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January 25, 1941

Mr. D. W. Bell  
Secretary Morgenthau

I want Hadley to take a train to Chicago Sunday and spend a day or two in Chicago finding out what went wrong with our last note issue. Give him a letter to the Federal Reserve people there; also see that he is fixed up with a letter to call on the First of Chicago; also on Walter Cummings' Bank.

January 25, 1941

Merle Cochran

Secretary Morgenthau

Please call up Purcell of the SEC this morning and ask him if there has been any foreign selling this week other than English selling. If so, what country and what agency they are using, and also the amount. I wouldn't be at all surprised if there has been selling, and I am anxious to have it today, if possible, and not later than Monday morning.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

*see 1/27/41  
memo of 1/27 to  
call Cochran  
with these*

DATE January 25, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

In compliance with the Secretary's memorandum instruction of this morning, I telephoned Mr. Purcell of the Securities and Exchange Commission at 9:45 and asked him to give me a breakdown of foreign selling, other than English, during this week, including information as to the country selling, agency utilized, and amount involved. Mr. Purcell has promised to try to get this information to me this morning.

From the daily reports which my office has received this week, based upon volume and value for regular transactions reported by thirty-three New York firms, it is evident that there has been heavy selling of American securities on Swiss account. The net daily sales on Swiss account were as follows: January 20, \$97,000; January 21, \$560,000; January 22, \$709,000; January 23, \$392,000; January 24, \$811,000. The net total of sales by Switzerland was therefore \$2,569,000. The sheets from which these figures are taken are attached.

In conversation by telephone with Mr. Knoke I have been kept informed of a decided tendency this week for Swiss and Swedish funds to be repatriated, out of dollars into Swiss francs, or converted into Argentine pesos. There have not only been security sales by these countries, but continued withdrawal of dollar balances. There has been evident a disinclination on the part of the Swiss National Bank the last two or three days to pile up dollar balances. As stated in my daily report of January 24 to the Secretary, the Swiss franc has recently improved as a result of the move out of dollars into Swiss francs, and New York banks attributed yesterday's further advance primarily to the report from Switzerland that Swiss banks would only accept dollar exchange arising from normal commercial transactions. Since last May the Bank of Switzerland has been increasing its dollar balances in this country, an important part of such increment resulting from Swiss holders of capital on this market selling their dollars to the Swiss Central Bank against Swiss francs. The Swiss National Bank has not, however, been converting such dollars into gold.

Information coming to us reveals also the rather active withdrawal from New York banks of paper currency for Italian and Mexican account.

Sales of securities to get dollars and liquidation of dollars to acquire Swiss francs or Argentine pesos, and withdrawals of bank notes by foreign interests have resulted largely from increasing rumors as to the imminence of imposition of further control of foreign funds on this market. My office has received various inquiries on this subject, beginning with last Sunday, from diplomatic missions in Washington as well as outside concerns. The Federal Reserve Bank at New York has had nervous cabled inquiries in regard to prospective control from the Central Banks of Switzerland and Ecuador.

*B. M. S.*

Transactions in domestic stocks executed on January 20, 1941  
for account of foreigners

(Values in thousands of dollars)

Country	Purchases	Sales	Net Purchases	Net Sales
Great Britain		9		9
France		8		8
Netherlands	5		5	
Switzerland	70	167		97
Canada	15	21		6
Far East	41	68		27
Others	17	428		411
TOTAL	148	701		553

Thirty-one firms reporting volume and value for regular transactions.

Transactions in domestic stocks executed on January 21, 1941  
for account of foreigners

(Values in thousands of dollars)

Country	Purchases	Sales	Net Purchases	Net Sales
Great Britain	6	26		20
France				
Netherlands		3		3
Switzerland	61	621		560
Canada	23	79		56
Far East	10	11		1
Others	55	80		25
TOTAL	155	820		665

Thirty-three firms reporting volume and value for regular transactions.

Transactions in domestic stocks executed on January 22, 1941  
for account of foreigners

(Values in thousands of dollars)

Country	Purchases	Sales	Net Purchases	Net Sales
Great Britain		22		22
France				
Netherlands	1		1	
Switzerland	34	743		709
Canada	13	53		40
Far East	1	52		51
Others	223	56	167	
TOTAL	272	926		654

Thirty-four firms reporting volume and value for regular transactions.

For Mass 200

Transactions in domestic stocks executed on January 23, 1941  
for account of foreigners

(Values in thousands of dollars)

Country	Purchases	Sales	Net Purchases	Net Sales
Great Britain		41		41
France				
Netherlands				
Switzerland	58	450		392
Canada	8	49		41
Far East	33	32	1	
Others	167	68	99	
TOTAL	266	640		374

Thirty-four firms reporting volume and value for regular transactions.

Transactions in domestic stocks executed on  
Jan. 24, 1941 for account of foreigners

(Values in thousands of dollars)

Country	Purchases	Sales	Net Purchases	Net Sales
Great Britain	0.3	35		35
France	-	4		4
Netherlands	1	-	1	
Switzerland	114	925		811
Canada	2	45		43
Far East	10	8	2	
Others	420	9	411	
TOTAL	547	1,026		479

Thirty-three firms reporting volume and value for regular transactions.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 25, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 11:15 this morning Mr. Knoke told me that the Bankers Trust had received an order from the Credit Suisse in Berne to sell \$400,000 "at best". The Bankers Trust is endeavoring to consummate this transaction this morning, but finds that practically no Swiss francs are available. In an endeavor to obtain Swiss francs, the Bankers are now offering 23.45, as against the closing rate last night of 23.28. This brings the Swiss franc to a new high, which may be pushed even further if the Bankers pursue their efforts to complete their order this late Saturday morning. New York understands that the Swiss are convinced that there will be an extension of our Treasury control over foreign funds this weekend.

At 11:20 Mr. Stopford of the British Embassy telephoned me that his colleague in New York reported that Germans were removing contents from their safe deposit boxes in New York to their hotels. Mr. Stopford will give me any further information which he may receive on this point.

January 25, 1941.  
11:35 a.m.

10

H.M.Jr: Hello, Tom?

Senator  
Connally: Yeh.

H.M.Jr: How's your poker?

C: My poker is - you fellahs cleaned me up so the last time I played for you, I haven't played any more.

H.M.Jr: Oh my -

C: I'm no poker player. I just play when I'm with a crowd that has to play - I just furnish the goat.

H.M.Jr: I see.

C: How are you?

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

C: Say, we're going to have a - down in Texas you've got a Chief National Bank Examiner,

H.M.Jr: Yeh.

C: - a man named Collier.

H.M.Jr: Yeh.

C: And a lot of the people are trying to get him to be - to serve on another year. He's going to - he's reached the retirement age in February I think it is - right now.

H.M.Jr: Yeh.

C: Well, I'm indifferent. If they want to continue him another year all right, but still, if he's to be retired I'm interested in the appointment of a Mr. Sandlin down there who is one of the National Bank Examiners in that area and has been for many years.

H.M.Jr: Well, I'm glad to know that and I'll look into it personally.

C: Well, look into it personally now. We don't - some of them are talking about sending some fellah out of the Department here down there but we don't like that sort of business. We expect a man who has been in that area and knows the banks and knows the people and knows the conditions would make a better examiner than some outsider.

- 2 -

H.M.Jr: That's right.

C: Don't you think that's fair?

H.M.Jr: Well, it certainly sounds like horse sense to me.

C: This fellah Sandlin, you've got his record over there -

H.M.Jr: Yeh.

C: Will you not appoint anybody down there until I talk to you again?

H.M.Jr: Unless it should be Sandlin.

C: Yeh, sure.

H.M.Jr: Do you want me to call you up on that?

C: I'd like to.

H.M.Jr: I certainly will.

C: Bye, Henry.

H.M.Jr: I won't do anything. I won't move across the street in Texas without talking to you.

C: (Laughter) All right, thank you very much.

H.M.Jr: Thank you.

C: All right Henry

H.M.Jr: Bye

January 25, 1941  
11:38 a.m.

✓  
12

H.M.Jr: Feeling all right?

Bob

Jackson: Yes, I'm feeling pretty good.

H.M.Jr: That's good.

J: I talked with the Secretary of State.

H.M.Jr: Yes.

J: He said he wanted to talk with Berle and that he would call me back later in the day. He called me back after you had left last night (I tried to reach you) and said that he had found that Berle was away and would not be back until Monday.

H.M.Jr: I see.

J: But that he would take it up with him immediately and call me.

H.M.Jr: I see. Well -

J: So it looks like Monday.

H.M.Jr: We can wait.

J: (Laughter)

H.M.Jr: We waited this long.

J: Yeh.

H.M.Jr: Thank you, Bob.

J: All right, Henry. Bye.

January 25, 1941  
11:40 a.m.

13

H.M.Jr: Hello.

Operator: The Postmaster General is out of the city. He'll be back on Monday.

H.M.Jr: Who was there?

Operator: The First Assistant.

H.M.Jr: Let me talk to him.

Operator: Right. I'll see if I can get him.

H.M.Jr: Hello.

Operator: The First Assistant is not there. I have the Second Assistant, Mr. Purdum.

H.M.Jr: Who?

Operator: Mr. Purdum. P u r d -

H.M.Jr: I know Purdum.

Operator: All right.

H.M.Jr: Hello.

Purdum: Good morning, Mr. Secretary.

H.M.Jr: How's Mr. Purdum?

P: First rate. I hope you're well, Mr. Secretary.

H.M.Jr: Well, I'm alive. That's something.

P: (Laughter) Well, you're a busy man. You're a busy man.

H.M.Jr: Mr. Purdum, I tried to get the Postmaster General and he's out of town.

P: Yes sir.

H.M.Jr: Could you see our mutual friend, Harold Graves?

P: Yes, of course, I know him.

H.M.Jr: I know you do.

P: Yes sir.

- 2 -

H.M.Jr: I wanted him to talk to you about - to let you know and Ramsey Black know and Harold Ambrose - what we've got in mind on a campaign to raise some money to getting the savings of the country.

P: Yes sir.

H.M.Jr: And, could you see him this morning?

P: I'll see him anytime you say.

H.M.Jr: Well, he can be over there around eleven o'clock.

P: That's all right, Mr. Secretary.

H.M.Jr: And could you get in these other fellahs, so he could tell you what we are thinking of doing?

P: Yes sir. I'll call them together.

H.M.Jr: Anybody to - you see you've got a very fine plan over there.

P: Yes sir.

H.M.Jr: It's all ready and we just don't know whether we should go ahead on our own or whether we should back yours and we supply the ballyhoo - and we'd like the advice of the Postmaster General and his Assistants.

P: Yes sir. Well, I'll call them together, Mr. Secretary, at such time - I'll have them available at such time as you may think Mr. Graves will be here.

H.M.Jr: Is eleven - what time would you like it this morning?

P: How about 11:15?

H.M.Jr: 11.15 will be perfect.

P: All right, and come to Room 5000.

H.M.Jr: 5000.

P: Yes sir.

H.M.Jr: Harold Graves will be there.

P: All right, thank you.

H.M.Jr: Room 5000.

P: Thank you.

January 25, 1941.  
11:50 a.m.

✓  
15

H.M.Jr: Secretary, Ed. I'm seeing the President at  
12:30 - 12:10.

Ed  
Foley: Yeh.

H.M.Jr: So I want to know what the exact status of the  
bill is - and the amendments.

F: Well, we're still talking about language to fix  
the termination date on the powers.

H.M.Jr: I see.

F: And we haven't agreed on anything yet. Questions  
of materials under construction, you see, before  
the expiration date, what could be done with them  
after the expiration date -

H.M.Jr: When do you think you'll be through up there?

F: Well -

H.M.Jr: What I'm getting at is, could you come to the  
house at one o'clock to have lunch with me?

F: Sure.

H.M.Jr: Supposing you be at the house at one o'clock  
then I could let you know what happened with the  
President.

F: All right, that'll be fine. I'll be at your  
house at one o'clock.

H.M.Jr: But you don't know whether Rayburn has called his  
meeting or not?

F: No, I haven't heard anything at all.

H.M.Jr: You see I was with Hull this morning for quite  
a while.

F: Oh you were.

H.M.Jr: Yes, he won't go unless the President tells him  
to.

F: I see.

- 2 -

H.M.Jr: I'm seeing the President in a little while  
F: I see.  
H.M.Jr: Supposing you're at the house at one o'clock.  
F: All right, I'll be there at one. Thanks.

*With the Compliments  
of  
The Minister of Sweden*

1-05-41

1

FOREIGN MINISTER CHRISTIAN E. GÜNTHER'S SPEECH

Many civic meetings were held in various parts of Sweden Sunday, January 19, to support the new defense loan of 500,000,000 kronor. Among the speakers was Christian E. Günther, Swedish Minister for Foreign Affairs, who delivered an address at Halmstad, on Sweden's west coast.

The reason why Sweden's foreign policy was touched upon so lightly at the opening debate in the Riksdag, said the speaker, was that there is very little that is new to mention just now. When a nation is determined to make the heaviest sacrifices for the preservation of its peace and liberty, it is not necessary to give repeated assurances that the government's policy is based on identical aims. As to this policy no doubt or dissension obtains today.

The expression, "Sweden's relations with foreign powers is good," was again incorporated in the speech from the throne, after having been omitted from the King's address at the special session of the Riksdag last summer. This can be taken as an indication of the government's opinion that the present situation, in so far as it concerns Sweden, is somewhat less dangerous than it was in August 1940.

It gives me satisfaction to note, continued Mr. Günther, that after fifteen months of devastating war, Sweden still manages to remain outside the conflict without losing her independence. During the past year, which was so full of fateful events for the North, voices were raised in favor of a bolder foreign policy than that marked by strict neutrality. Today, however, most people agree that such a policy would have meant serious risk of involving Sweden in the great war. If the advocates of such a course had occupied responsible posts in the government, they would probably have decided that the way already followed was more compatible with the country's welfare and happiness.

The speaker then emphasized that a strict neutrality in the war between the great powers was the principal feature of Sweden's foreign policy. Since the Russo-Finnish War was a local conflict separate from the main European struggle, our attitude was different, he said, corresponding most closely to what is meant by the modern expression

"non-belligerent." All help which a third country can give without direct participation in the war was given to Finland. Had, however, passage through Sweden been granted to French and British troops, the great war would have been moved up here and Sweden would have been forced to give up her neutrality in the contest between the great powers.

With unparalleled unity the Swedish people followed the fight of its Eastern brother country. They rejoiced at the rugged stubbornness and the determined energy of present-day Finland. We feel today, as we did in times gone by, that we are bound by fate to the Finnish people. We share the hope that on the basis of the signed treaty of peace Finland's relations with her mighty neighbor to the East may continue to be upheld in a friendly spirit.

When Denmark and Norway were drawn into the maelstrom of war, continued the speaker, this was no isolated act, but rather an expansion of the war between the great powers. Our people followed Norway's struggle with the same sympathy, the same fearful hearts, as it had followed Finland's battle. The war in Norway, however, was not a distinctly local one, but a part of the conflict between Great Britain and Germany.

Our neutrality was therefore a continuation of the same foreign policy which we had adopted toward the war between the great powers ever since it began. It was therefore we declined during the fighting in Norway all requests for the export of war materials.

Misunderstandings among the Norwegians about Sweden's attitude during and after the struggle will be dissipated. The good neighbor relations which have existed ever since 1905 and the deepened understanding, must not be lost. Responsible observers in Norway agree that a more accurate view is there coming to the fore.

Mentioning also Denmark, Mr. Günther said that in the hard times which we are passing through Sweden feels its responsibility to contribute to the feeling of solidarity and kinship by which the Scandinavian countries are tied together.

The events in Denmark and Norway shut off our trade Westward and necessitated a trade policy shift and an expansion in the Baltic area. The speaker here mentioned the new commercial treaties with Soviet

Günther -3-

Russia, Germany, and Italy. This expansion in new directions was needed for Sweden's national economy. It did not, however, offer full compensation for the isolation from the West, particularly the trans-oceanic countries. A renewal of these contacts is still required for Sweden's full participation in a new and healthy Europe.

In this connection the speaker warned against speculations concerning this new Europe and Sweden's position therein. "The best way to fulfill our duty to ourselves and to the world," he said, "is to concentrate on the task of giving the country and the people the greatest possible economic, moral, physical, and military strength. While our position just now cannot be painted in bright colors, it does not give cause for despair. The course of Sweden's foreign policy so far should be followed without deviations. The future is uncertain and certainly filled with danger. Complications of many kinds threaten along the way. Obviously, before the world situation again becomes stabilized, much is bound to happen, not the least in the North. The situation of our neighboring countries contain many difficult problems which may concern us directly and most closely. This prospect of an uncertain and hazardous future necessitates a firm connection between foreign policy and national defense."

The requisite for a thoroughly Swedish foreign policy, Mr. Günther continued, is a strengthening of our defense and keeping it at a peak as far as our resources permit. Sweden is not today exposed to the threat of an immediate attack from any direction. However, experiences during the past war months have shown all too clearly that no country can regard itself as being outside the zone of danger. That Sweden does not do so is hardly necessary to mention.

Naturally, Sweden cannot afford a defense to match the strongest armed big powers. But even a defense which is strong according to our modest circumstances is essential, even of decisive importance for our ability to carry on this foreign policy. Nothing has been shown more clearly during this war than that the most dangerous thing for a small nation, lying close to two mutually antagonistic great

Günther -4-

powers, is to constitute a military vacuum, or almost so. This is not primarily because the great powers, like so many beasts of prey, can be said to be disposed to throw themselves upon the weak ones just for the desire to conquer. It is rather because small countries without the ability or inclination to defend themselves against attacks from the big powers are regarded by the latter as a source of danger because they fear that other countries may occupy such defenseless territories, thereby gaining added strength, better starting points for attacks, and new land for the transit of troops. They want to get a head start and not be left behind at the line.

The address ended with these words: "The times demand unity and loyal determination. The Swedish people have shown that they have both and we have, therefore, no reason for pessimism."

\* \* \* \* \*

(Revised by Mr. Pincock of the British Embassy to Mr. Gosham in the Treasury at 12:30 p.m., January 23, 1941.)

ADDITIONAL TIN AND RUBBER PURCHASES

✓

100k

The suggestion that the Rubber and Metals Reserve Corporations should purchase an additional 100,000 tons of rubber and 50,000 tons of tin, for delivery after the completion of the existing contracts, and for payment in advance, is agreeable to the British Government. They think, however, that the former method, by which purchases were effected by agreement between the Reserve Corporations and the International Control Committees would not be workable in case of the new purchases, and that the arrangement would have to be that the Reserve Corporations should undertake to buy, and that the British and Dutch Governments would undertake to sell, the agreed quantities of tin and rubber at fixed prices with payment in advance.

2. The Dutch Government has agreed in principle, subject to the views of the N.E.I. authorities, whom they are consulting urgently. If the British and Dutch Governments agree to participate in the scheme, it can be assumed that the International Committees will be prepared to fix the quotas at such rates that the tin and rubber will be forthcoming within a reasonable period. Some provision would be necessary in the agreement regarding this period. It would also be necessary for the agreement to contain provisions regarding ultimate liquidation of the stocks similar to those contained in the existing agreements with the International Committees.

It is estimated that the total value of the additional 100,000 tons of rubber would be about \$40 million, and that the British (sterling area) share of this would

be about 57% or \$23 millions. The total value of the additional 50,000 tons of tin is estimated at about \$56 millions, and the British (sterling area) share of the proceeds is estimated at about 69% or \$38½ millions. <sup>less some charges for freight</sup> The total British share would thus be about \$61 millions.

It is not altogether clear at present from our cables whether it is intended that the Dutch should receive advance payment for their share of the deliveries, amounting to about \$35 millions.

*See Owen Chalkley & I are seeing  
Mr Wick Clayton at 3 pm., 25<sup>th</sup> January.*

*Yard*

Washington,

24th January 1941.

