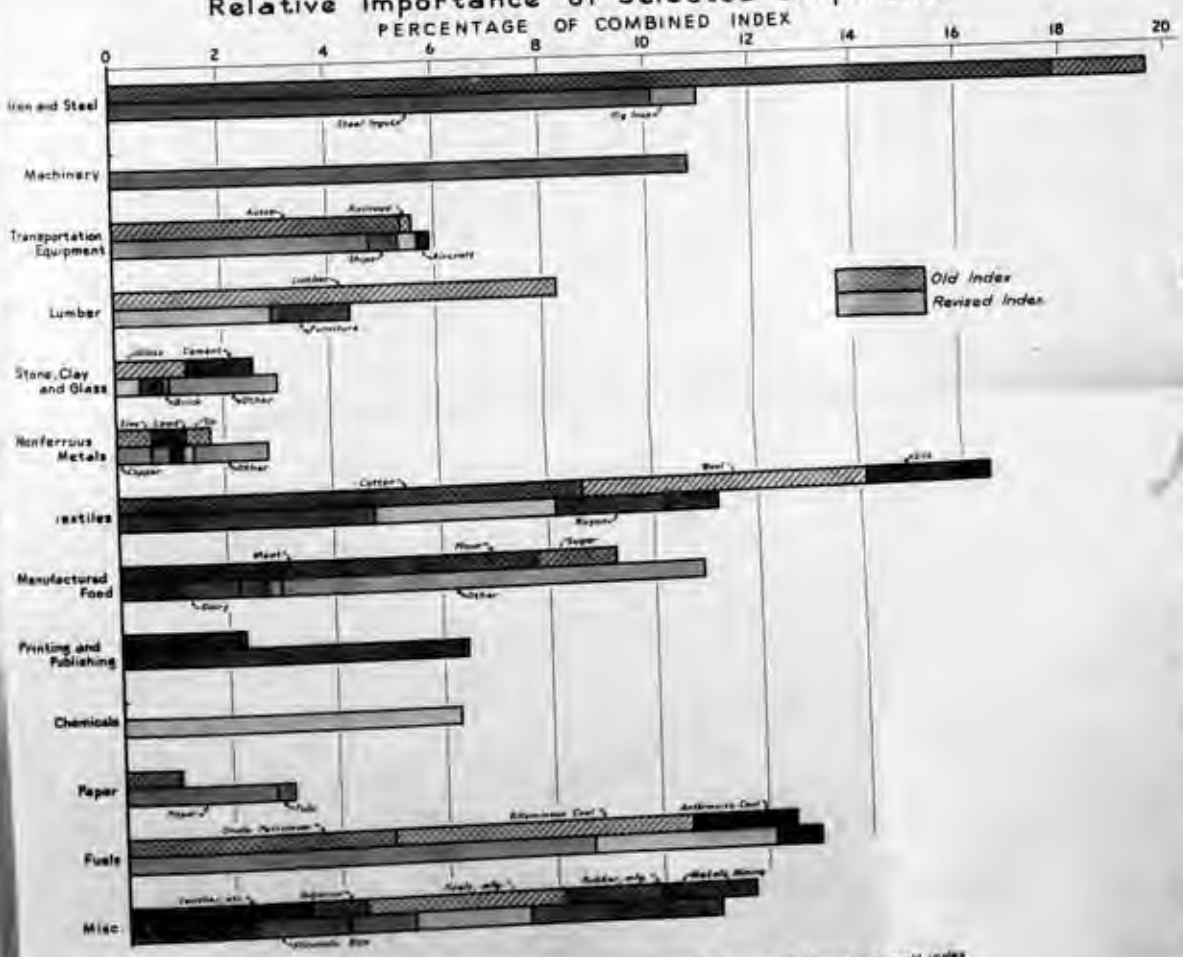
FEDERAL RESERVE BOARD INDEX OF INDUSTRIAL PRODUCTION

Revised Index Compared with Old Index



Relative Importance of Selected Components*



*Grouped on basis of revised index and excludes components recently held constant in old index

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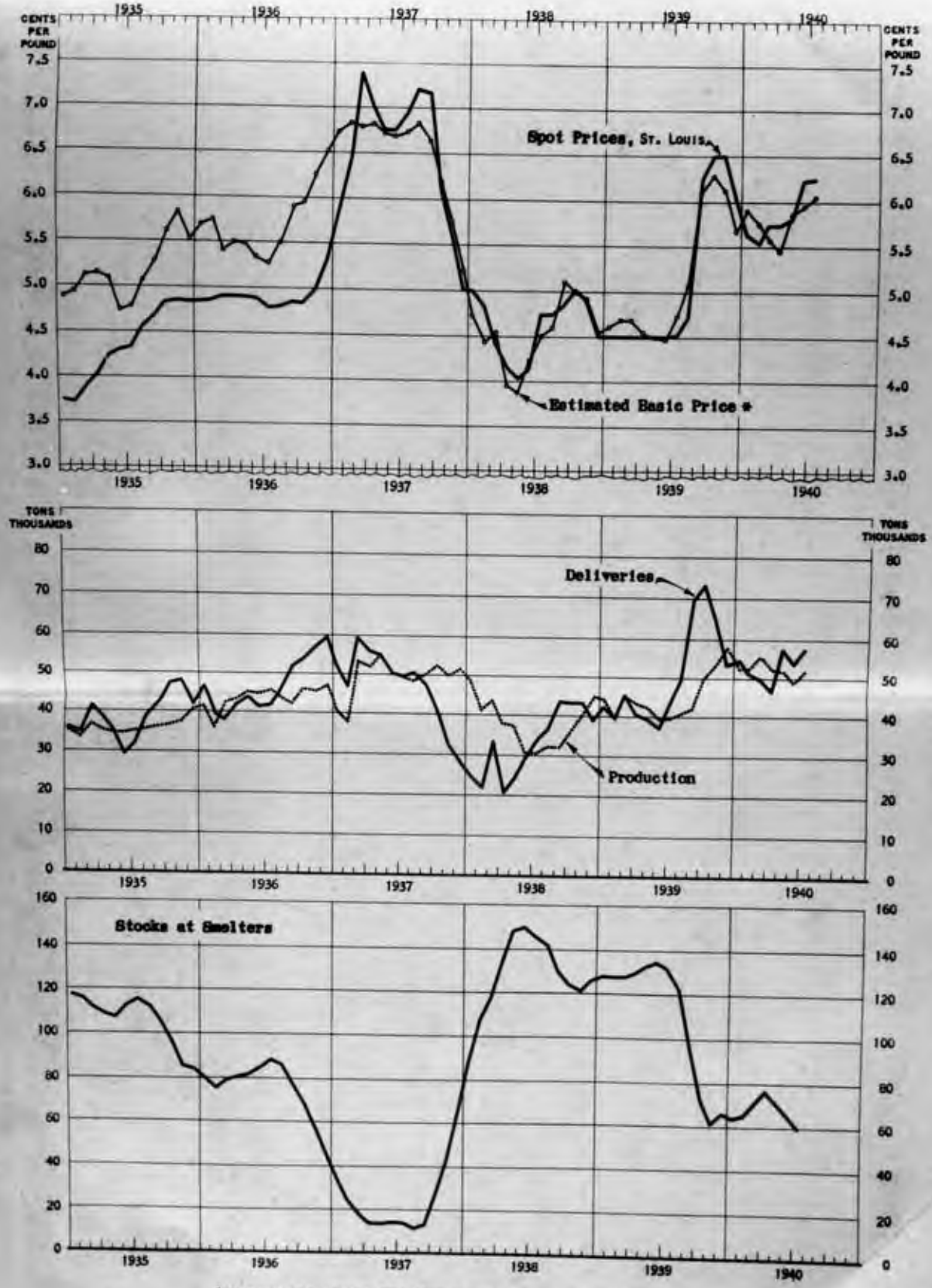
ZINC PRICES, PRODUCTION, DELIVERIES AND STOCKS



* Computed from average relationship of zinc prices to U. S. production, shipments, and stocks of zinc.

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

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Chart 5

TREASURY DEPARTMENT

Washington,

August 10, 1940.

Dear Mr. Secretary:

As the time for my departure approaches, I want to tell you that I have thoroughly enjoyed my year's service with you. I realize better than most, the heavy responsibility you bear and I wish you continued success in all your endeavors.

Enclosed for your signature is a letter to Secretary Knox requesting that I be returned to the retired list. The Navy Department wishes it to complete my record.