TO THE SECRETARY  
TECHNICAL ASSISTANT  
OFFICE OF THE

12 51 14 52 14 15 21

RECEIVED  
DEPARTMENT

January 25, 1941

CONFIDENTIAL

Dear Mr. Knabe:

Permit me to acknowledge, on behalf of Secretary Morgenthau, the receipt of your letter of January 23, 1941, enclosing your compilation for the week ended January 15, 1941, showing dollar disbursements out of the British Empire and French accounts at the Federal and the means by which these expenditures were financed.

Faithfully yours,

H. Marie Cochran  
Technical Assistant to the Secretary

L. W. Knabe, Esquire,  
Vice President,  
Federal Reserve Bank of New York,  
New York, New York.

ENC:lap-1/25/41

*Copy for Secy's files*

FEDERAL RESERVE BANK  
OF NEW YORK

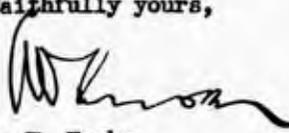
January 25, 1941.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. Merle Cochran

I am enclosing herewith our compilation for the week ended January 15, 1941, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,



L. W. Knoks,  
Vice President.

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

Enclosure

ANALYSIS OF BRITISH 1000 FRANCH ACCOUNTS  
(In Millions of Dollars)

Week Ended **January 15, 1941.**

Strictly  
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)									FRANCE						
	DEBITS			CREDITS			Net Incr. (+) or Decr. (-) in Balance	DEBITS			CREDITS			Net Incr. (+) or Decr. (-) in Balance		
	Total Debits	Gov't Expenditures (a)	Other Debits	Total Credits	Proceeds of Sales of Gold	Proceeds of Securities (Est.) (b)		Other Credits (incl. adj'ts)	Total Debits	Gov't Expenditures (c)	Other Debits	Total Credits	Proceeds of Gold Sales		Other Credits	
<b>1939</b>																
Aug. 31 - Sept. 27	94.3	3.6	90.7	207.8	185.4	35.6	-11.2(d)	+113.5	19.4	5.0	13.4	11.3	-	11.3	-	8.1
Sept. 28 - Nov. 1	106.7	5.8	100.9	148.0	3.2	52.6	85.2(e)	+ 35.5	86.6	51.2	105.4	75.2	35.0	41.2	-	12.4
Nov. 2 - 29	191.7	8.8	182.9	105.9	37.8	25.0	23.0	- 85.9	78.8			82.9	33.1	27.8		4.3
Nov. 30 - Jan. 3	97.7	8.7	89.0	75.2	50.6	14.2	10.4	- 22.5	86.8	26.1	58.7	109.2	93.6	15.3		25.4
<b>1940</b>																
Jan. 4 - 31	54.9	16.8	38.1	43.4	20.5	17.8	5.0(f)	- 11.4	61.5	31.5	30.0	55.9	50.1	5.8		5.6
Feb. 1 - 28	124.2	15.4	108.8	108.3	56.7	17.9	33.7	- 15.9	72.7	32.8	39.9	71.5	54.8	16.7		1.2
Feb. 29 - Apr. 3	115.5	14.5	101.0	94.0	60.9	21.5	11.6(g)	- 21.5	99.6	35.9	83.7	100.0	75.4	29.6		5.4
Apr. 4 - May 1	115.4	36.1	79.3	86.4	46.8	13.4	26.2(h)	- 27.0	84.8	29.4	55.4	78.7	60.7	18.0		6.1
May 2 - 29	100.9	23.6	77.3	128.2	93.2	7.1	25.9	+ 25.3	101.4	57.0	44.4	145.4	126.2	19.2		14.0
May 30 - July 3	283.2	145.3	137.9	319.3	301.3	5.1	12.9	+ 35.1	256.7(i)	127.3(j)	29.4	346.1(k)	335.6	2.5(l)		188.4
July 5 - 31	249.7	156.7	93.0	225.0	212.2	3.0	10.3	- 24.7	7.3	6.3	1.0	3.2	3.0	0.2		4.1
Aug. 1 - 28	261.1	180.2	80.9	294.8	267.2	1.0	26.4(j)	+ 33.7	8.9	0.5	8.2	10.9	10.4	0.5		2.0
First year of war	1293.2	605.6	1187.6	1,828.2	1,356.1	211.2	30.9	+ 35.0	868.3	416.6	449.7	1095.3	900.2	195.1		229.0
Aug. 29 - Oct. 2	316.8	244.3	72.5	308.2	271.5	6.0	31.4(k)	+ 7.9	8.6	4.4	4.2	1.3	-	1.3		7.3
Oct. 3 - 30	196.7	167.8	28.9	198.5	160.5	6.0	32.0(l)	+ 1.8	0.5	0.3	0.2	0.5	-	0.5		-
Oct. 31 - Nov. 27	241.0	201.1	39.9	259.5	210.0	18.0	31.5(m)	+ 18.5	0.8	0.1	0.7	0.7	-	0.7		0.1
Nov. 28 - Dec. 31	234.6	206.8	27.8	198.0	111.4	26.0	60.6(n)	- 36.6	2.1	-	2.1	0.6	-	0.6		1.5
<b>WEEK ENDED</b>																
Dec. 24	54.8	50.1	4.7	27.5	0.2	8.0	19.3	- 27.3	-	-	-	0.1	-	0.1		0.1
31	50.1	46.5	3.6	74.5	48.3	8.0	18.2	+ 24.4	-	-	-	-	-	-		-
Jan. 8	60.9	43.9	17.0	47.9	25.8	14.0	8.1	- 13.0	-	-	-	0.2	-	0.2		0.2
15	56.9	49.9	7.0	163.6	143.6	14.0	6.2	+106.9	0.8	-	0.8	0.2	-	0.2		0.6

Average Weekly Expenditures Since Outbreak of War  
France (through June 19) \$19.6 million  
England (through June 19) 27.6 million  
England (since June 19) 58.0 million

Transfers from British Purchasing Commission to  
Bank of Canada for French Account  
Week ended Jan. 15 \$ 0.1 million  
Cumulation from July 8 110.8 million

(See footnotes on reverse side)

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Through June 19, these figures represent total sales of American securities in Second District, reported for account of the United Kingdom. (Proceeds of these sales, however, may not have been credited to the Bank of England's account in all cases.) Beginning with the week ended June 26, the figures represent transfers from the Bank of Montreal, New York Agency, which is custodian for requisitioned American securities held in this country. The transfers apparently reflect proceeds of official security sales, including those handled through private deals. From June 17 to July 19, transactions in securities payable in specified foreign currencies, including dollars, by United Kingdom residents were prohibited.
- (c) Includes payments for account of French Air Commission and French Purchasing Commission.
- (d) Includes adjustment for (b) above.
- (e) About \$85 million transferred from accounts of British authorized banks with New York banks.
- (f) About \$11 million transferred from accounts of British authorized banks with New York banks.
- (g) About \$8 million transferred from accounts of British authorized banks with New York banks.
- (h) About \$10 million transferred from accounts of British authorized banks with New York banks.
- (i) Adjusted to eliminate the effect of \$20 million paid out on June 26 and returned the following day.
- (j) About \$2 million transferred from accounts of British authorized banks with New York banks.
- (k) About \$2 million transferred from accounts of British authorized banks with New York banks.
- (l) About \$4 million transferred from accounts of British authorized banks with New York banks.
- (m) About \$6 million transferred from accounts of British authorized banks with New York banks.
- (n) About \$32 million transferred from accounts of British authorized banks with New York banks.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS  
(In Millions of Dollars)

Week Ended **January 15, 1941** Slightly Confidential

PERIOD	BANK OF CANADA									COMMONWEALTH BANK OF AUSTRALIA						
	DEBITS				CREDITS					DEBITS			CREDITS			
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Priv. Own A/C	Official British A/C	Other Credits	Net Incr. (+) or Deor. (-) in Balance	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Deor. (-) in Balance
<b>1939</b>																
Aug. 31 - Sept. 27	17.5	0.6	15.9	21.8	15.1	0.8	-	5.9	+ 4.3	-	-	-	-	-	-	-
Sept. 28 - Nov. 1	9.6	0.3	9.3	16.7	7.3	2.1	-	7.5	+ 7.1	-	-	-	-	-	-	-
Nov. 2 - 29	9.9	0.7	9.2	14.4	13.3	-	-	1.1	+ 4.5	-	-	-	1.9	1.9	-	+ 1.9
Nov. 30 - Jan. 3	30.0	-	30.0	22.8	13.3	3.0	-	6.5	- 7.2	2.5	-	2.5	5.8	5.8	-	+ 3.3
<b>1940</b>																
Jan. 4 - 31	23.5	-	23.5	25.7	21.1	-	-	4.6	+ 2.2	5.2	0.3	4.9	5.5	3.0	0.3	- 1.5
Feb. 1 - 28	23.1	-	23.1	17.0	16.1	-	-	0.9	- 6.1	3.3	0.1	3.2	2.4	2.2	0.2	- 0.9
Feb. 29 - Apr. 3	42.3	-	42.3	29.5	29.3	-	-	0.2	- 12.8	3.0	0.3	2.7	2.2	1.6	0.6	- 0.8
Apr. 4 - May 1	38.2	-	38.2	42.9	24.8	15.0	-	3.1	+ 4.7	2.3	-	2.3	2.0	1.8	0.2	- 0.3
May 2 - 29	37.9	15.0	37.9	50.2	30.0	-	-	0.2	+ 12.3	1.2	0.2	1.0	2.6	1.7	0.9	+ 1.4
May 30 - July 3	44.1	-	44.1	72.5	72.2	-	-	0.3	+ 22.4	2.3	-	2.3	5.9	4.4	1.5	+ 3.6
July 4 - 31	22.2	-	22.2	117.6	95.3	-	19.2	2.1	+ 22.4	4.5	-	4.5	5.0	4.2	0.8	- 0.4
Aug. 1 - 26	18.7	-	18.7	73.6	53.2	-	19.5	0.2	+ 54.2	6.5	3.0	3.8	5.0	3.4	1.6	- 1.6
First year of war	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	-121.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
Aug. 29 - Oct. 2	44.3	-	44.3	43.9	16.4	-	27.3	0.2	- 0.4	2.7	2.5	6.2	2.0	2.7	1.3	- 0.7
Oct. 3 - 30	26.7	-	26.7	28.5	14.0	-	14.3	0.3	+ 1.9	10.1	7.5	2.6	7.9	6.5	1.4	- 2.2
Oct. 31 - Nov. 27	35.2	-	35.2	69.6	49.2	-	16.7	3.7	+ 34.4	3.1	0.6	2.5	3.6	2.1	1.5	+ 0.5
Nov. 28 - Dec. 31	48.0	-	48.0	60.6	42.5	-	13.7	4.4	+ 12.6	4.8	-	4.8	6.8	4.8	2.0	+ 2.0
<b>WEEK ENDED</b>																
Dec. 24	7.1	-	7.1	12.4	3.4	-	8.9	0.1	+ 5.3	0.1	-	0.1	0.3	0.1	0.2	+ 0.2
31	13.7	-	13.7	2.0	1.6	-	0.2	0.2	-11.7	1.4	-	1.4	0.1	-	0.1	- 1.3
Jan. 8	1.8	-	1.8	7.0	5.4	-	-	1.6	+ 5.2	0.9	-	0.9	0.1	-	0.1	- 0.5
15	9.0(a)	-	9.0	1.8	1.8	-	-	-	- 7.2	2.8	-	2.8	0.4	-	0.4	- 2.4

Weekly Average of Total Debits Since Outbreak of War  
Through Jan. 15, 1941      \$ 6.8      million

(a) \$6.0 million transferred to Bank of Montreal.

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON

Trading and Exchange Division

January 25, 1941

Mr. H. Merle Cochran,  
Technical Assistant to  
The Secretary of the Treasury,  
Washington, D. C.

Dear Mr. Cochran:

I am enclosing herewith for your information and that of the Secretary of the Treasury, a memorandum prepared by Mr. Walter C. Louchheim, Jr., Assistant to the Director of this Division, relative to securities transactions from foreign sources recently reported to this Commission, more particularly those emanating from Switzerland.

This report was in preparation at the time of your telephonic request for information of this character and I am pleased to be able to make it available to you.

I have advised Chairman Frank of the Secretary's request. He has asked me to repeat at this time the view, which he has on previous occasions expressed on behalf of the Commission, that some effective method of preventing foreign liquidation of securities on our markets in evasion of the present "freezing" controls should be undertaken. He also asked me to say that he would be very glad to participate in any conferences which the Secretary might feel proper to convene in order to present his views from the point of view of the Commission's responsibilities. Would you be good enough to convey this message to the Secretary?

If there is any further information which we can get for you I shall be glad to be of service.

Very truly yours, . .

(Signed) Ganson Purcell

Ganson Purcell  
Director

Enclosure

COPY

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## MEMORANDUM

January 25, 1941

TO: Ganson Purcell, Director  
Trading and Exchange Division

FROM: Walter C. Louchheim, Jr.  
Assistant to the Director

SUBJECT: Securities transactions from Switzerland

There has been a renewal of relatively substantial sales of domestic stocks from Switzerland since January 20, 1941, according to reports received by the Commission from 42 member firms of the New York Stock Exchange. According to these reports net sales have been in the following amounts:

January 20, 1941	\$ 97,000
January 21, 1941	560,000
January 22, 1941	709,000
January 23, 1941	392,000
January 24, 1941	811,000

These figures are, as you realize, partial primarily because they do not include transactions effected for foreign accounts through banks.

An inquiry which has been made as to the source of this selling discloses that about 15 of the 42 reporting firms have received and executed selling orders for Swiss accounts during this period. Most of these orders were of small denomination for regular customers of these firms and originated in various Swiss cities.

The firm of Dominick & Dominick, however, has the largest amount of selling during this period. Their transactions aggregating about one half of the total sales reported. This firm advises that it has received substantial selling orders from Lombardodier & Co. of Geneva, a private bank which has dealt with the New York firm for many years. These transactions were effected for three "sub-accounts" of the bank. On January 24, 1941, this bank sold for these accounts over \$500,000 of domestic stocks. On January 23, a substantial amount was also sold for these accounts and on January 22, these accounts sold over \$300,000 of domestic stocks. Dominick and Dominick advise that it has no knowledge as to the actual principals for whom these sales were effected as it receives the orders from and in the name of Lombardodier & Co. of Geneva.

It may be recalled that during the Fall of 1940 on the occasion of substantial sales being reported to the Commission from Switzerland, inquiries were made as to the possibility that these transactions might constitute an evasion of the freezing orders and regulations of securities transactions from certain European countries. The results of these investigations were submitted to the Commission and have been discussed with representatives of the Treasury Department.

During the current period investigated, i.e., January 20, through January 24, 1941, there have been no substantial sales reported to the

- 2 -

Commission from other foreign sources with the exception of the sale on January 20, of 4,200 shares in the amount of \$292,000 from Havana, Cuba.

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No. 400

## AMERICAN CONSULATE

STRICTLY CONFIDENTIAL

Rangoon, Burma, January 26, 1941.

Traffic statements of Southwest Transportation Company show 32,185 tons of Chinese Government supplies shipped from Rangoon in last three months of 1940; shipments chiefly of gasoline and general cargo; little war material received or moved; reports covering traffic in aircraft materials and factory supplies.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

Sir;

I have the honor to report that 32,185 long tons of supplies for the Chinese Government were shipped from Rangoon by the Southwest Transportation Company in the last three months of 1940, if the statements submitted by that company to the local Customs authorities are correct. The statements are obtained by the Consulate through the Defence Department of the Government of Burma.

The only war materials included in the shipments made were, according to the statements, 21 tons of arms and accessories, 50 tons of ammunition, and 294 tons of explosives.

As previously reported to the Department, 15,634 long tons of Government supplies were shipped from Lashio into China by the Southwest Transportation Company in the last two and one-half months of 1940. The exact period in which these supplies were shipped was from October 14th to December 29th, both inclusive, the traffic reports covering shipments by weeks. The Burma Road was reopened to prohibited materials on October 18th.

The movement of Chinese Government supplies from Rangoon to Lashio by rail is ordinarily much greater in volume than the movement of such supplies from Lashio into China by road, and the Southwest Company has stocks at Lashio as well as in Rangoon.

No Imports of Ammunition.

Copies of the statements submitted for the months of October, November, and December, by the Southwest Transportation Company, are enclosed herewith. These statements show that no ammunition was received at Rangoon during the three months, and that receipts

-2-

of arms and accessories amounted to only 12 tons. In November there were imports of 1,112 tons of explosives, and 818 tons of these supplies were still at this port at the end of December. It is stated that these explosives, consisting chiefly of TNT, with some smokeless powder for rifle ammunition and powder for trench mortars, were obtained from the United States, that they were on the way to Haiphong when the Japanese moved into Indochina, and that they were re-routed to Manila and later forwarded from Manila to Rangoon.

Gasoline received during the three months totaled 11,168 tons, according to the statements, and general cargo, 17,961 tons. Total receipts were 30,253 tons. Stocks on hand in Rangoon at the end of December amounted to 41,399 tons, including 13,102 tons of steel rails.

#### Shipments by Intercontinent Corporation.

The Intercontinent Corporation, the W. D. Pawley concern that has made all purchases for the factory of the Central Aircraft Manufacturing Company at Loiving, China, has submitted to the Customs authorities a traffic statement for the last six months of 1940. This statement shows 197 long tons of imported products forwarded from Rangoon to China. The products listed consist chiefly of machinery and tools and other factory materials and parts, and most of them were imported direct from the United States on ships of the American Export and Isthmian Lines calling at Rangoon. Other products listed comprise household, commissary, and office supplies, clothing, medicines, radio and motion-picture equipment, and motor tractors, and some of these supplies were imported from Hong Kong, China (Shanghai), and India. The only imports from Great Britain were a chain hoist and chain block duplex thread, which reached Rangoon on the S. S. "Staffordshire" of the Bibby Line. Some supplies which left the United States on the "President Van Buren" were transhipped, and other American supplies shipped from Los Angeles on the Dutch steamer "Bloemfontein" arrived here on one of the several ships of the British India Steam Navigation Company which carried goods from Shanghai, Hong Kong, and India. The American vessels shown as direct carriers include the "Excelsior", "Steel Engineer", "Exporter", "Excellency", "Steel Exporter", "Illinoian", "Express", "Black Grey", "Explorer", "Exemplar", and "Exchange".

#### Statement by Dodwell and Company.

A third statement of overland traffic to China recently submitted to the Customs authorities is that of Dodwell and Company, Limited, a British concern that handles the clearance and the forwarding or storage of airplanes and airplane materials and parts imported by the Intercontinent Corporation for shipment to China. The figures submitted by this concern cover the four months from August to November 1940, and show 312 tons imported, 129  $\frac{2}{3}$  tons shipped to China during the period stated, and 561  $\frac{3}{4}$  tons on hand in Rangoon at the end of November 1940. Stocks on hand at the end of July 1940 were

-3-

approximately 379-1/2 tons. The statement also shows the United States as the source of all supplies, and contains a general description of goods identical with that used in previous statements, covering "interceptor aeroplane (Wright model 21) fitted with machine guns and radio, unassembled engines, airplane parts, plywood, steel and aluminum and brass sheets, aluminum and brass castings, roller bearings, tools, airplane instruments, steel forgings, oxygen cylinders, navigation lights, primer pumps, jigs and fixtures, rubber grommets, grinding wheels, radio compasses, engine mounts, lubricating grease and oil, paints and dope, etc., etc."

The names of the vessels which brought to Rangoon the 312 tons of materials imported during the four months, and the quantities carried by each vessel, are given in the statement as follows:

<u>Vessel</u>	<u>Flag</u>	<u>Tons</u>	<u>Cwt.</u>
"Excellency"	American	39	8
"Bidevind"	Norwegian	1	9
"Express"	American	5	9
"Sonnvind"	Norwegian	18	6
"Silver Sandal"	British	52	17
"Black Osprey"	American	3	13
"Illinoian"	American	55	5
"Explorer"	American	16	18
"City of Lincoln"	British	27	18
(Transshipped; arrived on "Forthbank")			
"Exchange"	American	5	10
"City Newport News"	American	72	0
(Transshipped; arrived on "Shantung")			
"Exemplar"	American	6	18
"Dubrovnik"	Yugoslav	6	3

It is understood that the 72 tons of materials transhipped from the "City of Newport News", at Singapore, consisted of 39 cases of unassembled Vultee light bombers, which were to have been assembled at Loiwing, China.

Respectfully yours,

Austin C. Brady  
American Consul

Enclosures:

Statements, as indicated.

Distribution:

In quintuplicate to the Department.

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ACE

CARGO STATEMENTS OF THE SOUTHWEST TRANSPORTATION COMPANY.MONTH OF OCTOBER 1940.

Materials	Stock Last Month (Tons)	Arrived This Month (Tons)	Port of Shipment	Shipped This Month (Tons)	Stock on Hand (Tons)
Arms, Accessories	61	12	Liverpool	3	70
Ammunition	50	-	Hong Kong	50	-
Explosives	-	-	Penang	-	-
Gasoline	3,952	1,457	New York	4,863	546
General Cargo	39,268	4,734	Shanghai	4,164	39,838
			Rangoon		
<b>Totals</b>	<b>43,331</b>	<b>6,203</b>		<b>9,080</b>	<b>40,454</b>

MONTH OF NOVEMBER 1940.

Arms, Accessories	70	-	Manila	18	52
Ammunition	-	-	Shanghai	-	-
Explosives	-	1,112	Hong Kong	-	1,112
Gasoline	546	5,717	New York	1,810	4,453
General Cargo	39,838	5,751	San Francisco	8,201	37,388
			Rangoon		
<b>Totals</b>	<b>40,454</b>	<b>12,580</b>		<b>10,029</b>	<b>43,005</b>

MONTH OF DECEMBER 1940.

Arms, Accessories	52	-	Hong Kong	-	52
Ammunition	-	-	London	-	-
Explosives	1,112	-	Penang	294	818
Gasoline	4,453	3,994	Manila	4,949	3,498
General Cargo	37,388	7,476	Singapore	7,833	37,031
			New York		
			Los Angeles		
<b>Totals</b>	<b>43,005</b>	<b>11,470</b>		<b>13,076</b>	<b>41,399</b>

Note: It is stated that the 52 tons of arms and accessories on hand consist of heavy libers, and that the general cargo on hand includes 13,102 tons of steel rails.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE January 25, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£18,000
Purchased from commercial concerns	£ 5,000

Open market sterling was quoted at 4.03-1/2. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£13,000
Purchased from commercial concerns	-0-

The Swiss franc, which closed at a three-year high of .2328 last night, opened at .2330 this morning. After remaining steady until mid-morning, the rate advanced rapidly, and toward the close, a new high of .2355 bid was recorded. The final quotation was .2350 bid. It was learned that one New York bank received an order from the Credit Suisse, Berne, to purchase \$400,000 worth of Swiss francs at best. The sharp rise in the rate reflected the difficulty experienced by the New York bank in executing even a small part of this order on a Saturday market. The New York agency of a Swiss bank was reported to have agreed to supply about 50,000 Swiss francs against dollars on the understanding that such dollars arose from ordinary commercial transactions.

It was also reported that an order was received from Bulgaria to sell \$500,000 against Swiss francs and that miscellaneous orders to sell U. S. dollars in amounts ranging from \$100,000 to \$200,000 were received from Tokio, Shanghai and South America. Regarding the latter orders, the foreign currencies to be purchased were not disclosed.

Except for some improvement in the Canadian dollar and Swedish krona, the other currencies experienced little change. Closing quotations were:

Canadian dollar	16-5/8% discount
Swedish krona	.2386-1/2
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2375
Brazilian milreis (free)	.0505
Mexican peso	.2066
Cuban peso	7-13/16% discount
Chinese yuan	.05-1/2

- 2 -

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

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$5,277,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

The Bombay gold price was 1¢ higher at the equivalent of \$34.02. Silver was priced at the equivalent of 44.87¢, a gain of 1/4¢.

**CONFIDENTIAL**

A handwritten signature in dark ink, appearing to be 'J. M. [unclear]', is written across the center of the page.

CONFIDENTIAL

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Paraphrase of Code Radiogram  
Received at the War Department  
at 14:52, January 25, 1941

Stockholm, filed 14:00, January 25, 1941.

In reply to your radiogram 83, the following information [about the German Air Force] has been received from a neutral colleague who has unusually reliable sources and who has recently returned from Germany.

It is estimated that the total combat strength of the [German Air Force] is 18,000 [planes] and that daily losses (including training planes) average 30 planes. One hundred motors and 75 planes are produced daily.

On January 1, there were 800 planes in Italy.

[Composition and location of air fleets];

The 5th Luftflotte [air fleet] consists of one destroyer (heavy fighter) and one pursuit division and some transport or bombing planes which are located in Norway, Finland and Denmark. Since October 1, there has been a considerable reduction in Norway and Finland. Commanded by General Stumpf.

The 3d Luftflotte consists of 5 bomber, one dive bomber, one pursuit and 2 destroyer (heavy fighter) divisions. Located in Southwestern France. Commanded by Sperle.

The 1st Luftflotte has 3 pursuit and 3 training divisions and is stationed in Poland.

The 4th Luftflotte consists of 4 bomber and one pursuit divisions. Stationed in Rumania and Southern Germany.

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Commanded by General Lehr.

The 2d Luftflotte consists of: 3 bomber, 2 dive bomber, 2 pursuit, one destroyer (heavy fighter) and one transport or bombing divisions. Stationed in the Seine through the Netherlands.

Commanded by Kesselring.

WADELL

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G-4

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39

Paraphrase of Code Radiogram  
Received at the War Department  
at 10:23, January 25, 1941.

London, filed 14:25, January 25, 1941.

1. On Friday, January 24, planes of the Coastal Command on regular patrols bombed an oil refinery at a French port and were responsible for the destruction of one German seaplane. On that day and during the preceding night unfavorable weather conditions caused the cancellation of all flights of the Bomber Command.

2. During the night of January 24-25 there were no German planes over Britain. During the preceding day single German planes were active over Cardigan Bay, Bristol Channel and Dorset. One German raider was intercepted over the Firth of Forth and was damaged by a British fighter plane.

3. The Royal Air Force has been active in several African theaters. At Neghelli in Ethiopia motor transport concentrations and military buildings were attacked by British planes from Kenya. Three Italian bomber planes were destroyed in a raid on Jekka by British bombers based in the Sudan. Airfields in Marawa, Derna and Apollonia, all in Libya, and the harbor at Rhodes were attacked by Egyptian-based British planes.

4. British troops in Jarabub, Libya, were ineffectively attacked by six Axis bomber planes.

5. The muddy condition of airfields in France and the recent unfavorable weather conditions are primarily responsible for the fact that for the last five nights there have been no German night

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attacks on Britain. In addition, however, German maintenance and reorganization activities in preparation for the launching of more intensive raids against England are also believed to be partly responsible.

6. German airplanes are responsible for the sinking of three British cargo boats 150 miles off the west coast of Ireland.

SCANLON.

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Paraphrase of Code Radiogram  
Received at the War Department  
at 10:43 A.M. January 25, 1941

Rome, filed January 25, 1941.

It is reliably reported from Italian East Africa that Italian air forces there have become almost wholly ineffective from bombardment, combat losses, and weathering. There were four hundred planes in Italian East Africa last June but very few of these can fly at present. Traffic in the Red Sea suffers no interference worth mentioning. The Italian Air Force is getting out of Cirenaica entirely. Communication with East Africa by air through Libya is probably closed, for the time being at least.

FISKE.

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January 26, 1941

MEMORANDUM FOR THE SECRETARY'S DIARY

Secretary Morgenthau and Ed Foley attended a meeting at the office of Secretary Hull on Sunday, January 26, at 11:00 a.m., on the Lease-Lend Bill. Others present were Speaker Rayburn, Senator George, Congressmen McCormack, Bloom and Johnson; Messrs. Beaman, O'Brien, Deschler and Hackworth.

Secretary Hull said the purpose of the meeting was to discuss amendments which the Democrats on the House Foreign Affairs Committee could offer. Speaker Rayburn said that four possible amendments occurred to him that he would like the group to consider: (1) a time limit on the President's powers, (2) a limit on the countries which could be aided under the bill, (3) provision for executive reports to Congress on operations under the bill, and (4) provision for payment in needed raw materials.

The Speaker asked Congressman Bloom if any additional amendments suggested themselves to him. Mr. Bloom pointed out that most of the talk had to do with the use of our navy as convoys and a time limit upon the exercise of executive power.

- 2 -

After a general discussion it was decided (1) that a limit should be placed upon the time when the President may authorize the heads of the Army and the Navy to enter into agreements, no restriction, however, to be imposed upon carrying out agreements after the time that such agreements could be entered into had elapsed; (2) that no limitation on the countries which could be aided under the Bill would be imposed; (3) that provision for reports to Congress of all information not incompatible with the public interest not less frequently than every ninety days should be inserted; (4) that consultation should be had by the President with the Chief of Staff of the Army and the Chief of Operations of the Navy in such manner as the President might prescribe before material on hand could be released; (5) that provision be inserted to the effect that nothing in the Act should be construed to give the President power to convoy ships with our Navy.

Speaker Rayburn asked that Mr. Beaman, Mr. Hackworth and Mr. Foley get together and work out the necessary language to give effect to the changes agreed upon. The Speaker also suggested that a meeting be arranged with the President sometime on Monday to give his approval to the proposed changes.

- 3 -

There was a discussion as to whether or not some Republicans should be present. Secretary Hull and Speaker Rayburn talked to the President on the telephone and he said that he did not want Congressman Fish in his House but they could work out some plan to bring certain other Republican leaders down to see him about the changes if that would be helpful.

The meeting broke up about 1:15 p.m.

Saturday, January 25th, Foley and Beaman  
warked up these four amendments. They were  
discussed in Hull's office Sunday, January 26th.



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(c) No defense article shall be manufactured, procured, tested, inspected, proved, repaired, outfitted, reconditioned, or otherwise put into good working condition pursuant to this section, unless such action, in the opinion of the Secretary of War, the Secretary of the Navy, or the head of the department or agency of the Government concerned, can reasonably be completed before July 1, 1943; and no defense article shall be released for export, nor shall title or possession thereto be transferred, pursuant to this section after June 30, 1943.

Page 3, after line 20, insert the following:

(c) Neither the President nor the head of any department or agency shall, after June 30, 1943, exercise any of the powers conferred by or pursuant to subsection (a), except to carry out a contract or agreement with such a government made before July 1, 1943.

Page 3, after line 10, insert the following:

(4) Nothing in this Act shall be construed to authorize or to permit the authorization of covering vessels in combat areas, as prescribed under the Neutrality Act of 1939, by naval vessels of the United States.

Page 4, line 3, before the "The" insert "(a)"

Page 4, after line 11, insert the following:

(b) The President from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems it not compatible with the public interest to disclose. Reports provided for under this subsection shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

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P A R A P H R A S E

A telegram dated January 26, 1941, from the American Embassy at Chungking repeating a message from the American Consulate at Kunming reads substantially as follows:

According to trustworthy sources the remaining bridge across the Mekong River which will carry automobiles was, on January 23, badly damaged by a Japanese aerial attack. It is said that all cables on one side of the bridge have been severed. It is estimated by Chinese informants that repairs cannot be completed before the end of two weeks.

The Chinese Chief of Staff, General Ho, is said to have departed for Mengtze for an investigation of Chinese defense arrangements in southeastern Yunnan. Reports are heard on many sides that there are being sent into Yunnanfu many Central Government troops.

**CONFIDENTIAL**  
 Paragraphs of Code Radiogram  
 Received at the War Department  
 at 18:05, January 25, 1941

**Belgrade, filed 18:45, January 25.**

Colonel Donovan and I were informed by the Minister of War today that the German military attacks had given him the plans for the invasion of the British Isles, in outline. The Germans will embark their main effort from Calais. It will be supported by massed aviation and also by three rows of thirty submarines each. The air strength of Germany was 20,000 to Great Britain's 8,400, Toussaint claimed.

In the opinion of the Minister of War, the offensive will be launched this spring. He thinks, however, that the main effort will be turned against Ireland. He added that in his statements Toussaint had been careful not to discuss Ireland. The British, in Fasic's opinion, ought to start at once to occupy Ireland and get the defenses ready.

**FOURIER.**

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Secretary of War  
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 Asst. Secretary of War  
 Chief of Staff  
 War Plans Division  
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**CONFIDENTIAL**

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Paraphrase of Code Radiogram  
Received at the War Department  
at 7:06 A.M., January 26, 1941.

London, filed 12:50, January 26, 1941.

1. On Saturday, January 26, and during the preceding night planes of the British Coastal Command damaged one German plane and bombed merchant shipping and vessels of the German Navy at Lorient. Adverse weather during this period caused either the abandonment or the cancellation of all flights by planes of the Bomber Command.

2. During the night of January 25-26 St. Eval was attacked and raids were carried out over the Irish Sea and the south Cornish coast by 13 German planes. On the preceding day German air operations consisted of one attack in the Norfolk-Suffolk area, raids against merchant shipping and reconnaissance along the coast line.

3. British bombers operated in several theaters in Africa. Two Axis planes were destroyed and attacks were carried out against motor transport concentrations, Italian positions and railway concentration points in the Sudan area. The Bengazi and Marita airfields were bombed by British planes based in Egypt. Two Axis planes were destroyed in these raids. British planes attacked the railroad near Djibouti and an Italian camp in the Kenya theater.

4. One German plane of Glenn Martin manufacture was identified over Gibraltar and one Junkers bomber carried out reconnaissance over Malta. In what was the first instance of the use of German aircraft in the inland Libyan theater, a British armored force near

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Messini was attacked by German dive bombers.

5. Press reports telling of rioting in Turin and Milan and of the British occupation of Tunisia, Libya, cannot be confirmed by the War Office.

SECRET

**Distributions:**

Secretary of War  
State Department  
Secretary of Treasury  
Asst. Secretary of War  
Chief of Staff  
War Plans Division  
Office of Naval Intelligence  
Air Corps  
C-5

January 27, 1941.

Dear Mr. Hurlingham:

In accordance with our telephone conversation, I am enclosing some photostats of the material taken from Secretary Kergenthan's files relating to the malarial situation on the Burma road.

The Secretary would be interested in getting your views not only on the matter I mentioned over the phone and on the situation on the Burma road, but also on the traffic condition on the Irrawaddy River. It is the Secretary's understanding that the river is navigable up to 150 miles from the Chinese border, but that owing to the desire on the part of the Burma Government to way to increase the traffic over its road the Chinese Government is reluctant to fully utilize the river. The Secretary suspects that the failure to utilize the river may be explained on grounds even less creditable than the one suggested above.

The Secretary wishes you good luck on your trip.

Sincerely yours,

(Signed) H. D. White

H. D. White,  
Director of Monetary Research.

Mr. Ernest Hurlingham,  
Leeward Hotel,  
211 East 56th Street,  
New York, New York.

1/27/41 - Mailed, special delivery, from Mr. White's office - 5:00 P.M.  
(Miss Mengel took to Post Office)

ms:ls  
1/27/41

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE January 27, 1941

TO Secretary Morgenthau  
FROM Mr. Klaus

FBI reports:

January 22. Through Archie Lochhead at our suggestion a secret contact is in the process of being effected with someone in the Foreign Department of the Chemical National Bank, which heretofore has not supplied information to FBI.

January 22. More on T. V. Soong. He advised the British that Chiang was disappointed in the size of the British loan; after his recent appointment with Secretary Morgenthau, Soong advised China that he was experiencing difficulties in his British and American negotiations because of the strict exchange control which they wished to impose in order to prevent Japan from being benefited and that they were critical of the Stipulation (?) Fund Committee and of Dr. Young.

January 23. An anonymous communication from West Palm Beach, Florida, states that an Italian whose name is Count Cicogna gets information from the Office of the Secretary of the Treasury and other Federal departments in Washington and reports to the Italian Library of Information (Ugo d'Annunzio) and the Italian Consul. We are attempting to find out whether there is any Count Cicogna; the language of the excerpt indicates the anonymous informer to be a foreigner.

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C O P Y

DEPARTMENT OF STATE  
WASHINGTON

January 27, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits a confidential memorandum dated January 7, 1941 from Mr. Donald R. Heath, First Secretary of the American Embassy, Berlin, regarding the German economic situation, together with a strictly confidential memorandum of the same date, reporting a relevant conversation with a well-informed German official.

## Enclosures:

Two memoranda from  
Embassy, Berlin,  
January 7, 1941.

dm

EMBASSY OF THE  
UNITED STATES OF AMERICAConfidential

Berlin, January 7, 1941.

Memorandum for Treasury from Heath

During my three weeks' absence from Germany there have been only two economic developments of any significance; 1) the reduction of the interest rate on government long term borrowing from 4 to 3 1/2 per cent, and 2) the resumption of the stock market rise, following a temporary recession during the latter part of November and the first half of December, to the highest average quotations since 1929.

The reduction of the interest rate was generally expected as an act of deliberate policy and as a consequence of the surplus of funds seeking investment.

War Financing. The most recent indication of government borrowing was the debt statement for September. The net increase of government debt during that month was 3.2 billion marks. During the first eight months of the war government borrowing, both long and short term, averaged only about 2 billion marks per month and during the latter part of that period borrowing was at a lower rate than during the first few months of the war. The spring offensive marked an increased scale of government borrowing, the monthly average for the period from May to September inclusive being 3.2 billion marks and there is no indication since the September debt report of any let-up. On the contrary, according to all accounts Germany has in the last few weeks increased the number of men under arms, presumably involving increased government expenditure. State Secretary Reinhardt has made a statement that there will be no increase in taxes during the year (see Embassy's telegram No. 27, January 6, 6 p.m.). Increased government expenditures and purchasing power against a declining quantity of consumption goods intensifies the problem of potential and eventual inflation. It is to be noted that practically all business firms paid the customary Christmas bonuses this year not only to their present employees but also to those who are in military service.

Currency and credit expansion. The Reichsbank report for December 31 (see my telegram No. 45, December 7, 3 p.m.) recorded new highs in currency circulation and credits. There is always a striking expansion of Reichsbank credit and currency circulation at the end of the year, but at the end of this December note circulation stood at 2.2 billion marks above that of December 31, 1939 and the total of Reichsbank investments (government and commercial bill holdings, collateral loans and security holdings) was 3.2 billion marks higher than a year ago. The price and consumption controls are still functioning with essential efficiency and have prevented this monetary expansion from resulting in a runaway price inflation. Presumably Germany is still far away from any such eventuality, but during the past few weeks there is observable a slight deterioration of the efficiency of the price and consumption controls and an increasing if as yet not dangerous development of the tendency of a flight from the mark. The increasing prevalence of Schleichhandel (illicit trade),

- 2 -

trade), particularly in goods brought back from the occupied countries, is a common topic of conversation and is corroborated by the increasing and prominently publicized reports of convictions and the increasing severity of the price regulations.

The Stock Market Rise. There has been an almost steady rise in stock market quotations, as measured by the Reich Statistical Office's stock market index, since the end of 1939, somewhat retarded in June and July, but continuing at an even greater rate since then. The general index of all stocks rose by 30.5 per cent from December 1939 to November 1940. The increases of the three groups making up the general index were 34.2 per cent for the manufacturing industries, 30.2 per cent for trade and transportation, and 24.8 per cent for the extractive and heavy industries. Particularly marked rises were shown in shipping stocks, which rose by 83.5 per cent from December 1939 to October 1940, and stocks of the metal, machine and vehicle industries which rose by 38 per cent during the same period (later Reich Statistical Office indices are not yet available). The Borsen Zeitung weekly index of quotations on the Berlin stock exchange, which measures stock quotations on the last day of each week, rose by 5 per cent from the 2nd of November to the 4th of January, but this period was marked by a recession lasting over three weeks from the latter part of November through the first half of December. During the two weeks from December 21 to January 4 the index rose by 2.5 per cent. As in the period to October, the most phenomenal rises were in shipping stocks which rose, according to the Borsen Zeitung index, by 15 per cent, so that the net rise has been roughly 110 per cent since the end of 1939.