Faithfully yours,

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

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

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(Copy)

August 12, 1940

My dear Mr. Secretary:

On September 11, 1939 at my request and with his consent, Captain William D. Puleston, U.S.N., Retired, reported for duty as Special Assistant and Consulting Expert to the Secretary of the Treasury. I will not need Captain Puleston's services after August 17, 1940, and accordingly relinquish his services as of that date.

During the past year Captain Puleston has rendered valuable service to me and the Treasury Department. I wish to express my thanks to you and the Navy Department for permitting Captain Puleston to serve with the Treasury.

Yours sincerely,

(Signed) H. Morgenthau Jr.

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

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 10, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

In accordance with the conversation which you had with Director Hoover of the F. B. I. yesterday morning, two representatives, Messrs. Tamm and Kimball, called on me yesterday afternoon. They said they had been instructed by Mr. Hoover to find out just what the Treasury desired in the way of cooperation, and to provide this as fully as possible.

I renewed to these agents the request which we had made in our letter to Mr. Hoover, namely, that they give us as much data as possible to help us in arriving at monthly estimates of funds paid by the Governments of Germany, Japan, Italy and Soviet Russia, respectively, to their diplomatic and consular establishments in this country. I let the visitors see the report which Mr. Knoke had given me from New York on German expenditures, as revealed by the account of the Reichsbank with the Federal Reserve. I also let the gentlemen know that we got certain data from the Chase Bank with respect to Russian accounts in this country.

The two agents stated that it would not be possible for them to set up figures monthly. They revealed that their Bureau is constantly receiving a mass of material upon financial transactions involving the four countries under reference, particularly Germany, and that it takes much weeding out to determine what is worth while. They agreed to be particularly watchful for the type of information which we desire and to provide it as currently received. It will then be my duty to endeavor to compile figures over certain periods.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 10, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions were carried out by only two of the six reporting banks, who made purchases of £18,000. Of this amount, £15,000 were acquired from the Federal Reserve Bank of New York. Commercial customer orders accounted for about half of today's dealings.

The open market in sterling was rather idle, with the rate opening at 3.98 and closing at 3.97-1/2. The reporting banks sold £5,000 for account of commercial concerns. They purchased £13,000 for such concerns, and £10,000 for a South American bank.

In the Far East, the yuan was slightly lower at 5-7/16¢. Since it experienced a relatively greater decline in terms of the pound, the sterling-dollar cross rate in Shanghai advanced to 3.53-1/2. The Hong Kong dollar was 1/4¢ lower at 22-1/16¢.

The Cuban peso has shown a weak tendency of late. It closed today at 11-13/16% discount.

The other currencies closed as follows:

Swiss franc	.2274
Canadian dollar	13% discount
Lira	.0505
Reichsmark	.4005
Mexican peso	.2015 bid, .2035 offered

We purchased $10,630,000 in gold from the earmarked account of the Royal Netherlands Government.

The Federal Reserve Bank of New York reported that the Bank of England made the following shipments of gold from England to the Federal:

$4,181,000 to be earmarked for account of His Britannic Majesty's Government.
761,000 for account of the Bank of Finland, disposition unknown.
409,000 for account of the Bank of Greece, disposition unknown.
$5,351,000 Total

The Bombay gold price was slightly lower at the equivalent of $33.72.

Spot silver in Bombay was 1/8¢ higher at the equivalent of 44.92¢.

D.W.C.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 10, 1940.

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Pinsent called on me yesterday at 11 o'clock. He stated that Mr. Hall-Patch, the British Financial Commissioner to the Far East, who is now in Washington enroute from England to China, had been approached by Dr. T. V. Soong in regard to the following transaction. The Bank of China is said to have transferred to its New York branch £385,000 sterling before July 18. Through some error the New York branch failed to notify this balance to the Federal Reserve Bank of New York. Consequently, according to Dr. Soong's story to Hall-Patch, the New York branch would have to obtain consent from the British authorities before it could sell this sterling on the free market. Pinsent wanted to know our views on this point.