The rising trend of stock quotations has undoubtedly to a great extent been due to the liquidity of the money market and a natural adjustment to the sinking trend of interest rates and yields on fixed interest securities. Two other elements which have probably also played a role in this development are speculation on Germany's victory and a tendency toward a flight from the mark. The speculative element is illustrated particularly in the case of shipping stocks. While it is true that their market value had fallen very low, a rise at this time, especially such a large one, is purely of a speculative nature, in view of the fact that the shipping companies have paid practically no dividends since 1931.

The Food and Raw Materials Situation. Statistical data as to Germany's food and materials position are simply not available. Probably, almost certainly, the official figures for the grain harvest are misleading in that they include a much larger area than for the harvest figures in 1939. Nevertheless there is no indication of present or early food shortage in Germany itself. At the beginning of the war I quoted an authoritative source who was, I believe, speaking sincerely as saying that there would be no decline in German rations for the first two years of the war, after which time there would be a very gradual deterioration in quantity and quality of available foods, particularly as regards fats, unless the blockade should be lifted or Russia should really substantially increase

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- 3 -

its supplies. As regards major raw materials, iron ore has of course ceased to be a problem. There has been a slight tightening of the provision of petroleum products for non-military consumers but there are still too many military and civilian vehicles performing non-essential services in operation to give any ground for belief that there is any present anxiety on that score. It is obvious, however, that lubricants are a problem. The elevators and street railways give audible evidence of the scanty employment of lubricants.

The secret of Germany's position as regards minor metals is being kept remarkably well. There is evidence of increased scarcity and strain in this respect as indeed there is in the whole economic position, but it is a very gradual development. At the present time there is no evidence of any major economic weakness which might imperil the operation of the German economy and the prosecution of the war during the next year.

An extremely well-informed contact touched vaguely and briefly on Germany's general economic position in a conversation which is separately reported. He said that, while it was true that the economic position was not a major problem for Germany at present, many strains and weaknesses were already apparent and, if the war lasts three or four years, economic weakness would result in Germany's defeat, always provided the enemy was able to develop and apply the full potential of its resources. I believe that this is a sincere and expert opinion.

In conclusion, it must be stated that there is always one imponderable in the economic situation, that of morale. While some deterioration of the efficiency of the consumption controls has been observed, the discipline and morale of both consumers and workers has suffered no significant impairment - as yet.

(Signed) Donald R. Heath  
Donald R. Heath,  
First Secretary of Embassy

Approved

(Signed) Leland Morris  
Leland Morris,  
Charge d'Affaires ad interim

DRH:EK

alm

AIR MAILEMBASSY OF THE  
UNITED STATES OF AMERICA

Berlin, January 7, 1941.

Strictly ConfidentialMEMORANDUM

For Treasury from Heath and for the Department's information.

In my memorandum of January 7 I quoted an opinion of an extremely well informed contact as to Germany's general economic position. The following is an account of my conversation with him. For identification of this contact see my personal letter to Mr. Livesey.

As an opening gambit in my conversation I remarked to my contact that the German press still stoutly maintained that Germany was economically invulnerable even if the war should develop into a stalemate of many years duration. He said that that was not the case, that already too many strains and weaknesses were apparent and that if the war lasted three or four years Germany's economic weakness would result in her defeat provided the enemy was able to develop and apply the full potential of his resources. He declined to specify just what the strains and weak spots were.

He went on to complain that neither from Germany, England or America was there any indication of a constructive political and economic program which would give Europe the stable peace that everybody desires. Even if Germany should by good fortune be victorious the National Socialist principle of racial superiority would make the establishment of a really cooperative Europe and a durable peace impossible. Possibly the National Socialist leaders might see the necessity of abandoning this principle, but he thought it extremely unlikely. Further he was disheartened by the change in psychology of leading economic officials of the Reich. Previously they had realized that trade must be on a basis of reciprocal benefit. Now they were increasingly tending to use Germany's position of might to enforce sharp trade and financial bargains on European states, a practise which, if continued, would render impossible the establishment of a situation of economic cooperation and confidence. As for England, it looked as though Churchill had no other plans than to return to the status quo of a system of anarchistically independent and competing European states. This would be no solution. Whether Germany was victorious or not, there could not be any return to a Balkanized Europe. There could be political autonomy but there must be economic integration and removal of economic barriers. The difficulty was that if States were allowed to retain political autonomy they would

- 2 -

insist on economic autonomy as well and the special and selfish economic groups of each state in their desire for privileges and security would push for higher and higher economic barriers and protection. The formation of a European League of Nations would be unavailing unless the League not only had the intention but the police power necessary to enforce economic cooperation and restrain the forces of economic particularism and special interests. A League of Nations or a European Court without such a police force would be useless. As long as most European peoples were opposed to the idea of a supernational police force or army, to enforce cooperative measures if necessary, it would be impossible to maintain a regime of economic liberalism and capitalism in Europe would disintegrate to the benefit of communism.

He concluded his conversation by asserting the necessity of someone presenting a sincere and a practical and intelligent program of political and economic reconstruction and organization of Europe as an alternative to continuing the destructive war.

/s/ Donald R. Heath

Donald R. Heath  
First Secretary of Embassy

Approved: /s/ Leland Morris

Leland Morris  
Charge d'Affaires ad interim

DRE/hu

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Board of Governors  
of the  
FEDERAL RESERVE SYSTEM  
Washington

Office of the Chairman

January 27, 1941

Dear Ed:

Thanks for yours of January 22 enclosing a stenographic transcript of the meeting held in Secretary Morgenthau's office on the afternoon of January 21 in re bank holding company legislation.

Yours sincerely,

(Signed) M. S. Eccles

M.S. Eccles  
Chairman

Mr. Edward H. Foley, Jr.  
General Counsel  
Treasury Department  
Washington, D. C.

January 22, 1941

Dear Mr. Tolson:

Here is a stenographic transcript of the meeting held in the office of Secretary Hargreaves yesterday afternoon in regard to bank holding company legislation.

Sincerely yours,

(Signed) H. H. Foley, Jr.

Honorable Harvin S. Hoopes  
Chairman, Board of Governors of the  
Federal Reserve System  
Federal Reserve Building  
Washington, D. C.

Enclosure

MSB:lm  
Typed 1/22/41

Orig. sent by Special Messenger - 1/22/41.

cc: Miss Chauncey

January 21, 1941  
3:00 P.M.

RE BANK HOLDING COMPANIES

Present: Mr. Delano  
Mr. Schenker  
Mr. Bell  
Mr. Crowley  
Mr. Foley  
Mr. O'Connell  
Mr. Eccles

H.M.Jr: Who is missing?

Delano: Eccles.

H.M.Jr: Jesse Jones couldn't come.

(Mr. Eccles entered the conference.)

H.M.Jr: Jones just phoned he couldn't come. Do you want somebody?

Eccles: Well, it is too late to get them now.

H.M.Jr: Well, this will only one of maybe several, but if you want anybody, I will lend you O'Connell or Ed Foley or Schenker. They are all lawyers.

Eccles: Well, we have got some lawyers.

Bell: You don't want a lawyer?

Eccles: Well, I can usually get along a damn sight

- 2 -

better without them. (Laughter)

H.M.Jr:

Well, the purpose of this meeting is, we sent the President a letter on January 3, suggesting he mention again in his message the way he did in 1938 something about the Bank Holding Bill, and I got a memorandum the way the rest of you did, that we should get together, and we put in this little portfolio the various things that happened on the bill going back to '38. I don't know whether you have had time to look at it or anything else, but in this report which Mr. Jones made on March 17, '38, it was a unanimous report at that time in regard to the bill and we sent over to the President what he put in his message on the bill, and he put it in, and the message is there and the present bill, so I think everything covering the thing is in this little thing here which the Comptroller got up for me.

Eccles:

Yes. Well, I had better make a report on what our situation is. When I got this message from the President, I called the Board and discussed it and we feel we have been very badly treated in this whole matter. In the first place, three years ago this thing was under discussion, and I haven't had a chance to go through this file. I wasn't here at the time. I checked up on - the Board has taken no action. There is no record in the minutes of the Board at all on this; and as a matter of fact, I haven't had a chance to check it thoroughly with Ransom, who was acting at that time. I came back here and went over it with the Board, and I was not in favor at all of the particular bill. I mean, I have been in favor for a long while of holding company legislation dealing with the holding company

- 3 -

picture in a proper and adequate way, but I wasn't in favor of this particular bill and nothing was done about it until Leo, he will recall, I think it was in '39, apparently got busy with the bill and you called him pretty hard on that action.

I remember very well sitting in here and you called Leo at that particular time for undertaking a bill without consultation and discussion with the rest of us.

H.M.Jr: In '39?

Crowley: No, No, that --

Eccles: It wasn't '40.

Crowley: The Holding Company Bill was drafted for Glass by us in 1938. We had a conference, and I think we all pretty well agreed that the legislation - that is when the message - the President sent his message up, do you recall?

H.M.Jr: Yes.

Crowley: I think you are confused on that, Marriner. I don't recall that he (Secretary) and I ever had any disagreement; but the thing that brought about a disagreement between us was on the Glass Bill that dealt with bank examinations. Wasn't that right? But it had nothing to do with holding companies. That was a year later.

Eccles: It was the Holding Company Bill after this bill that was introduced. It was not this bill, it was another bill.

Foley: I remember vaguely the incident, but I think that Leo is right. I think we were talking about --

- 4 -

Crowley: We were talking here. The Holding Company Bill was up, Marriner, in December of 1938; and the President put it in his message in March, 1938.

Now, in 1939 Carter talked about an examination bill - or not Carter but some one from the Hill. That was what that discussion was about.

Eccles: The Brown Bill?

Crowley: Brown Bill, but that had nothing to do with holding companies.

Eccles: That is what it was. Well, it was a Bank Bill then.

Well now then, I remember the Secretary was - we had a meeting in connection with it, and you (Secretary) were pretty well upset because Leo had gone ahead and done this. Well, anyway, this is the situation.

Here is a bill now that we haven't been consulted about; and after all, we have had seven years of the only administration that the law provides for holding companies. In 1933, before I came to Washington at all, Congress saw fit to give to the Federal Reserve Board, rightfully or wrongfully, the administration of this particular job with inadequate powers, to be sure, and we have felt for a long while that the powers were not adequate to deal with the problem; and suggested as a substitute for '38, the type of program that would have been a practical program that would have gotten at dealing with this problem. Since that time, because every one thought - I know we did - that there would be a piece-meal legislation, that the Wagner hearings were going to take up a lot of matters

- 5 -

that had been in - that needed some correction, and possibly matters of controversy, and this bill, this particular bill, without any consultation with the only agency that has had the administration of this function - it is drawn up over here in consultation with, apparently, Mr. Crowley; because in a letter to the President he is not only familiar with the bill but recommended that the President say something about it in his message, which the President didn't say.

Crowley: Now wait a minute, let me --

Eccles: And --

Crowley: Wait just a minute, Marriner.

Eccles: Let me get finished now. The bill is then introduced and, of course, all we know about the bill is what we have read in the newspapers, and we naturally got a copy of the bill itself.

Now, I am - the President says, "Please make out a program." We have been always ready to make out a program in connection with this sort of a bill. I feel pretty sure that the President in the first place possibly doesn't know that the Federal Reserve Board has the responsibility and the administration of this question, and has had for quite a long while and possibly should be as familiar, if not more familiar, with the whole problem than anyone else, and ought to have some idea as to ways and means for working it out. I am sure, too, that he doesn't know that this proposal has been drafted and made and we were never even consulted about it, and I would doubt very much if he knows that the whole thing is picked up bodily from the Reserve System and transferred over to the FDIC.

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Now, unless we can clear away some of that brush, there just isn't, it seems to me, an awful lot to talk about. I am perfectly - have always been willing to recognize this problem and to work out a program to deal with the problem; and I think there isn't anybody who knows more about what the problem is than we do and - but we can't come here - even if I was willing to, I am perfectly sure the Board wouldn't do it - and rubber stamp a bill that has already been introduced without our consultation, without consultation with us, and that takes away the complete administration from us.

Crowley: Now, may I talk to you a minute?

Eccles: All right, you go ahead now.

Crowley: In the first place, you talk about this bill being drafted without Federal Reserve being consulted. I didn't see the bill until after Senator Glass had introduced it. As a matter of fact, I haven't read the bill to this day, but the Federal Reserve --

H.M.Jr: What is that, Leo? I am sorry.

Crowley: I didn't see the bill until after Senator Glass introduced it. My being in this thing was purely incidental. I came over to kind of raise a little hell about your (FRB's) interference on Federal Deposit Insurance, and this talk about this holding company bill was only incidental to another business. Now, the Federal Reserve seemed to assume that they are the only ones that have any right to interfere in the other fellow's business.

Eccles: We haven't introduced any bills.

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- Crowley: No, but you have made a hell of a lot of public proclamations.
- Eccles: All right, but it is public.
- Crowley: And I just want to tell you now for my sake, as Chairman of the Federal Deposit Insurance, I would appreciate you keeping out of our business.
- Now then, as far as legislation is concerned, I am willing to go along on legislation --
- H.M.Jr: Leo, let's keep it clean. Do it with a smile, as long as you do it with a smile. (Laughter)
- Crowley: I am willing to go along on legislation. I don't want to be like Henrik Shipsted, when he voted against the President's bill because he didn't think it went far enough.
- Two years ago we all agreed that something should be done on holding companies. I don't care who drafts the bill, but I am not going to surrender the things I believe in nor do I feel at any time that when someone else comes around here and does something that Federal Reserve comes around and raise this question about piece-meal legislation. With that reservation, I am willing to sit around and talk about anything, but this bill is now before the Senate and there is no other bill pending.
- H.M.Jr: I will make my position perfectly clear. This bill as introduced is a hundred per cent within the President's message, the way he set it up two years ago, and which, as far as I know, at that time in '38, the Federal Reserve --
- Eccles: It was three years ago.
- H.M.Jr: It was '38.

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- Eccles: Three years ago.
- H.M.Jr: And as far as we know, Ronald Ransom, who was Acting Chairman, advised through Jesse Jones that there was complete agreement.
- Eccles: With the President's message. The bill hadn't been worked out at that time.
- H.M.Jr: And if on your return you weren't in agreement with the President's message, you certainly never let me know.
- Eccles: Well, there was no bill. The point is, there was in --
- H.M.Jr: And if I could just finish - and three times now before the Appropriations Committee I have said that I thought that the bank holding situation was an unhealthy and unwholesome one, and Congress should do something about it.
- Perfectly frankly, I have gotten tired of waiting for the Federal Reserve to do anything about it, so I took the initiative. I mean, the Federal Reserve Board has had plenty of opportunity, as you say, for seven years to do something.
- Eccles: We haven't prepared or introduced any bill whatever since the Banking Act of 1935.
- H.M.Jr: And - well, here is the situation, and it demands attention; and as I say, nobody else seemed to worry about it except the Comptroller and Mr. Crowley and the SEC.
- Schenker: I don't want to inject myself, Mr. Secretary, but in connection with the preparations of investment companies, we deliberately omitted the bank holding companies who would come

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within the purview of the definition of the investment companies, all predicated on the assumption that it was going to be dealt with very quickly and therefore there shouldn't be any overlap of jurisdiction, and I think I made that statement on the hearings and that is why they took it out.

H.M.Jr:

But that is the situation. There wasn't any personal offense meant to you as Chairman of the Federal Reserve, but frankly I was very restless that after all the difficulties I have had with the bank holding situation, that nothing is going to be done to correct it and no one else took the initiative, so I did and I am wholly to blame for it. I take full responsibility for the whole thing. It is my initiative and I take the entire responsibility.

Now, if personally you or any of your Board over there are offended, I am very sorry; but the entire responsibility is mine. The bill is there. I am under the impression that it is wholly within the thing of three years ago; and if the Board wants to introduce their own bill or doesn't want to go along on this --

Eccles:

Well, we would like to do either one of two things, either sit down and see if we could work out a substitute bill that in our opinion would meet the situation, and a program that we would believe in; or introduce an alternative bill, which I suppose, of course, a committee of Congress would have hearings on, possibly, and it would result in a merger of possibly the two bills, or they could take the bill that is up there and we could support a holding company bill with such modifications as, in our judgment, the bill should have. There are three ways of doing it.

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- Crowley: Well, Marriner, wait just a minute. I don't think that - Mr. Secretary, that the Federal Reserve - if you are going up there on hearings on this bill, this bill that is before us, then we should have the right of all of us expressing ourselves on the bill.
- Now, we didn't draft this bill. We are willing to go along on it. If the Federal Reserve are going to introduce a bill, Federal Deposit is going to reserve the right to introduce a bill; you are just never going to get anything at all. All you will have is chaos.
- Eccles: Then we should sit down and start from scratch and get a bill.
- Crowley: I don't agree with that, Marriner, because every time a piece of legislation comes along here, one fellow wants to tear it apart and start from scratch and embarrass the piece of legislation. Now, if there --
- Eccles: You don't expect we are going to support a bill that we have had nothing to do with and simply say, "Why, this thing has been so handled that it ought to be transferred over to the FDIC"?
- Crowley: We all have supported bills in the past that we didn't have anything to do with the drafting of.
- Eccles: And we have opposed bills, too.
- H.M.Jr: Well, could I ask for this? Would the Board care to give me a memorandum where they take objection to this bill?
- Eccles: Well, I will take it up with them and see if they would be willing to do that.
- H.M.Jr: I think --

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Eccles: Certainly we would file - we would no doubt be asked, naturally, by Congress, to state --

Foley: You have already been asked, haven't you, Marriner?

Eccles: No.

Foley: I thought each one of us had been asked to report on this measure.

Crowley: We have.

Foley: You have and the Comptroller has, and I assumed that the same thing went to you.

Eccles: Maybe it has come in in the last day or two. We are asked to report on a lot of bills just as a matter of routine. Then there are other cases where it isn't altogether a matter of routine. Now, a lot of the routine requests are not always responded to; and where it is other than a routine request, they are always responded to.

Foley: I should think this would fall in the category of being other than routine.

Eccles: What I mean is, it depends how the request comes. It may be just the girl in the committee sends it to you as a matter of routine, and on the other hand, it is sometimes the chairman of the committee or the subcommittee that is handling it wants a report, which is the difference.

Foley: I think they want a report on this, because I think they intend to hold hearings.

Eccles: I would think they would, but up to the present time - what I meant, Ed, was that possibly what we had gotten was a letter that a girl in the

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office would send out as a routine matter. I am not referring to this as a routine bill.

H.M.Jr: Well, supposing you think it over and talk with your Board; and if you care to make any suggestions, let me know so I can let the President know and we can see where we go from here. I am interested to know where the Federal Reserve thinks this is not a good bill.

Eccles: Yes.

H.M.Jr: To know where do they disagree, what provisions in this bill they don't like.

Eccles: We would like, I think - what I would like would be to propose what we would consider an alternative proposal, we feel, that would meet the situation and one that we would feel that we could defend before committees of Congress.

Now, anything that is done on this bill, I realize that we have got to go before committees of Congress, and we have got to answer questions. We have got to support whatever position we take. You have got to give it public support, and I would like for us to consider the type of support, or the objection, the alternatives, that we would give before a committee of Congress.

That is going to take a little time. You can't take a thing like this and prepare a case for Congress and do it in a few minutes; and I say that we wouldn't want to take some position with you (Secretary) and give you a report on the thing and suggested alternatives unless we felt that we were going to stand by it in case we want up before Congress, so it is one preparation, really, in effect, isn't it?

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H.M.Jr: Surely. Whenever you are ready, let me know. I doubt if they will start hearings on this thing until we get this lend-lease bill out of the way. As soon as your Board knows, let us know.

Is FDIC satisfied with this bill?

Crowley: Well, let me say this to you, that the FDIC, I presume, like every other agency in Washington, have their own views they would like to inject in this legislation, but as I assume, we can't do that without destroying the legislation; and we feel that there should be a curb put on these holding companies and for that reason we are willing to go along and give the bill whatever help we can in our testimony. It is the only bill that is there.

Now, if everyone is going to have the right to inject their own theories in this thing here, of course, we would want the right to inject ours.

H.M.Jr: I was under the impression that this bill was satisfactory to you.

Crowley: I say we are willing to go along and give testimony in favor of this bill; but if there are going to be any changes in this bill, then we want the right to go into the thing ourselves, too. In other words, if the Federal Reserve are going to inject changes in this bill, we want to be sure to reserve our rights in the matter. Do you get my idea?

H.M.Jr: No. I thought the bill was entirely satisfactory to you the way it was written. I didn't know there were any changes you wanted in it.

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- Crowley: You understand that we are perfectly willing to go along on this bill and go up there and testify for it; but if the Federal Reserve come along and make changes in this bill, we want to reserve our rights to talk about it.
- H.S.Jr: To modify their changes?
- Crowley: Yes.
- H.S.Jr: That is all right.
- Reeles: Sure. You will be testifying on something else, not this bill, though.
- Crowley: You mean that you would draft a new bill?
- H.S.Jr: No, what Marriner means is that you are reserving the right to testify on any changes that the Federal Reserve may suggest.
- Reeles: That is right.
- Foley: He has a right to object.
- Reeles: You don't know what they are, you haven't approved them, but here is a bill that you have apparently approved. Therefore, you wouldn't want to testify against any part of this bill; all you would want to testify for or against is changes that we may propose.
- Crowley: Marriner, let me tell you this as far as we are concerned in this bill. We didn't see the bill until after Senator Glass had introduced it. Now, I don't know particularly about the fine points of the bill, but everything in the bill in principle, we are in sympathy with.
- Reeles: Well, we are not, so you are in a little bit different situation than we are.

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- H.M.Jr: Well, I don't think - Marriner, unless you have got something else.
- Eccles: No, I haven't a thing, because all I - I haven't had a chance to think about it. We have had a couple or three days vacation here and I haven't - you called this, I think, Saturday morning or Friday.
- H.M.Jr: I don't know, somewhere around there.
- Eccles: Yes, Friday afternoon, so I took a bunch of this stuff home with me; and all I know about it is what I have been able to read over the weekend here.
- H.M.Jr: Is that all the questions?

## TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

CONFIDENTIAL

DATE January 27, 1941.

TO Secretary Morgenthau  
 FROM Mr. Haas  
 Subject: The Business Situation,  
 Week ending January 25, 1941.

Summary

(1) Commodity prices levelled out last week, with price indexes for both raw industrial materials and foodstuffs showing virtually no change. The most important exceptions were the textile group, including wool, cotton, print cloth, and burlap, all of which advanced moderately.

(2) Despite various reports of considerable reduction in the price of lumber, the BLS wholesale lumber price index shows little change since the end of December, while changes in individual items have been limited in extent.

(3) Our new orders index remained at a high level during the week ended January 18, although 7 per cent lower than in the preceding week. Steel and textile orders were both somewhat lower, more than offsetting an increase in other components. New orders for steel were at 151 per cent of capacity, as compared with 170 per cent in the previous week.

(4) Total lettings of structural steel for the week ended January 21 rose to the second highest level since the defense program began, while heavy engineering contracts awarded during the week ended January 23 were sharply above those of the previous year.

(5) Total non-agricultural employment in December, according to the Department of Labor, reached 37,100,000, a new high for recent years, and nearly 1,500,000 greater than December 1939.

(6) The FRB index in the first three weeks of January has made further gains above the 136 level established in December, judging from the movement of weekly indexes of business activity. The New York Times index in the week ended January 18 rose 0.3 to a new high of 123.8, while Barron's index rose 0.6 to a new high of 128.6.

- - - - -

- 2 -

Commodity prices flatten out

Commodity prices levelled off last week as trading slackened in many commodity markets. The BLS price index of raw industrial materials was unchanged from the preceding week at about the average level maintained since mid-November. The index of foodstuff prices advanced fractionally, after a series of steep increases beginning in late December. (See Chart 1, upper section.)

Prices of materials used in the textile industry were the most important exception to the general tendency among industrial materials, as wool, cotton, print cloth, and burlap all increased. (See Chart 1, lower section.) Wool spot prices rose 1.6 per cent in the week ended January 24, although futures prices were lower at the end of the week, partly in response to reports that wool exports from Australia for commercial purposes are to have shipping priority over wool to be stored in the United States for strategic purposes.

Government wool requirements for the year beginning July 1, 1941 will be substantial, according to trade expectations, and some bullish sentiment recently has been based on the belief that announcement of these large requirements may be expected by March or April. Low non-military consumption last year leads manufacturers to expect increased buying this year. Reports of unusually low stocks in licensed warehouses and combing establishments tends to confirm last week's reports of a bottleneck in the combing and dyeing branch of the industry.

The American Woolen Company announced last week that orders for fall 1941 on worsteds for men's wear are being taken on a basis of about 11 per cent price increase over 6 months ago, an increase in line with trade expectations. The advance amounts to about 25 cents a yard.

Activity in the cotton textile industry is largely responsible for moderate increases in print cloth and cotton prices. A report from the Commodity Credit Corporation of increased cotton under loan as of January 20 provided further support for cotton prices. The Corporation indicated that 2,851,000 bales of 1940 cotton were under loan, an increase of 106,000 bales since January 9.

Burlap prices advanced moderately on trade news that no relief is in sight for the tight shipping situation from India.

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Prices for hides were lower on news of a decline in prices in Argentina. Lower prices for rubber reflected heavy arrivals in the United States, and reports of a large world production. Futures prices for rubber were higher at the end of the week, however, partly in response to reports of a record level since 1929 in factory shipments of pneumatic casings during 1940, together with higher priced offerings from the Far East and reports that cargo space from producing countries is limited.

Rosin and flaxseed prices were again somewhat higher, suggesting a continued rise in prices of paint materials.

#### Foodstuff prices resist further increase

The advance in hog prices came to an end last week and prices declined somewhat, thus confirming the trade judgment that the price advances were partly the result of weather conditions which interfered with travel on highways. The relatively slight increase in corn prices calls attention to the fact that the recent advance in the price of hogs has improved the corn-hog feeding ratio, which is now favorable to hog producers for the first time in more than a year. Steers declined also, apparently following the lead of hogs.

Both lard and cottonseed oil spot prices advanced somewhat in spite of the decline in the price of hogs. It is estimated in the trade that no more than 60 per cent of the lards and oils manufactured this season have been marketed, a low proportion for mid-January.

The increase in sugar prices follows reports of December sugar deliveries above those expected, and the probability of a new record high consumption for 1940, together with a reduction in year-end stocks. Cocoa prices continued their former decline. Wheat prices fell off on a better outlook for the United States winter wheat crop, and upward revision in Argentine and Canadian crop estimates.

#### Building material prices little changed

The BLS index of building materials prices advanced somewhat further in the week ended January 18, rising 0.1 point above the high reached in the week ended December 28, 1940. (See Chart 2, upper section.) The previous noticeable increases in building material prices have been largely the result of steep increases in the lumber index, which reached a high of 119.3 in the week ended December 28, compared with a 1940 low of 94.3.

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The ELS index of wholesale lumber prices (center section of Chart 2) has flattened out for a month or more. The index of 118.6 reported for the week ended January 18 is but slightly lower than the peak of 119.3 reached in the last week of December, which is in contrast to various reports that substantial reductions have been made in lumber prices. However, some of the lumber quotations used in the index as of January 18 are for early-January dates. A list of quotations for 10 lumber items purchased for Camp Knox, as reported to the National Defense Commission, showed an average decline of 10.9 per cent between November 6 and January 15. These, however, may have represented special prices to the Government on large-scale purchases.

#### Individual lumber items show little decline

Chart 3 shows percentage changes in the wholesale prices of 44 individual lumber items which compose the ELS lumber index, from their respective 1940 lows to the latest quotations available December 26 and January 24. The group index itself is practically unchanged between the December and January dates, while few individual items show striking changes. The two items which had increased most on December 26, "pine timbers No. 1" and "pine boards No. 2 common", have now declined somewhat, while "pine dimension No. 2" has increased. The latest prices for these three items represent wholesale quotations collected between January 7 and 11. All three are Southern pine, widely used for cantonment construction in the South. The item (No. 2 Southern pine common) for which Commissioner Henderson believed \$25.00 at the mills to be adequate, was quoted in wholesale markets, January 7 - 11, at \$32.62.

The greatest increases between the selected dates in December and January are reported for "birch No. 1 common", "gum sap No. 1", and "gum No. 1 common", all of which are used for furniture and interior mill work. Certain types of pine lumber, on the other hand, showed noticeable declines.

In view of the attention focused recently on the need for lumber, production has increased only moderately. According to the National Lumber Manufacturers' Association, production in the week ended January 18 was only 16 per cent above the corresponding week last year, as compared with a 5 per cent increase in the third week of December. It is true that the seasonal low for production comes in the week ended January 18, but since both shipments and orders have continued considerably above current production for several months, a deficiency is accumulating. From the West Coast comes a report that a prospective shortage of shipping in the spring may force a

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substantial amount to be sent by rail, thus adding a further influence toward increasing lumber costs.

#### New orders index at high level despite decline

Our index of new orders for the week ended January 18 declined about 7 per cent. However, reference to Chart 4 will disclose that the index still stands at a very high level. It will be noted that both steel and textile orders declined while other items in the aggregate rose. Despite the decline in new orders for steel, this component remains at the highest level since October 1939.

Although our index of textile orders during the week ended January 18 showed a further recession from the rise which occurred at the beginning of the month, trade sources estimate that sales of print cloth and related items during the past week were nearly twice as large as production. Cotton mill activity during December on a seasonally-adjusted basis reached the highest level on record. Cotton consumption during that month was in excess of any previous month with the sole exception of March 1937. In the face of this unusually strong showing it is interesting to note that the New York Times seasonally-adjusted index of weekly cotton mill activity during the current month has risen even above its December level, and reached a new record high in the week ended January 18.

Woolen mills also are reported to be operating at an unusually high rate. This branch of the textile industry has received a heavy volume of Government business as a result of the defense program and has a large backlog of orders.

#### Steel orders maintain high level

The volume of new business booked by the steel industry last week was sustained at an exceptionally high level. The latest report of new orders booked by the U. S. Steel Corporation (as of January 16) showed new orders at 151 per cent of capacity, compared with 170 per cent in the previous week.

Order books of nearly all steelmakers are filled for first quarter business, and despite producers' insistence upon complete specifications, customers in some instances are trying to cover second and even third quarter requirements. The Iron Age states that the industry itself is seeking by close scrutiny of buyers' needs to prevent excessive stocking, which might result in the imposition of special

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priorities. According to the same source, many export orders from neutral countries are not being accepted because mills are unwilling to quote firm prices for longer term delivery.

The situation in iron and steel scrap prices remains unsettled, lower quotations being reported in some districts but few of these are regarded as firm. There is, however, a tendency toward stability in the Chicago and Pittsburgh districts, with many people expecting prices to become stabilized around \$21.50 for No. 1 heavy melting scrap at Pittsburgh. This is \$1.50 above the level recently suggested by Mr. Henderson of the National Defense Advisory Commission. The increasing pressure of production scrap apparently is responsible for lower prices at Detroit.

Last week the American Iron and Steel Institute announced that, based on a survey representing 95 per cent of the capacity of the country, present plans of the steel industry call for an expenditure of \$282,000,000 for new productive equipment during 1941, as compared with \$171,000,000 actually spent in 1940.

Production this week is scheduled at the rate of 97.1 per cent, on the basis of new capacity, compared with 96.5 per cent (revised) last week. The rate is lowered because of an increase in the capacity base to 84,148,000 tons at the end of 1940, representing an expansion of about 3 per cent since the end of 1939.

#### Structural steel orders higher as heavy construction increases

Due largely to the awarding of an order for 30,000 tons of structural steel for a naval ordnance plant in West Virginia, total lettings of construction steel during the week ended January 21 rose to the second highest level since the defense program began. (See Chart 5, lower section.) The weekly total of 79,000 tons was 75 per cent higher than the previous week and no less than 130 per cent above the corresponding week of 1940.

The rise in construction steel lettings, of course, reflects the continuing high level of activity in the heavy construction field. Thus, heavy engineering contracts awarded during the week ended January 23, as reported by the Engineering News Record, showed another sharp rise to a level exceeded only a few times since the defense program got under way. (See Chart 5, upper section.) The weekly

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total of \$156,000,000 contrasts strongly with the figure of only \$33,000,000 recorded in the corresponding week of 1940. Contracts awarded for construction for the Federal Government amounted to \$102,000,000 or the highest figure since last October.

#### Employment and payrolls rise in December

Total non-agricultural employment reached 37,100,000 in December, a new high for recent years which is nearly 1,500,000 greater than in December 1939. The increase of 540,000 from November to December represents the largest December increase in 11 years. The major portion of the gain was in manufacturing and construction. Factory employment increased contra-seasonally to the highest level on record. Factory payrolls rose 5.4 per cent, the largest December increase since 1919, reaching the highest level since June 1920.

#### Industrial production higher in January

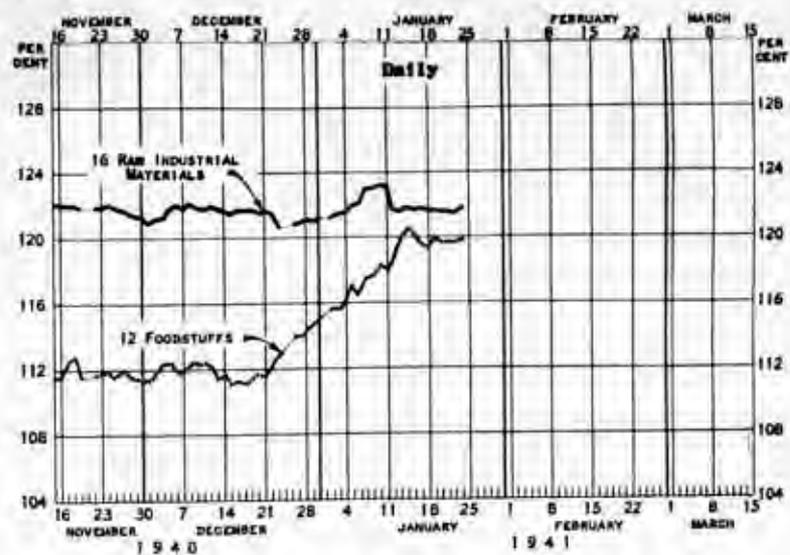
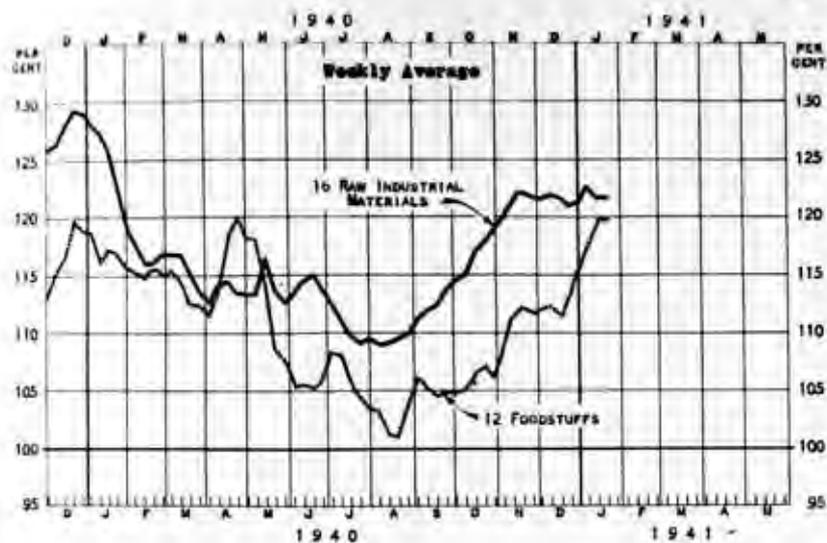
The FRB index in January has made further gains over the 136 reached in December, judging from the recent trends of weekly business indexes. In the week ended January 18, the New York Times index of business activity rose to a new record high at 123.8 as compared with 123.5 in the previous week. Barron's index in the same week rose 0.6 point to a new high of 128.6.

The principal factors in the latest week's rise in the New York Times index were contra-seasonal gains in electric power production and cotton mill activity. In addition the adjusted index of automobile production showed a good gain as a result of another greater than seasonal increase in automobile production. The principal offsetting factor was a contra-seasonal drop in "all other" freight carloadings, resulting largely from lower shipments of coal and grains. The adjusted index of steel ingot production declined moderately.

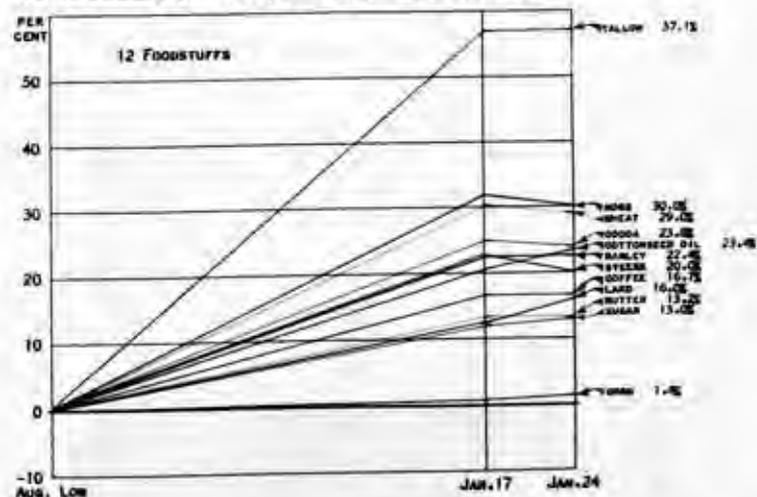
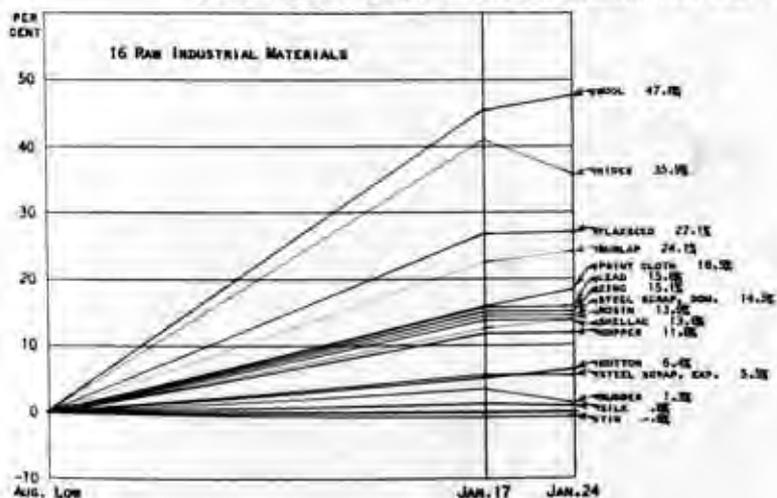
Preliminary data for the week ended January 25 reveal a slightly less than seasonal rise in steel ingot production, and a less than seasonal decline in automobile production.