I talked with Mr. Knoke by telephone this morning. He confirmed my opinion that there was no arrangement which required banks in New York to report prior to July 18 to or through the Federal Reserve Bank of New York on their sterling balances. I explained to Knoke that there might have been a considerable misunderstanding in the premises, since neither Hall-Patch nor Pinsent was familiar with either the technical situation resulting from the agreement between London and New York, or with the exact facts in the Bank of China case. Knoke thought that it might be that the Chinese were wanting the British to take over this balance at the official rate. He saw no reason why a bank established in New York could not dispose of its sterling holdings at the free rate. I reminded Mr. Knoke that the Bank of China agency in New York had undoubtedly been quite familiar with the British regulations since, according to our records, they had sold rather considerable amounts of sterling on July 16 and 17. He inquired of Mr. McKeon as to whether Raymond of the Bank of China had been in touch with anyone in the Federal recently on this sterling question. Mr. McKeon confirmed that Raymond had spoken with him recently in regard to the possibility of disposing of £385,000, and had been advised by McKeon that it would be difficult for the New York market to absorb this amount at one time.

I telephoned Mr. Pinsent at 10:30 this morning. I summarized to him my talk with Knoke. I asked Mr. Pinsent if he thought that the Bank of China branch in New York was considered to be in a different category from American banks operating in New York, insofar as the British regulations are concerned. Pinsent replied that the funds in question belong to the Chinese Government and that the British might, therefore, be going back behind the Bank of China branch in New York in making their decision. He thought that if the Chinese were of the opinion that British permission was required to dispose of the sterling on the New York market, the British would not take the opposite position, that is, that such authority was not required. I told Pinsent that there was no need for consulting us further on the transaction. We would

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not like to see any arrangement made on the New York market which would be prejudicial to American concerns. He stated that he would make the point to his Treasury that the provisions of the recently consummated arrangement between the London and New York banks should, of course, be kept in mind in reaching any decision. I told him that it was principally a technical question as to whether the market would be pushed down by a too hasty sale of this fair amount of sterling but this is, after all, a concern for the British. I did add, however, that we should like to see the Chinese given as generous treatment as possible.

H. M. J.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 10, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Livesey telephoned me from the State Department this morning. He referred to the latest memorandum on the earmarking of Afghanistan gold which I had given him. He read to me the draft of a communication from the Near Eastern Division of the State Department to the Turkish Ambassador in Washington, who represents Afhan interests here, setting forth the present status of this case, and emphasizing that the Federal Reserve Bank of New York can take no further action toward opening the gold account desired until it may receive certain supplementary information in regard to the Millie Bank Afghan, which has been requested from Mr. Omar, the commercial agent of Afghanistan in New York. I approved the draft of the letter as read to me by Mr. Livesey.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 10, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Dr. Somary, the Swiss banker who has been in this country for several months acting as advisor to the National Bank of Switzerland and looking after Swiss purchases on the American market, called on me August 8. He summarized to me the difficulties which Switzerland is now experiencing, as a country surrounded by Germany, German allies or territory occupied by Germany. He stated that the only outlet for travel from Switzerland to the United States was by motor bus from Geneva to the Spanish border; by one train daily thence to Barcelona; by one train daily from Barcelona to Madrid; and by one train every second day from Madrid to Lisbon. The only railway going out of Switzerland into France extends no further than Grenoble.

Dr. Somary stated that it was becoming more difficult for Switzerland to insure her food supplies since the British are hesitant about giving permission for ships bearing food for Switzerland to pass through Gibraltar, although the Italians are willing that such supplies should be landed at an Italian port near Genoa and transported directly and without hindrance to Switzerland. Dr. Somary stated that our Department of State was sympathetic to the Swiss problem and was endeavoring to assist in the premises. In answer to my inquiry, Dr. Somary stated that there were not as many refugees in Switzerland now as during the first World War. One reason was that it was difficult for refugees to get out of Germany or German occupied countries; and furthermore the Swiss had been guarding their borders strictly against refugees. They had permitted the entry of some 75,000 French soldiers when the German invasion of France was at its height. These are still being taken care of in Switzerland. French families, together with their flocks, also took refuge in Switzerland, but these are gradually returning to their homes in Alsace, Lorraine and other border departments. Dr. Somary said that Switzerland would naturally be ready this winter to give such assistance as may be within its power to relieve suffering in Europe, particularly through the supplying of milk to children in devastated areas.

The principal subject which Dr. Somary discussed was that of finances. He told me that he had just spoken by telephone with President Weber of the Swiss National Bank, an old friend of mine, who asked that we be assured that Switzerland intends to hold on to the Swiss franc at its present gold level. Somary stressed the difficulties, however, which confronted Switzerland and to a certain extent Sweden, in maintaining their independent currencies in the face of the wide circulation that is now being given to the reichsmark. It had been for the purpose of preserving the Swiss franc that Switzerland had established clearing arrangements with countries occupied by Germany, namely, Belgium, Denmark, France, Luxembourg and Norway. Switzerland had sold to some of these countries important amounts of materials, including such military machines as anti-aircraft guns, instruments of precision, etc.

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Germany had taken the attitude that payment for these goods could only be made to Switzerland in blocked reichsmarks. Switzerland naturally does not want to acquire an undue load of such reichsmarks. Consequently the so-called clearing arrangements were actually taken unilaterally by Switzerland to permit the holding by her of assets in the currencies of the countries under reference which could be applied against the debts owed Switzerland on balance.

Switzerland is aware that in future dealings with territories occupied by Germany it will perhaps be necessary to accept German currency in payment. On the other hand, Switzerland desires to effect an arrangement with unoccupied France as soon as it may be possible with the view to procuring payment from that territory in France for such items as may be owed to Switzerland, in francs or dollars.

When Dr. Somary spoke with me, negotiations were in progress at Berlin for a trade agreement between Germany and Switzerland, which would provide a Swiss clearing agreement. Dr. Somary stated that Germany was requesting a two hundred million Swiss franc balance in its favor under the clearing agreement to pay for transportation of coal, etc., over the Swiss railways. It was also planned that a clearing arrangement should be worked out between Switzerland and Italy as soon as the German negotiations were terminated. Under this the Italians are said to desire a favorable credit balance of one hundred million Swiss francs under their clearing arrangement to take care of transportation costs over Swiss railways. This latter credit would be secured, however, by certain foreign securities which the Italians would deposit with the Swiss.

Dr. Somary called me again this morning at 10:20 to let me know that the Swiss-German agreement had been completed. He was happy to state that there had been no concessions made on credits by Switzerland to Germany, not even the two hundred million Swiss franc credit balance under the clearing arrangement. Dr. Somary hoped that a similar result would be achieved in the Italian negotiations this week. There was some possibility, however, that there might be an arrangement made with Italy to permit the postponement for one half year of the one hundred million Swiss francs due Switzerland for railway costs. Somary reminded me that there is an international agreement between European railways for the payment half yearly of international balances.

The main point in Somary's talks with me has been that Switzerland is undoubtedly in a difficult position in her efforts to maintain her own economic life, to retain as much economic freedom as may be possible in the circumstances, and to hold on to an independent currency backed by gold. His point is that such agreements as Switzerland makes with Germany and German-dominated countries will involve as small balances as possible being owed to Switzerland in blocked reichsmarks. To enable Switzerland to acquire as much free exchange as possible, the Swiss may seek to have balances unfrozen in the United States of funds held here by occupied countries owing Switzerland on pre-war contracts, if the necessary arrangements may be made by Switzerland with the countries under reference, as well as with Germany. Such an arrangement may also be sought with respect to current payments from unoccupied France.

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I mentioned to Somary the report which I had received (without naming Stopford as the source,) that the Germans might demand a revaluation of the Swiss franc from 176.50 francs to 100 reichsmarks to be changed to 200 francs. Somary denied there was any such point under consideration.

August 12, 1940

Dr. Somary telephoned me at 5:00 this afternoon to let me know that he had received word that the Swiss-Italian trade agreement has now been consummated. It continues the existent arrangement until the end of June 1941, with absolutely no new concession, credit or otherwise, granted by Switzerland. Not even the suggested one hundred million Swiss franc extension for payment of railway charges was granted. Dr. Somary was quite happy that both the Italian and German agreements had been achieved so successfully.

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August 10, 1940

Professor Chamberlain

Mr. Cochran

Senator (?) Henderson of the R.F.C. telephoned me this morning. He is connected with the Metals Reserve in purchasing tin, manganese, etc. He stated that a Mr. Rondon, of whose nationality he is uncertain, arrived recently from Indo-China. He stated that his people had obtained in China and shipped to the United States 550 tons of tin, and will be in a position to ship a further similar amount. Rondon is reported to have arranged for the sale of this tin to consumers in this country. Henderson indicated his interest in tin being accumulated in the United States, for national defense purposes. He stated that the tin in question was said to be financed half by L. Rondon & Co. of Shanghai and half by the branch of the Bank of Indo-China at Yunnan. The question was posed as to whether the parties in question would be prevented from buying goods in the United States with the proceeds of the tin sales. I told Mr. Henderson that we would probably have to have more information before answering this question, but that I would take it up with my colleagues and let him hear from us.