## MOVEMENT OF BASIC COMMODITY PRICES

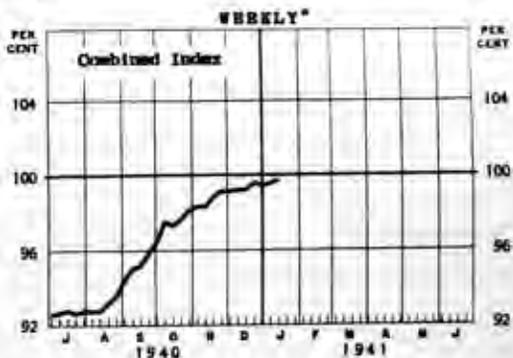
August 1939 = 100



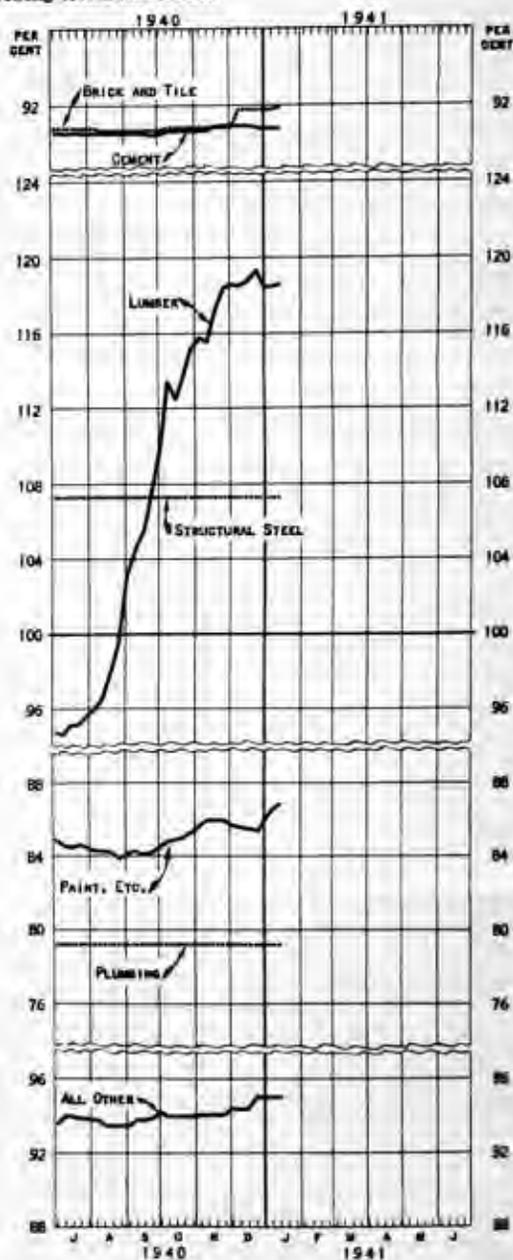
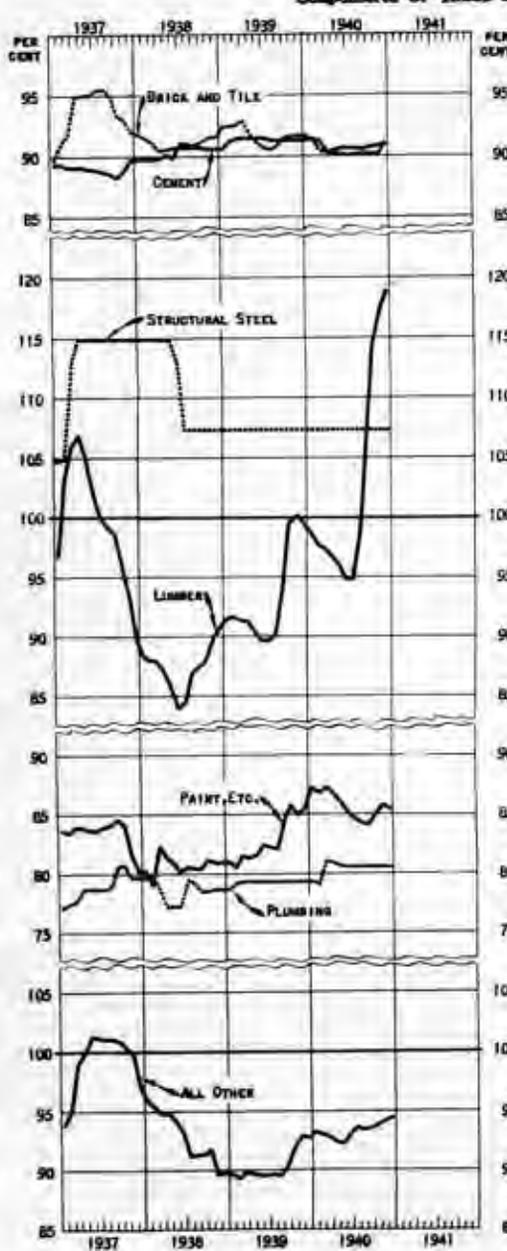
Percentage Change for Individual Commodities, August 1940 Low to January 17, 1941, and to January 24, 1941



BUILDING MATERIAL PRICES  
B.L.S., 1926=100

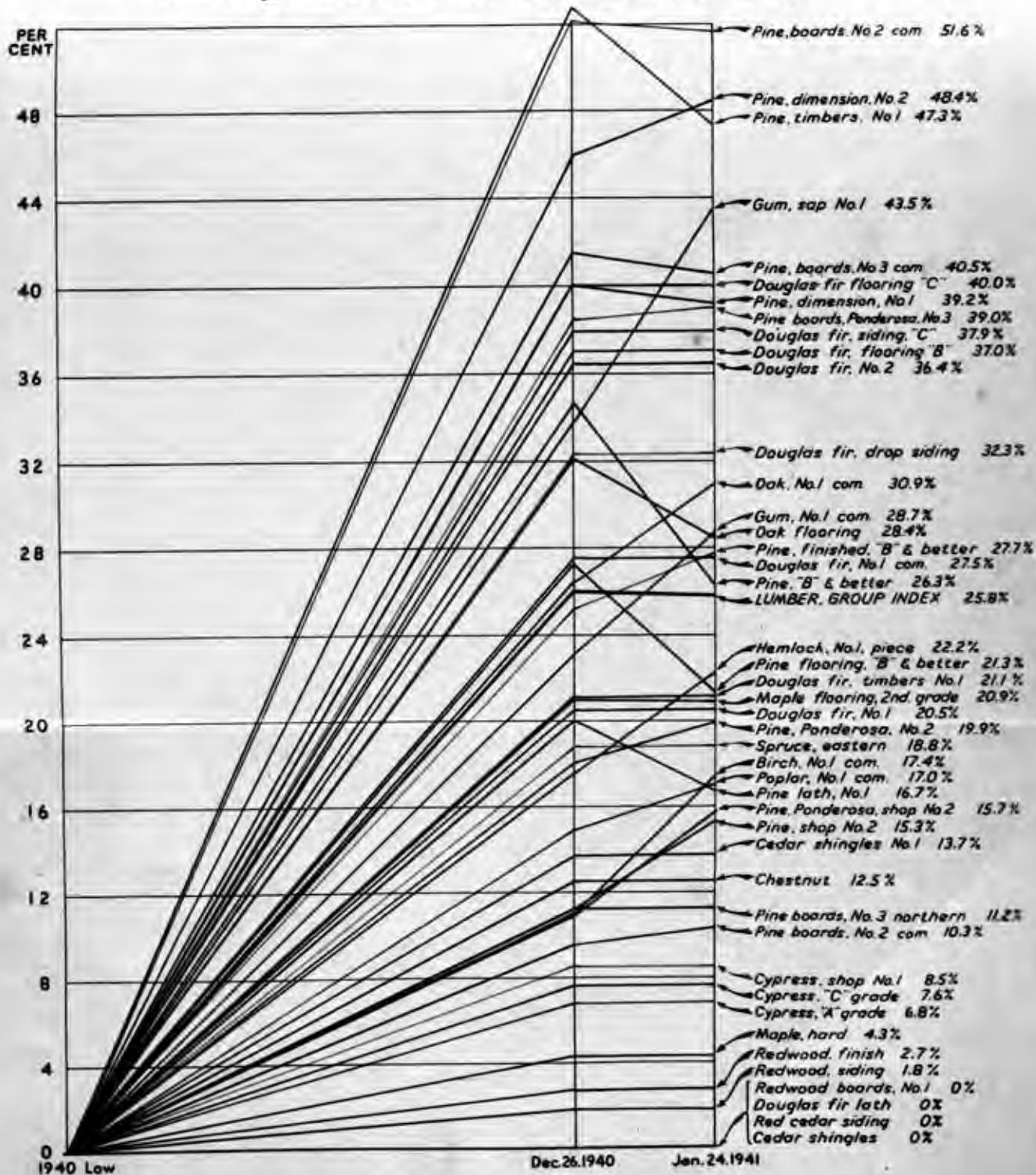


Components of Index of Building Material Prices



# PRICE INCREASES FOR SELECTED TYPES OF LUMBER

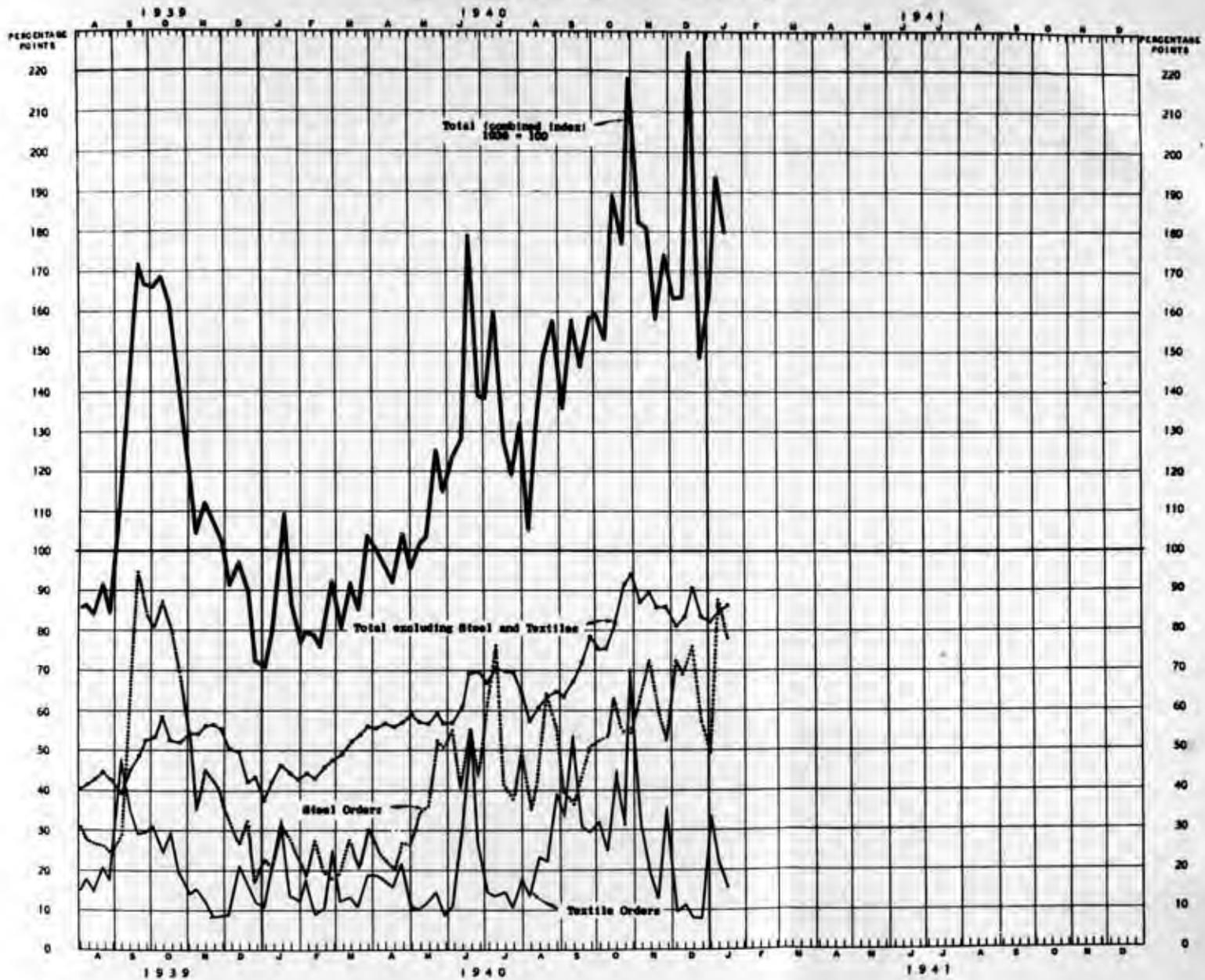
Percentage Increase From 1940 Low To Selected Dates\*



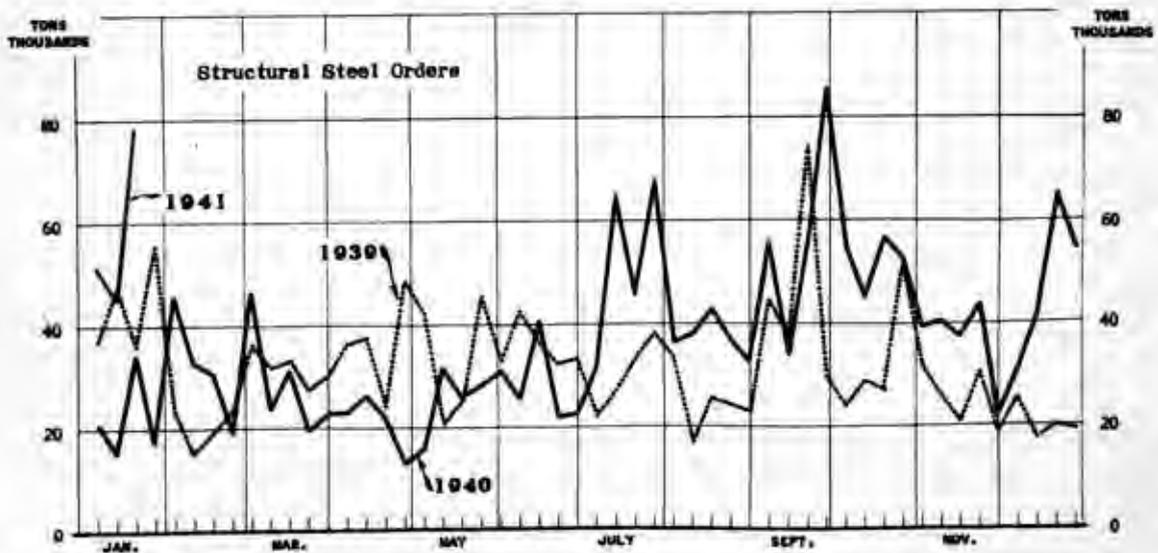
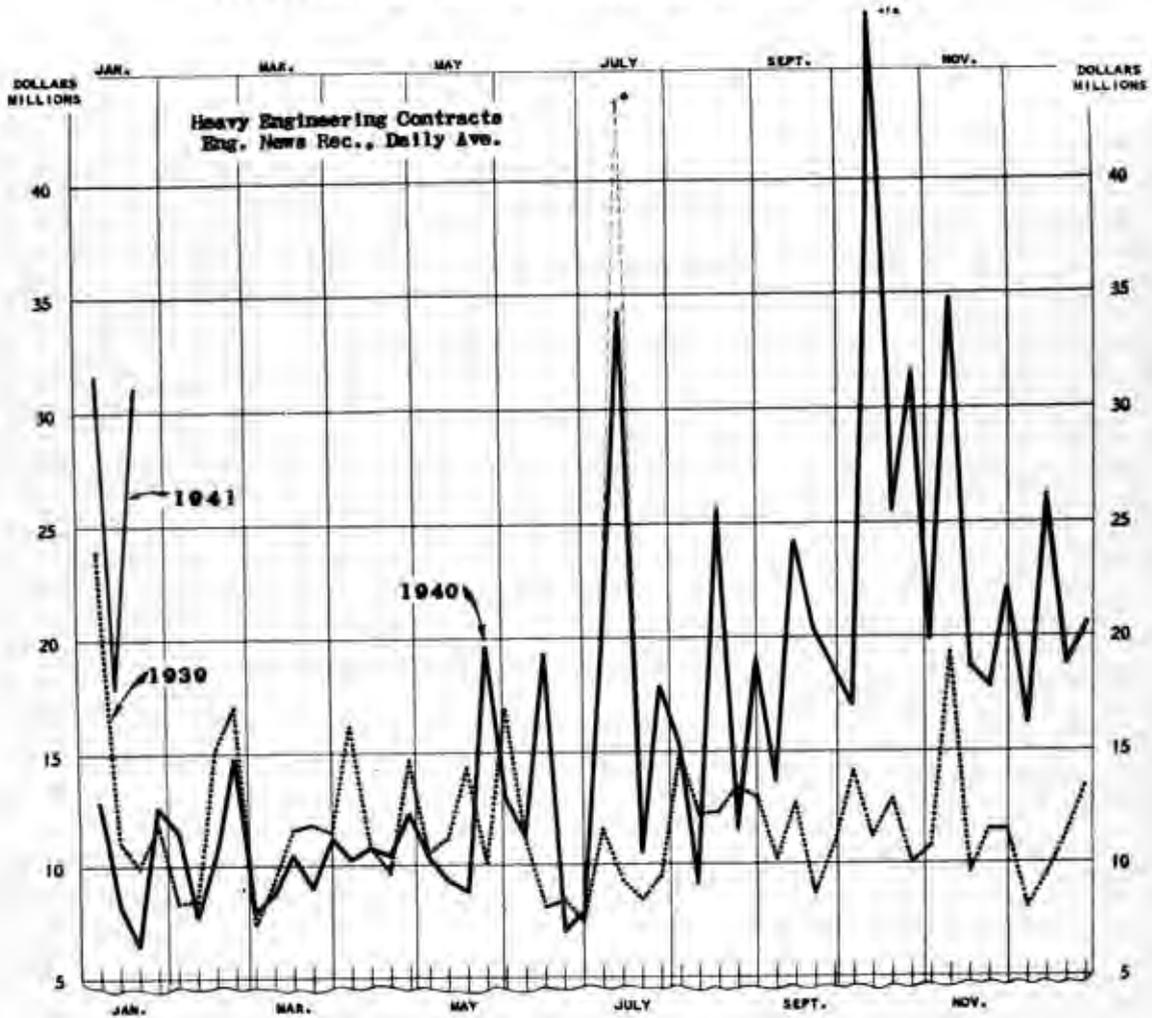
\* Latest Quotations available on Dec. 26, 1940 and Jan 24, 1941

Note: Lumber items are those used in B.L.S. Lumber price index

INDEXES OF NEW ORDERS  
 Combined Index of New Orders and Selected Components



CONSTRUCTION AND STRUCTURAL STEEL ORDERS



\* INCLUDING OUTLYING POSSESSIONS OF THE U.S.

January 27, 1941  
10:00 A.M.

RE AID TO BRITAIN

Present: Mr. Kuhn  
Mr. White  
Mr. Foley  
Mr. Bell  
Mr. Cochran  
Mr. Young  
Mrs. Klotz  
Mr. Schwarz

H.M.Jr: Would you make a note for me, Dan - this has nothing to do with this thing - this suggestion comes from Harry, and I really think it is an excellent suggestion.

In my statement to the Ways and Means, I have read it hastily, and I don't see that we have stressed anything about economy, and I want --

Bell: Does this come from Harry, you say?

H.M.Jr: Yes.

White: It must have been one of my dreams.

H.M.Jr: He dreamed this. And I want to put in a whole paragraph there on stressing economy on non-defense items.

Bell: Well, that is quite contrary to what the budget shows.

H.M.Jr: I never saw the budget. I am going to send it over to the President and mark it before

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it goes up.

Bell: I am in favor of it, but --

H.M.Jr: I am going to put it in and send it over to him, and he is going to have a look at it.

Bell: O.K.

H.M.Jr: But I think every once in a while Harry gets a good idea.

White: You are not specifying just what you are to economize on, are you?

H.M.Jr: Non-defense items.

White: Oh well, that is not a specification. That is just a pious wish.

Bell: Non-defense and non-service.

H.M.Jr: Well, I will tell you what I would do. If it was up to me, I would consolidate N.Y.A. and C.C.C.

White: You mean you would cut down on that?

H.M.Jr: The two of them now have appropriations of around four hundred million, you see, and I would cut it to about one hundred fifty. With 800,000 men under arms, I don't even know why you need a C.C.C. organization. They have taken all the officers away, haven't they?

Bell: I don't know.

White: They won't spend the money if they don't have the boys, you know.

- 3 -

- H.M.Jr: Just find out a little bit about what has happened to the C.C.C. I think all the military part has been taken away.
- Bell: Well, they made some attempt last year to take them away as reserve officers, but they rehired them as civilians. I don't know whether they have been called.
- H.M.Jr: And I would cut the agricultural thing just in half. I think \$500,000,000 will keep up the domestic price of food in these times, and it is plenty. Or, to put it another way, \$500,000,000 to pay the farmers to grow less to sell it for more is enough.
- White: Well, I don't know whether they are benefiting in any way by the war.
- H.M.Jr: I have always thought a billion dollars to bribe the farmer to grow less to sell it for more was always a billion dollars too much.
- White: If you put it in those terms, you make your own case.
- H.M.Jr: You have no trouble with me of taking the \$500,000,000 of the agricultural program and devoting it entirely, 500,000,000, to food stuffs, the entire 500,000,000 to food stuffs to feed our people.
- Bell: I think that is right.
- Klotz: That is right.
- H.M.Jr: If you took \$500,000,000 and devoted the entire amount to food stuffs, you would get something.

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(Telephone conversation with Mr.  
Eccles follows:)

January 27, 1941  
9:59 a.m.

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H.M.Jr: Hello.  
Operator: They expect Chairman Ecoles in about fifteen minutes.  
H.M.Jr: When he comes in I want to talk to him.  
Operator: Right.

10:03 a.m.

H.M.Jr: Hello.  
Marriner  
Ecoles: Hello, hello.  
H.M.Jr: Marriner?  
E: Yes.  
H.M.Jr: Good morning, this is Henry.  
E: Yes.  
H.M.Jr: This is I think an acknowledgement of your letter. I doubt that I am going to answer it formally, Marriner. Hello.  
E: Yes.  
H.M.Jr: But, what I'd like to do very much - I have the first draft of my statement before Ways and Means for tomorrow - Wednesday rather. Hello.  
E: Yes.  
H.M.Jr: Hello.  
E: Hello.  
H.M.Jr: Can you hear me?  
E: No, not very well.  
H.M.Jr: Where are you?  
E: Hello.  
H.M.Jr: Where are you? You're not at your office?  
E: No. I've got a cold. I've been sick here for about three days. I got the flu.

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H.M.Jr: Oh my God! I said I've got my statement - my first draft of the statement I'm going to make before Ways and Means.

E: Yes.

H.M.Jr: And I'd like very much to have you and your Board members read it.

E: Yes.

H.M.Jr: And get your criticism.

E: Yes.

H.M.Jr: I say that's my answer to your letter.

E: Yes.

H.M.Jr: Now, are you well enough to do it?

E: Yes. I think I'll go down after a while. I'm feeling a little better than I have been.

H.M.Jr: Well, I'm sorry - Who should I send it to, Marriner, it's only the first draft?

E: Well, you send it on over to - send it to my office.

H.M.Jr: Yes.

E: And there's two of the Board members who are out of town but let's see, there's four of them there.

H.M.Jr: Yeh.

E: And, what I was going to suggest too (I was going to call Dan but I'll tell you now that you're on the phone) in connection with type of financing that might be possible to do in the future in order to get securities in the hands of the savers.

H.M.Jr: Yes.

E: I've asked our boys here for some little time to be looking into that sort of thing.

H.M.Jr: Good.

E: And what I'd like to do is when we get something to give you the benefit of any suggestions that we have.

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H.M.Jr: I'd like to have them and I'm putting quite a lot into this statement about that.

E: Yes.

H.M.Jr: So maybe if you've got something good we can put it right in there.

E: Yes. Well, I don't know how - I don't know whether they'll have anything or not. They worked a little on it last week and I was talking to Piser about it and I thought we might also get Ralph. Ralph is, of course, interested naturally in the market generally and if we got - if we give those fellahs a chance, it more or less - it puts them in the future when they are advising with reference to marketing.

H.M.Jr: Well, if you'll -

E: If they have something to say about it -

H.M.Jr: Yeh.

E: What is it?

H.M.Jr: Look, if I could have your suggestions back by four, because we'll be working on this tonight.

E: Yes. You mean your statement.

H.M.Jr: My statement.

E: Yes. You send it over and I'll see what I can do.

H.M.Jr: Right.

E: I'll get - I expect to be down there the first thing this afternoon and I'll get them on the phone in the meantime.

H.M.Jr: All right. It will be over in your office within a half an hour.

E: All right. I'll tell them it's coming.

H.M.Jr: And you tell them to keep it if you don't mind, of course it's confidential.

E: Yes, I'll tell them.

H.M.Jr: Thank you.

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H.M.Jr: I thought that all out by myself. I am very proud.

Bell: What letter was it in reply to?

Klotz: The letter --

H.M.Jr: Haven't you seen his letter?

Bell: No.

H.M.Jr: I will show it to you. Do you mind, Dan, just stepping out a minute and telling your office to send this over with a little note to Chairman Eccles? No, Mrs. Klotz will do it.

Klotz: I can do it.

Bell: You don't want to send that one, do you?

H.M.Jr: Do you mind? And say in a little note in it that any suggestions they have, if they will send it back to you by four o'clock. Don't you think this is smart?

Bell: Well, I think it is all right. I don't know what it is supposed to --

H.M.Jr: Well, he wrote me a letter complaining of the lack of cooperation and all the rest of it. Well, this affects the financial structure of the country.

Bell: Sure. I think they would like to help on the Hill on this Bill.

H.M.Jr: Sure. Do you mind, Dan?

Bell: No.

(Mr. Bell left the conference.)

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- White: Mr. Secretary, before you close the subject, may I make one brief request? I think it is a good thing to economize where you can for the fiscal year of '42 --
- (The Secretary left the Conference.)
- White: Look, don't you think Ferdie, that it would be better if at this point here when you speak of this table, "I want to show you British gold and dollar assets", say, "the table which I am going to read now was composed by the" --
- Kuhn: I thought you wanted to leave it out of the whole statement.
- White: No, I referred only to the reconciliation of their figures, not to this form of participation.
- Kuhn: It should be added, certainly.
- White: There are two things. It shows the group prepared it on the basis of --
- Kuhn: Isn't that at the beginning?
- (The Secretary returned to the Conference.)
- H.M.Jr: All right, make your little speech, Harry, come on.
- White: Well, if there is time, what I would like to see done, and it shouldn't take very long, is a recommendation made to the President of specific cuts and the justification for each item. That way it will differ from the usual desire merely to curtail expenditures. I would like to get

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a crack at the recommendation as based by evidence and argument on these various items.

- H.M.Jr: Well, you will have a chance tomorrow morning.
- White: Well, I think somebody ought to prepare it who is in favor of the cuts and then let you have a chance to examine it. I mean not tomorrow morning, but --
- H.M.Jr: Well, we will work on the statement tomorrow for Wednesday.
- White: In other words, if you feel it should be cut, I think you ought to go down the line and say where and why to the President, I don't mean to the public.
- H.M.Jr: Well, I think it is popular, and I like to be popular, and that is why I am going to do it.
- White: I don't believe that.
- H.M.Jr: What, that I like to be popular? I have never been popular, so after eight years, why not try and be popular?
- White: Well, I assume you wouldn't recommend a cut unless you have a good case, and if you have got a good case, you wouldn't mind anybody else examining it.
- H.M.Jr: That is true, but I want to be popular.
- White: If you are right, you will be popular.
- H.M.Jr: Not necessarily.

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White: I think in this case you will.

H.M.Jr: You can be wrong and popular.

White: Yes, but you would rather be right and popular, you know that.

H.M.Jr: You get back to two wrongs don't make a White.

Foley: This hasn't been mimeographed yet.  
(Laughter)

H.M.Jr: Harry is holding me up. If I suppressed Harry, Harry would say "you go in there and I want you to say something, and you won't even listen to me". Seriously.

White: Seriously, I think --

H.M.Jr: You see, you can't stop him. I am ready to go. Do you want to get on this statement?

White: Let's go.

H.M.Jr: All right. Before I go, I want to say that editorial in today's Times by Elliott Bell was swell. I think that is good for another letter.

Kuhn: You do?

H.M.Jr: Sure.

Kuhn: I wouldn't overdo that.

Klotz: That is marvelous.

H.M.Jr: O.K., all right.

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- White: Well, it wouldn't do for a letter from you, but it might very well do for a letter from Kuhn.
- H.M.Jr: You could say it was your suggestion to the press as to how to handle that.
- Kuhn: I only gave him a copy of the letter. That was all. I only said it might interest him.
- H.M.Jr: It is the best one I have seen. Now, if Harry will quit fooling and get down to business, because Ed Foley is nervous. Ferdie, the longer you stay with this crowd, you realize, if anybody thinks I can have my own way in this crowd - you write something, and Harry says, "take out those colorful words". You heard him last night. I want to be popular? Not a chance.
- White: If I would cut out fooling. I would like to tell a story.
- (Laughter)
- H.M.Jr: "The Secretary of State has outlined the broad policy behind this Bill. The Secretary of War and Navy will tell you how this Bill will strengthen the defense of the United States. I am going to confine myself to the financial facts and figures of life which relate to this Bill." How did that slip in?
- KUhn: Facts and figures?
- H.M.Jr: Of life.
- Klotz: He is kidding.

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- H.M.Jr: Who has not seen this?
- Young: I haven't seen it.
- H.M.Jr: The New York Tribune wrote a column. They said at last Mr. Morgenthau had learned the financial facts of life. Who hasn't seen it? Raise their hands.
- "The British Government is now committed to buy a billion three hundred million worth of purchases in this country, most of them to be delivered in '41." Are you satisfied with this figure, Phil, a billion three?
- Young: I don't know what it means from the text. A billion three is not the value of the purchases. A billion three is the amount yet to be paid.
- H.M.Jr: How would you say it?
- Young: Well, it is a billion three hundred million dollars of unpaid commitments on orders placed.
- H.M.Jr: What is that?
- Young: It is a billion three of unpaid commitments on orders placed.
- H.M.Jr: That is right, "is now committed to a billion three worth of purchases in this country." They have got a billion three worth of orders on our books.
- Young: No, they have got double that, minus what has been delivered.
- White: I think Phil's way of stating it is more accurate.
- Young: What did I say before, a billion three of (Mr. Bell returned to conference.)

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unpaid commitments? Is that what I said?

White: On orders already placed.

Young: On orders already placed.

H.M.Jr: Unpaid. Why not put it simply, "the British Government owes us a billion three hundred million dollars?"

Young: On orders already placed.

H.M.Jr: "On orders already placed." Did you hear that?

Bell: Owes American manufacturers or American contractors?

Klotz: Us.

Bell: American firms.

H.M.Jr: British Government --

White: Owes American firms.

H.M.Jr: "American manufacturers a billion three hundred million dollars for orders already placed --on orders placed." All right?

Young: That is right.

H.M.Jr: "Most of them to be delivered in '41."

Young: That is right.

H.M.Jr: Is that important to put that in?

White: It should be a separate sentence if it is going to be included.

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H. M. Jr: Is that important?

Young: Well, most of them - I would rather stick to the dollar value and say, "most of which will have to be paid in '41."

White: "Most of this sum falls due in '41."

Young: You're mixing up quantities and dollars.

White: "Most of this sum has to be paid in 1941 or falls due in 1941."

H.M.Jr: Why not put it this way. "This bill would have to be largely met in the calendar year of 1941."

Foley: Well, that gets confused with the legislation.

H.M.Jr: Well, this sum --

Foley: All right.

H.M.Jr: "This sum will largely have to be met in the calendar year of 1941."

Young: That is right.

H.M.Jr: Now, I am not going over this again, so if anybody doesn't like it - I will do it sentence by sentence, you see. Say it once. Are you fellows together? "It has enough gold and dollar exchange" --

Foley: You are making a master copy, aren't you, Harry?

White: Yes, I did on those.

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- H.M. Jr: "It has enough gold and dollar exchange assets to pay for what it has ordered."
- Bell: "To pay for these unpaid - for these commitments."
- H.M. Jr: Why not put it this way? "It has enough gold and dollar exchange assets to meet commitments already made."
- Bell: "These commitments." You have got unpaid commitments right above it.
- Kuhn: "All the commitments."
- H.M. Jr: Well, "to meet these commitments." That separates what Phil keeps - the dollar commitments.
- Young: Stick to the dollars.
- H.M. Jr: "It has enough gold and dollar exchange to meet these commitments."
- Cochran: You have to have "assets" there.
- H.M. Jr: Well, "dollar exchange assets to meet these outstanding commitments." I like outstanding commitments.
- Young: You don't want to spell out the assets?
- H.M. Jr: Oh, well, don't worry, "but the British just haven't got the dollars and can't get them to pay for anything like what they will need from now on."
- White: I should prefer to see that statement, "and cannot get the monetary --"
- H.M. Jr: I would simply say, "the British just haven't got the dollars, and no way has

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been disclosed to me yet - ". I don't think that is it. "The British just haven't got the dollars to pay for anything like what they need from now on." I think I would leave out "and they can't get them." "But the British just haven't got the dollars to pay for anything like what they need from now on."

- Bell: Do you want "dollar exchange"? "Just haven't got the dollar exchange?"
- H.M.Jr: Oh, I think that is too technical.
- White: You wouldn't want to cut out "from now on"? They may be able to get along for a little while.
- Foley: I think "from now on" is necessary, Harry, because you are distinguishing between what you have ordered and have got money to pay for and what you are going to order in the future.
- White: What they need. They have already ordered some and they need it.
- Foley: All right.
- White: "What they need to order."
- Klotz: "From now on" , yes?
- Foley: "What they will need to order from now on."
- H.M.Jr: I don't like that. I think the need is sort of all-inclusive. I don't like the "need to order". I don't like that. I mean --
- White: If you cut out "from now on", you can simply

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say "what they will need."

H.M.Jr: I would put it, gentlemen, "they just haven't got the dollars to take care of their additional needs."

White: That is all right.

Foley: That is all right, to say that.

White: All right?

Foley: O.K., sure.

H.M.Jr: Did you work on this alone, Ferdie? Oh, you and Ed?

White: They worked until two this morning.

H.M.Jr: Who did?

White: These two.

H.M.Jr: When did you ever get through with George?

Foley: We finished with George about ten o'clock.

H.M.Jr: Does he like it?

Foley: Yes.

H.M.Jr: You were up until two?

Foley: Yes.

H.M.Jr: I was up until one thirty, but not - well, it was kind of work, too, going to this play and entertaining these people afterward.

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Foley: I was going to call up last night after I saw George, but I thought I would bother you. Neither Taft nor Wheeler or any of those fellows that are making so much noise around this committee - the fellow that is laying for you today is Vandenberg, and I thought you would like to know that, because you always get along with him pretty well. He doesn't hurt when he throws them in.

H.M.Jr: He doesn't do what?

Foley: Hurt.

White: He is pleasant.

Foley: He has got a good sense of humor, and you handle him pretty well.

H.M.Jr: Where did you get that from?

Foley: George told me.

H.M.Jr: You know where he gets his from? Chemical Bank in New York. There is a fellow up there that feeds it to him. Archie Loch-head found that out. The vice-president of Chemical feeds him this stuff.

Now, "I have come here today to put this problem before you" - change this. "I am glad to have the opportunity to come here today", not to put, "to lay this problem before you".

Young: Discuss.

White: To place?

Foley: Lay is all right.

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H.M.Jr: "Lay this problem before you."

Bell: You could say, "I am glad to have the opportunity to come before you to give you all the information possessed in the Treasury."

H.M.Jr: That is much better.

Bell: That leaves out some of the answer.

H.M.Jr: Harry, who would help you if you had a stenographer sitting next to you?

Foley: Have Miss McGuire come in, because we had it done in our office.

H.M.Jr: And bring an extra copy?

Foley: Yes.

H.M.Jr: Just let's - what did you say, Dan?

Bell: "I am glad of the opportunity to come here today to give you all the information in the possession of the Treasury", something like that.

Foley: On what?

Bell: Well, following what you have - "in the possession of the Treasury on this problem".

Foley: "This problem we have got here."

H.M.Jr: Dan, I think the way I said it, if you don't mind --

(Miss McGuire entered conference.)

H.M.Jr: Good morning. There is a chair right there.

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Do you want to sit by the corner of the desk? It will be a good place to rest. We are on page 2, Miss McGuire, at the top. The rest they can give you afterward.

Foley: Do you want to say that again, Dan?

H.M.Jr: No, if you don't mind, I don't like that.

"I appreciate the opportunity of being invited to come here today to lay before you this problem, or lay this problem before you, and I am desirous of giving you all the information in the possession of the Treasury." All right, gents?

Young: That isn't so, is it?

Bell: I think it would be better if you said, "lay all the information on this problem in the possession of the Treasury."

Young: You are not giving them anywhere near the information you have.

H.M.Jr: He is right. Well, then, how did I have it?

McGuire: "I appreciate the opportunity of being invited to come here today to lay this problem before you, and I am desirous of giving you all the information in the possession of the Treasury."

White: "Significant information."

H.M.Jr: Wait a minute. "And I am desirous of discussing - and I am desirous of"- just go back again once more, please.

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McGuire: "I appreciate the opportunity of being invited to come here today and lay before you this problem - to lay this problem before you --"

H.M.Jr: "And to discuss this problem with you fully." That is good, isn't it, Phil?

Young: Yes.

H.M.Jr: All right, Ed?

Foley: Right.

H.M.Jr: O.K., people?

Bell: Does that go on, or is that all of it?

H.M.Jr: No, "I should like to put in the record", and so forth and so on.

Bell: O.K. That is the first sentence, "to come before you to discuss this problem fully"?

H.M.Jr: Yes.

Bell: O.K.

H.M.Jr: Now just give me that sentence.

McGuire: "I appreciate the opportunity of being invited to come here today and discuss this problem with you fully."

H.M.Jr: Just say it once more.

McGuire: "I appreciate the opportunity of being invited to come here today and to discuss this problem with you fully."

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- H.M.Jr: Yes, that is all right. And then it goes on, "I should like to put in the record a number of tables and other facts which I have already submitted to the House." I think that is all right. Are you satisfied, Ferdie?
- Kuhn: Is this to take the place of the introduction?
- Foley: No, just the first sentence.
- Kuhn: Oh, certainly.
- H.M.Jr: We have a purist with us in Philip Young, who objects to our saying, giving them all the information, and he happens to be right.
- Kuhn: That is right, Phil is right.
- H.M.Jr: Yes. Once in a while! You never know. I mean, he has got this Mohawk Valley conscience.
- Young: That is bad. (Laughter) It gets purer as you go up-state.
- H.M.Jr: I didn't say New England, because I don't think so much of New England conscience. You can't both have a New England conscience and run a clipper or a trader. Anyway, "the first is a table showing the available assets" - "first is a table" - wait a second.
- Bell: "The first table shows" --
- H.M.Jr: Yes, "the first table shows available assets in the" - all right, Miss McGuire?
- McGuire: Yes.

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- H.M.Jr: "The first table shows available assets in the United Kingdom in gold and dollar balances and privately-held American securities and in British-owned properties in this country."
- White: I think the word "privately-held" might be erroneous now, because the Government has had them vested in American securities.
- H.M.Jr: What would you say?
- White: I would merely say "in American securities and British-owned properties in this country."
- H.M.Jr: All right. Have it read "in American securities" and cross out "privately-owned". "In American securities and British-owned properties in this country. These are figures which governments normally keep confidential and closely guarded. They are being submitted to you with the consent of the British Government so that you can know what their position is. "
- White: Half of those figures aren't kept confidential and unguarded, so I wonder whether we had better not say "some of this data". You see, it only refers to the gold they have and one or two other items. Much of this data governments normally keep confidential.
- H.M.Jr: What?
- Cochran: In war time, I think they keep it all confidential.