August 12, 1940

At 4:45 this afternoon I telephoned Senator Henderson's office. He was absent in New York. I told his secretary that no definite answer could be given except upon application for a specific transaction. I added the explanation that if the tin is sold in this country and French interests are recognized as involved therein, the dollar proceeds would go into a blocked account. I added, however, that at present the branches of the Bank of Indo-China in China have licenses which permit them to dispose freely of 25% of their dollar balances, plus any newly acquired dollar balances. As long as this privilege obtains, there would be no difficulty in the Bank of Indo-China in Yunnan withdrawing dollars gained through sale of tin on this market. Since the secretary did not understand the situation very well, she said she would have the Senator call me on Wednesday when he returns.

HMC:dm:8.12.40

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 10, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Lochhead of the Universal Trading Corporation telephoned me yesterday noon from New York. He told me that the Criteria Trading Corporation, which is closely connected with the Universal, and which handles shipments of munitions from United States to China, has the following question. This concern shipped 1,500 tons of TNT on the Steamship Tupper (of Panamanian or Norwegian registry) to Rangoon. The value of the shipment is something over $1,000,000. With the Burma road closed while the cargo was in transit, there was no reason to land the cargo at Rangoon. The steamer has subsequently been ordered to Manila, and is now lying outside of that port. $30,000 have been spent in making this shift, and demurrage is accumulating at the rate of $1,000 a day. The Chinese Consul in Manila has taken up with the Philippine authorities the question of storing the explosive in the Islands. The Chinese Ambassador in Washington had also raised with the Department of State the question as to whether our Naval authorities in the Philippines could take charge of the storage of the TNT. The Ambassador was of the impression that the question had been referred by the Department of State to both the Navy Department and the U. S. High Commissioner, Mr. Sayre, to the Philippines. No answer had, however, been received by the Chinese Embassy. Lochhead asked what I could do to expedite a decision.

At my suggestion, Captain Puleston telephoned the Ordinance Officer in the Navy, Admiral Furlong, and found that no request had been made of that office by the Department of State in regard to the storage in question. Admiral Furlong had volunteered the information, however, that since there had been practically no expansion of our Naval and military establishments in the Philippines since the Naval Treaty of 1922, storage facilities there were not great, and there was not magazine capacity for the explosive under reference. It was suggested that the Chinese arrange with some cocanut grove owner to have the explosive buried in trenches therein, and guards left to protect it. The Navy people said the powder would not deteriorate underground. The first damage would come to the stout pine boxes in which it is packed.

I then talked with Mr. Jacobs, the Chief of the Philippine Division of the Department of State. Mr. Jacobs is a foreign service officer and old friend of mine. He gave me the whole story. He stated that the State Department had not opposed any objections to the powder being stored in government arsenals or magazines in the Philippine Islands, although this might conceivably have given rise to a nice question if the Japanese had learned of such an arrangement. The Department had taken the matter up with our High Commissioner at Manila, and the latter had replied that there was no possibility of our establishments there taking charge of the powder, simply because storage space was lacking. A reply to the Chinese Ambassador to this effect was to be made yesterday or in the very near future. It was Jacobs' informal suggestion to me, for possible transmission to Mr. Lochhead, that the Chinese Consul

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in Manila go further in his negotiations with the Philippine authorities and endeavor to arrange for some old ship to be towed into a quiet harbor into which could be transferred the TNT in question, and there be held until such time as it may be possible to ship it to China. If such arrangements are not feasible, the only suggestion was that the S. S. Tupper return to the United States with its cargo.

I called Mr. Lochhead back yesterday afternoon and gave him the foregoing information.

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August 10, 1940

Professor Chamberlain

Mr. Cochran

Mr. Livesey telephoned me last night in regard to the Havas Agency. I understand that this matter has been brought to Mr. Pehle's attention some time in the past. It appears that the Havas Agency is continuing its service in the United States, and also operating from here with South America. Headquarters is at Vichy. The staff of the New York office is said to be owed $9,000. Operating funds are also desired, making a total of $40,000. A license had been issued on June 25 for 30 days. Livesey reported that a competing news service entitled "LNF" had been created out of the old Havas group, consisting of employees who have not been Vichyized. This group is working with British Reuters. Livesey would like to know what the Treasury group thinks of this application.

In the same conversation Livesey stated that the Peruvian Embassy had certain financial transactions which it wanted consummated with or in behalf of Peruvian consuls general in occupied territories. I told him such cases would be facilitated by the filing of formal applications through the appropriate Federal Reserve Banks before we are asked to consider them.

H. M. J.

BMC:dm:8.12.40

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NC

GRAY
(PARIS)
VICHY

Dated August 11, 1940

Rec'd 2:03 p.m.

Secretary of State

Washington

313, August 11, 11 a.m.

Barnes telephoned from Paris yesterday that the German dominated press of the capital especially MATIN was headlining reports of the Treasury declaration concerning blocked French accounts and interpreting it to mean that French gold and dollar balances in the United States would be held to offset uncollected World War debts. The Embassy at Paris said this morning that the press continues to play up the matter and to tie it in with the VINCENNES gold shipment as proof of our rapacity. Paris fears the inflammatory effect of this on public opinion and suggests that a clarifying statement which it could possibly utilize would be helpful.

MURPHY

WSB

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TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE August 12, 1940

TO Mr. White

FROM Mr. Gass

Subject: Food and Feed Prospects in Continental Europe 1/

The 1940-41 food supply of continental Europe 2/ has been reduced somewhat by climatic and other conditions unfavorable to this year's crop. Production of the bread grains, wheat and rye, will apparently be about 15 percent below normal, but the crop prospect for feed grains is, on the whole, less unfavorable. This situation is ameliorated by stocks which, particularly in the Axis countries, are probably larger than those carried in peacetime. Total supplies of bread grains this are probably only about 5 to 10 percent under requirements of normal peacetime consumption.

The bread-grain deficiency will, it appears, be somewhat offset in central and northern Europe by a potato crop about normal or better and in the south and southeast by a better than normal corn crop. In contrast to the fruit crop, prospects for which are not apparently bright, it is probable that the vegetable supply, over the continent as a whole, will be normal or better.

Numbers of cattle and hogs in 23 countries of the continent at the beginning of the war were greater by about 7 and 14 percent, respectively, than in 1914. In countries where intensive animal husbandry has characterized farming and where heavy dependence is placed on imported feedstuffs — Denmark, the Netherlands, Belgium, and part of Germany — the situation is serious as regards concentrated feeds (oil-cake, etc.) and feed-grain supplies. Flocks and herds must be reduced to numbers that can safely be carried through the winter with the supplies available from local production.

Were the 1940 crop production and part of the stocks already on hand at the beginning of the harvest to be adequately distributed, there would be little abnormal shortage of food and certainly no widespread starvation. 3/ As it is, however, communications have been disrupted, machinery of distribution disorganized, and large numbers of people have fled their homes to hoped-for havens of safety. In certain areas, particularly in Belgium and the larger cities of the recently invaded countries and in localities where refugee populations are still gathered, supplies may prove to be inadequate.

1/ Extracts from Foreign Crops and Markets, July 29, 1940.
2/ Excluding the Soviet Union, Soviet occupied territory, and Turkey.
3/ Underlining mine.

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Wheat supplies in continental Europe in 1940-41 will be reduced as a result of both a short crop and smaller imports. After allowing for a minimum carry-over in June 1941, a net deficit of between 100 and 150 million bushels is indicated by present crop prospects and available information on stocks. This shortage amounts to probably 5 to 10 percent of the usual wheat consumption. Rye supplies are probably not in a worse situation than wheat. The shortages in bread-grain cereals will be partially offset by the substitution of potatoes and by the admixture of potatoes with grain flour in Central and Northern Europe and the substitution of corn for wheat in the south. There is, also, the possibility of a greater utilization of German stocks than has been assumed in this estimate.

Total production of feedstuffs, including potatoes used for feed, is likely to be about normal, but total supplies available for the current year are expected to be 10 to 15 percent below normal due to the inability to import usual quantities, particularly of concentrate feeds.

Shortages of feedstuffs in Denmark and the Netherlands will result in a marked reduction in the output of dairy products in those countries during the coming winter. Increased slaughter of cattle, hogs, and poultry will result in temporarily increased supplies of meats and fats. These increased supplies will stimulate increased local consumption as an offset to reduction in consumption of imported foodstuffs. Although the slaughter of poultry in northwestern Europe will be heavy and commercial egg production will be reduced, the cessation of exports to the United Kingdom may leave almost normal supplies available for continental consumption. Shipments of eggs, butter, and cattle to Germany have already increased. As during the World War, it is possible that shipments of other animal fats and meat also may be increased temporarily. Supplies of butter, will, however, soon begin to decrease, with a trend toward scarcity. Although there will soon be, temporarily, large supplies of meat and fats, they will tend to become scarcer, and it is inevitable that by winter there will be little slaughter except to meet local requirements.

The fat supply for continental Europe this winter will be, in the aggregate, probably about 25 percent below normal.

The quantity of sugar available in continental Europe this year probably will provide for normal consumption.

Fragmentary reports indicate that the 1940 fruit crop of Europe will be substantially smaller than the unusually large harvest of 1939. The present indications are that there will be a large vegetable crop. Local shortages, however, are to be expected in the more recently invaded areas. It is impossible under present conditions to move supplies of perishable fruits and vegetables any appreciable distance from where they were produced into the districts where they are most needed.

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ALLISON ENGINEERING COMPANY

STRICTLY CONFIDENTIAL

Deliveries of Airplane Engines

	Actual deliveries	Estimated deliveries on existing orders
1940		
January	10	
May 1 - 23	10	
May 24 - June 1	5	
June 2 - 8	4	
June 9 - 15	8	
June 16 - 22	11	
June 23 - 30	8	
June 30 - July 6	6	
July 7 - 13	18	
July 14 - 20	11	
July 21 - 27	15	
July 28 - August 3	30	
August 4 - 10	1	
August 11 - 31		137
September		311
October		368
November		386
December		357
1941		
January		362
February		416
March		416
April		414
May		408
June		437
July		320
August		294
September		431
October		45
November		45
December		45
1942		
January		25
February		21

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

August 12, 1940.

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EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL
FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN,
AS SHOWN BY DEPARTURE PERMITS GRANTED

Week ended August 10, 1940

	JAPAN	RUSSIA	SPAIN	GREAT BRITAIN
PETROLEUM PRODUCTS				
Fuel and Gas Oil (including Diesel Oil)	75,960 Bbls.	—	—	43,300 Bbls.
Crude -				
*Blended or California High Octane Crude	—	—	—	—
All Other Crude	150,593 Bbls.	—	—	—
Gasoline -				
**Aviation Motor Fuel	—	—	—	—
All Other Gasoline (including Kerosene and Benzine)	104,000 Bbls.	—	—	—
Lubricating Oil -				
**Aviation Lubricating Oil	—	—	—	—
All Other Lubricating Oil	1,872 Bbls.	—	—	29,520 Bbls.
**Tetraethyl Lead	—	—	—	—
"Boosters", such as Iso-Octane, Iso-Hexane, or Iso-Pentane	—	—	—	—
SCRAP IRON AND SCRAP STEEL				
Number 1 Heavy Melting Scrap	450 Tons	—	—	5,288 Tons
All Other Scrap	33,005 Tons	—	—	15,621 Tons

Office of the Secretary of the Treasury, Division of Research and Statistics.
Source: Office of Merchant Ship Control, Treasury Department. August 12, 1940

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

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

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*Blended or California High Octane Crude	—	—	—	—
All Other Crude	150,593 Bbls.	—	—	—
Gasoline -				
**Aviation Motor Fuel	—	—	—	—
All Other Gasoline (including Kerosene and Benzine)	104,000 Bbls.	—	—	—
Lubricating Oil -				
**Aviation Lubricating Oil	—	—	—	—
All Other Lubricating Oil	1,872 Bbls.	—	—	29,520 Bbls.
**Tetraethyl Lead	—	—	—	—
"Boosters", such as Iso-Octane, Iso-Hexane, or Iso-Pentane	—	—	—	—
SCRAP IRON AND SCRAP STEEL				
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