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- White: The number of investments which are in this country?
- Bell: Sure. I think much of this data, as Harry says, much of this data is closely guarded and confidential.
- H.M.Jr: Oh, I think that that is all right. I mean, it is good to get that sentence in to impress them.
- Bell: You did say almost that in the House.
- H.M.Jr: It is all right to repeat it. "These are figures which governments normally keep confidential and closely guarded, but they are being submitted to you with the consent of the British Government so that you can know what their position is."
- Young: "Its position."
- H.M.Jr: What?
- Foley: No, it says governments.
- Cochran: The British say "their", and we would say "its".
- H.M.Jr: Well, I don't know why you have to say that, "so that you can know what their position is". I think that that is anti-climax. "These figures are being submitted to you with the consent of the British government", and leave off the rest. Strike out "so that you can know what their position is". I don't think it is necessary to explain that.
- Now, "Table I, December 31, 1940, gold, 292; official dollar balance, 54; private dollar balance, 305; U.S., 616; direct investments, 902 billion 166." Incidentally, everybody

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should read today's editorial in the Times on this thing. It is the best job that has ever been done, on the financial thing, since I have been here. I don't know of anybody that has done as good a job as that.

"The total British gold and dollar exchange assets of two billion 167 on December 31. The British exclude as unavailable 305 billion of private dollar balances, regarded as necessary for the conduct of business; 30 million of gold scattered in different parts of the world; and 21 billion on account of forward exchange contracts. This leaves a total of one billion 811 in gold and dollar exchange assets which the British regard as available for purchases in this country." I am satisfied.

- Cochran: Did they definitely want that 30 million excluded, Harry?
- White: They have given us later figures which have reduced and changed that, but I take it you didn't want to use their latest figures.
- H.M.Jr: You mean later since the Bloom letter?
- White. No.
- H.M.Jr: How much difference?
- White: Well, they have reduced that 30 million to - by 20 million dollars, almost. It is down to 11, I think.

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H.M.Jr: You mean because they have used it?

White: No, they have found it, or it has suddenly become available, or they have collected it from scattered places.

H.M.Jr: Do you want me to change it again?

Foley: No.

H.M.Jr: No. "Now, I want to give you"- no, I don't like that.

Bell: "Next table."

H.M.Jr: "May I now give you - "

Bell: Or, "I should like to present next."

Klotz: Yes.

H.M.Jr: Yes, I think what Bell - "I should like to present next." You have got to be a little deferential in that thing. They like it, you know. "May I present next to you a table - " O.K., Miss McGuire?

McGuire: Yes.

H.M.Jr: "To you a table of the estimated dollar exchange - dollar expenditures, receipts of the British Empire, excluding Canada, for the calendar year '41."

Now, Harry, everywhere else you excluded Canada and Newfoundland.

White: You are right.

H.M.Jr: Did I get you?

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White: You did.

H.M.Jr: Wonderful!

White: You didn't get me, you got Ferdie.

H.M.Jr: Wonderful. I want to make a little confession, though. I went over the Bloom letter for twenty minutes before you fellows came in, so I am a little bit posted, you see. That is marvelous. Excluding Canada and Newfoundland. Good old Newfoundland. "For the calendar year of '41. This will show you what the British have contracted for in war materials, other purchases here, and what they can count on from exports and other sources of dollars to help in meeting these obligations." It is all right with me.

Young: Well, it isn't what they have contracted for.

H.M.Jr: Louder, Philip.

Young: It isn't what they have contracted for, it is for how much.

H.M.Jr: How would you word it?

Bell: I think it is just a commitment.

Klotz: Yes.

H.M.Jr: How would you word it?

Young: How much instead of what.

H.M.Jr: Where? I am not with you, Philip.

Young: "This will show you what the British have

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contracted for in war materials and other purchases."

- H.M.Jr: What would you say?
- Young: You don't tell them what war materials they have contracted for.
- H.M.Jr: How would you do it, Phil?
- Klotz: How much.
- Young: Well, it is the value of what the British have contracted for.
- Bell: Well, it doesn't show that. These are the unpaid commitments, aren't they, which they are going to now liquidate? This will show you what the British have to meet.
- H.M.Jr: I have got it. "This will show you the dollar value that the British have contracted for." How is that?
- Bell: I don't think so.
- Young: It is the same thing we had on the first page, isn't it?
- Bell: Yes, that is right. These are the unpaid commitments that you are going to pay for.
- H.M.Jr: All right, I am listening for a suggestion.
- Bell: Wait a minute until I get the table.
- Young: What was the language used on the first page, Harry?
- White: "This will show you what the British still

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owe, and what they have contracted for."

H.M.Jr:

What is the matter with that?

Young:

It doesn't show what they have contracted for. It shows the dollar value of what they have contracted for.

Foley:

Well, I mean this is - I think it is much better to put this in a style that swings along instead of trying to make it so technically accurate. We are not going to release this and put one in front of each committee member. This isn't going to appear as the Secretary's statement in the New York Times, like Hull's.

H.M.Jr:

Why?

Foley:

Because it isn't that kind of a statement.

White:

I think if you say "this will show you what they still owe on what they contracted for". It implies value.

Bell:

How about, "this will show you what the British have to pay out for war materials and other purchases already contracted for"?

H.M.Jr:

"This will show you what the British have to pay out."

Bell:

You see, you are talking about the calendar year '41. "This will show you what the British have to pay out for war materials and other purchases already contracted for."

Young:

"Just what the British owe for war materials and other purchases." That is what it is.

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- H.M.Jr: I don't think - I don't see why the last one isn't the best. "This will show what the British owe." "This will show what the British owe."
- White: American manufacturers again?
- Bell: Well, I suppose it does if you take in the parentheses, a hundred and nineteen million to be paid after January, '42, it shows what they owe.
- White: I would be - you see, it does more than that. It does other things as well. "This will show you what the British will receive and what they will have to pay out", so I am wondering whether the first sentence isn't enough. Don't you think if you took everything out after?
- Kuhn: Not to my mind. It is a big table, and I think what this table is going to show them is distinct from what other tables show them.
- H.M.Jr: I don't see what is the matter with it the way it is. "This will show what the British have contracted for."
- White: Well, "this will show you among other things", and then you can say the rest of it.
- H.M.Jr: How would this be? "This will show what the British owe on contracts - on outstanding contracts." "This will show what the British owe on outstanding contracts, war materials, and so forth." That is correct, isn't it? "This will show what the British owe on outstanding contracts."

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White: Outstanding dollar contracts, yes.

H.M.Jr: Do you think you have to repeat that?

White: "This will show what the British owe on outstanding dollar contracts."

Foley: Don't say "dollar". You won't know whether they are in this country or where they are.

H.M.Jr: "This will show what the British owe on outstanding contracts to American manufacturers." This is plain. Is that agreeable to you, Ferdie?

Kuhn: Sure.

H.M.Jr: "This will show what the British owe on outstanding contracts to American manufacturers for war materials and other purchases here." Now, isn't that correct, Phil?

Young: Yes.

H.M.Jr: All right?

Young: Yes. My only objection to this - "what the British have contracted for in war materials and other purchases", it looks as though you are going to itemize machine guns, rifles, and tanks and so on.

H.M.Jr: I think, "this will show what the British owe on outstanding contracts for war materials and other purchases here." Is that agreeable to you, Bell?

Bell: Aren't you going right on, then, "what they

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can count on"?

H.M. Jr: Oh yes, "what they can count on".

Kuhn: What receipts?

H.M. Jr: From exports and other sources of dollars.

Bell: "From exports and other dollar sources."  
Just the way it is. I would take out the  
comma after "on".

H.M. Jr: Have you got it?

McGuire: Yes. "This will show what the British owe  
for outstanding contracts to American manu-  
facturers for war materials and other pur-  
chases here and what they can count on from  
exports and other sources of dollars to  
help in meeting these obligations."

H.M. Jr: Would you do it once more?

McGuire: "This will show what the British owe on  
outstanding contracts --"

H.M. Jr: "On" or "for"?

Bell: "On."

H.M. Jr: All right. O.K., I am satisfied.

McGuire: Want me to read it again?

H.M. Jr: Please.

McGuire: "This will show what the British owe on  
outstanding contracts to American manufac-  
turers for war materials and other pur-  
chases here and what they can count on  
from exports and other sources of dollars  
to help in meeting these obligations."

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- H.M.Jr: All right, now, Table 2, "Estimated Dollar Expenditures and Receipts of British Empire, Excluding Canada, from January 1 to January -- "
- McGuire: Do you want to add "Excluding Newfoundland" there?
- H.M.Jr: Yes. .
- White: Wherever you see "excluding Canada", add Newfoundland.
- H.M.Jr: Yes. Gentlemen, that is wonderful. That sets me up all morning. Where are we?
- Bell: Table 2.
- H.M.Jr: "Estimated Expenditures and Receipts of the British Empire Excluding Canada and Newfoundland. Dollar expenditures. A., U.K. payments to be made on total purchases from the United States. 1., Sums to be paid during 1941 on orders placed before January 1, 1941 (In addition \$119 million will fall due after January 1, '42. 2., Imports from United States not purchased through the British Purchasing Commission, largely on private accounts, \$280; \$1554. B., Purchases by Empire countries (excluding U.K. and Canada) from United States during 1941; 1., Commodity imports; 2., Payments for shipping, tourist expenditures, interest payments, etc.; C., Purchases by Empire countries, excluding Canada, from areas outside the United States requiring gold or dollars; 1., Purchases by Empire countries (chiefly U.K.) from areas outside the United States and Canada requiring dollars; 2., Payments by Empire countries (chiefly U.K.) to

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Canada and Newfoundland. Total dollar requirements for all transactions, \$3,019. Dollar Receipts. Assets of U.K. - receipts for Empires, excluding Canada and Newfoundland, \$1,555. Now I want to show you how the British gold and dollar exchange assets have declined, by more than two and a quarter billion dollars - " "Now I want to show you." I don't say that to the committee. Dan, give me some committee language instead of saying "now I want to show you".

Foley: "Next I want to bring to your attention."

H.M.Jr: That is all right.

White: Or, "I should like to next - "

Cochran: "I want to explain to you - "

H.M.Jr: "Next may I bring to your attention."

Klotz: Or, "may I explain", that is good.

H.M.Jr: Well, we can use that again. We have another table.

Bell: Or, "now I come - "

H.M.Jr: Remember, whoever made that.

Cochran: Yes.

H.M.Jr: "Next may I - "

Foley:- "Bring to your attention."

H.M.Jr: "Bring to your attention how British gold and dollar exchange assets have declined."

Foley: "The manner in which - "

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- Kuhn: It is better to say, "next may I explain how," or, "may I bring to your attention a table showing."
- H.M.Jr: Well, you say it, Ferdie, and she will write it.
- Kuhn: "Next may I explain how British assets have declined."
- White: This is not being pedantic, but I should prefer at this point to say, "next may I submit you a table showing how," because the explanation is not his; it is the British government's. The table is the important thing, and it is not our explanation; it is theirs.
- H.M.Jr: One person has to decide it, so decide it.
- Kuhn: Well, I should leave it --
- H.M.Jr: Go ahead.
- Kuhn: Easier and friendly, "next may I explain how British assets have declined".
- H.M.Jr: All right.
- Cochran: It is gold and dollar assets, the same.
- H.M.Jr: "How British gold and dollar assets have declined, by more than two and a quarter billion dollars, between the start of the war and the start of 1941."
- Now I just want to rest here a minute.  
I wonder - I would like to get in something to say - I know it is difficult to believe this, but we - let them - I guess so.

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- Kuhn: Mr. Secretary, after this table, you go into some explanations of these otherwise unbelievable figures.
- H.M.Jr: O.K.
- Bell: How about saying, "during the first sixteen months of the war"?
- White: Yes, I think so.
- Bell: That starts the story.
- H.M.Jr: What is that, Dan?
- Bell: At the last.
- Foley: "During the first sixteen months of the war," that is all right.
- H.M.Jr: "Sixteen months of their war." That "their" is a very important word. I am serious. "Of their war."
- Klotz: It is ours, too.
- H.M.Jr: That is just what I am afraid the committee would ask he. Oh my, my, my, my - Table 3.
- "Estimated Gold and Dollar Expenditures and Receipts of British Empire, Excluding Canada and Newfoundland, from September 1, 1939, to December 31, 1940." Sixteen months - let's see, payments and so forth. This I know. "Payments" and so forth.
- White: I think there should be inserted there, "compiled by Treasury Department, Department of Commerce, and Federal Reserve Board from data." It will give it a little more prestige, and they did help.

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- H.M.Jr: All right, now how would you like that?  
"Compiled - "
- White: Just insert after the word "compiled",  
"by Treasury Department, Department of  
Commerce, and Federal Reserve Board."
- Bell: Would that be better at the top there,  
or is that a sort of footnote?
- H.M.Jr: I think at the top.
- White: If he is going to read it, I think "com-  
piled from".
- H.M.Jr: Now, while we are right on that at the  
moment, I thought, Dan, of the possibility  
of inviting Gardner to sit up there with  
us, plus this - something - Jones. What  
is his name?
- Bell: Grosvenor Jones?
- Cochran: I have seen Gardner in committees, and he  
will bother you to death if he has a chance.
- White: Amos Taylor is very talkative, and I don't  
know if there are any others you have had  
any experience with, but he may be differ-  
ent before a committee.
- H.M.Jr: Who is talkative? Who is it?
- White: Amos Taylor, not myself.(Laughter.) I got  
it.
- H.M.Jr: God, that is marvelous.
- Foley: I wouldn't take anybody from the Federal  
Reserve Board.

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H.M.Jr: The fewer we have, the better. You think if you have Harry it is enough?

White: Oh, it is more than enough, it is too much. (Laughter.)

Bell: They will be there, but let them sit in the back of the room.

Foley: Let them sit with the boys.

H.M.Jr: It is just interesting. Now, you notice how I have tried to get this cooperation, and what happened when I want it?

Bell: Well, that is a good reply.

White: Professional jealousy.

H.M.Jr: All right.

Bell: I don't know whether it bothers you or not, but I don't like the details of the figures put after the total.

H.M.Jr: Well, Mr. Bell, we will take your word -

Bell: No, you will have to read it.

White: Yes.

H.M.Jr: You mean over here?

Bell: No, you see, the first indented figure. That is a total of the billion 380 above it.

White: I feel as Dan does, but the others felt this way.

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H.M.Jr: Well, on this matter, Dan is supreme.

Bell: No, you have to read it. I think it depends on your eyes, whether you want to read the total and say it is made up of the following.

H.M.Jr: Well, how would you do it?

Bell: I would rather read it, "goods delivered, \$660; advance payments, \$570; capital assistance, \$150; total, \$1380." That is the way I would read it.

H.M.Jr: And put the \$1380 at the bottom?

Bell: Yes.

H.M.Jr: And put the word "total". Would you explain that to her right now?

Foley: Better do it right now.

Bell: You understand that, don't you?

McGuire: I didn't hear.

H.M.Jr: Switch the total, a billion 380, down opposite the 150 in the indentation, and make a line in the 150. Put the 1380 after that in the next column.

McGuire: You like it just one line down or shift it over?

Bell: I would just shift it over, and then I would do the same thing with the 125 and 24, put a line under that and drop the 197 down.

Foley: You had better come over here and show

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her, Dan.

Klots:

Yes.

Foley:

All those tables will have to be done over now. If it isn't important I wouldn't do it, because we won't have this done in time, Mr. Secretary.

H.M.Jr:

I am telling you what I am going to do right now. We will bring Miss McGuire up to page 10, and then she can give it to somebody else and they can get started on it.

Foley:

All right. We will have to have that machine of Miss Chauncey's, too. Would you have somebody send that down there? That is the only other one is the same type.

H.M.Jr:

All right.

Young:

Harry, where did you get your figures on billion three?

White:

On the what?

Young:

Of \$1380?

White:

Took the same ones they used the last time.

H.M.Jr:

Harry, give Miss McGuire the first page so that she can have the corrections.

White:

O.K. On the second paragraph of the first page, it should read as follows:

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"British government now owes American manufacturers one billion three hundred million dollars on orders already placed. This sum will largely have to be met in the calendar year of 1941."

(The Secretary on White House phone.)

H.M.Jr:

Hello.....

Thank you.....

Listen, General, I was thinking of sending the Coast Guard out for you last night.....

Yes.....

Well, I'll be darned.....

Well, the next time you have trouble, let me know and we'll send a boat from the Coast Guard down for you.....

Yes.....

Well, last night I reminded him.....

Did he tell you that this morning?.....

This morning?.....

Since I talked to him?.....

No, well, I talked to him last night.....

Well, you ask him again and last night he changed his mind, and he said he would go.....

He forgot about the three sailors. This is purely a Navy affair.....

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Well, there are three sailors in this thing. Seriously, I talked to him last night, and he has forgotten all about it. Ask him once more, will you? Because last night the last thing I did when I left, I said, "will you go?", and he said, "yes".....

Ask him once more.....

Well, ask him - .....

Ask him once more.....

He knew darned well it was. Just ask him once more. He had a great laugh over it last night.....

What?.....

I think you will find he will go, but if he doesn't, let me know later.....

Well, ask him once more.....

Thank you.....

Listen, I thought you would get a great kick out of it.....

Of course he would out of this. But just ask him once more. Yes. I think it would be good for him.....

What?.....

What is it?.....

Yes, you see.....

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Five minutes behind - .....

I said, "thank you".

H.M.Jr: Are you fellows all right physically?

Foley: Sure, we are all right. We are just nervous, and I am afraid we won't have it done.

H.M.Jr: Don't worry. This will be out of my office - half of it is done now. The other half will be done within the hour.

Foley: All right.

H.M.Jr: Relax.

Foley: O.K.

(Stenographer entered the conference.)

Foley: This is Miss Shelley, Mr. Secretary.

H.M.Jr: I know her. She may not know me, but I know her.

(Laughter.)

H.M.Jr: I am on page 10. "One vital factor in this drain of assets was the collapse of France last summer." I am just wondering now, just a second. To put it a little the other way around. "France collapsed last summer. This was one of the vital factors in the drain of assets."

Which is better? The way you have got it?

Kuhn: I think so, because the table uses the

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phrase "drain of assets", and is dealing with that, and now you want to explain it.

- H.M.Jr: All right. "One vital factor in this drain of assets was the collapse of France last summer. The French had at least as much as the British in gold and dollar assets in this country; these resources were available, together with the British, to pay for purchases here in the first nine months of the war. When the French collapse came, last June, the British took over all French contracts in this country - ". Is that correct? For all ostensible purposes?
- Young: French government contracts. There are a lot of private contracts still turning up.
- Bell: Don't you think that means the French government?
- Foley: You are talking about British defense here.
- H.M.Jr: "The British took over all the French contracts in this country, although they no longer had the help of French money to pay for them. British liabilities were doubled. They were left to face Germany alone."
- Bell: Were thus doubled?
- Kuhn: Well, it wasn't only thus, Dan; because there were other factors that doubled their burdens, such as loss of the raw materials they were able to get from France, and they had to get it from America. It wasn't entirely the taking over of the contracts.
- Foley: We added "thus" before, and he broke it up

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this way for that reason.

Bell: O.K.

White: Don't you think the French government would have bought some materials and raw materials? Would the British government have stopped buying just because of the French? I am a little bit doubtful about this. The British government were supposed to have bought all they could anyway.

H.M.Jr: They didn't.

Kuhn: But the British were getting - they were getting steel from Lorraine, and things like that, which they now have to come to America for, weren't they?

H.M.Jr: Sure. A lot of things they were getting -

White: Yes, but they would have needed a lot more.

Kuhn: I think it is an accurate statement.

H.M.Jr: I think it is a little bit dramatic, and nobody is going to break this thing down. I think it is a good point which a lot of people have overlooked. And it is a little bit something new, Harry.

White: It is all right.

H.M.Jr: It is the only fresh thing so far we are bringing in that we haven't mentioned before. We have got to have something fresh.

"British liabilities were doubled. They were left to face Germany alone. Their

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financial resources here were cut in half."

Their combined financial resources.  
No?

Bell: No, it is the British.

Foley: It is the British.

H.H.Jr: "Their financial resources here were cut in half. The result was that the British began to lose gold and dollar assets twice as fast after June as before; and they have continued to lose them at the faster rate ever since." That is all right with me.

Wife: Well, I don't know whether I am being meticulous here, but they can't both double their liabilities and have their assets cut in half. You are counting this thing twice, aren't you?

H.H.Jr: No, because we froze the French assets. We have still got them, a billion dollars worth of French gold here, haven't we?

Wife: But they took over their orders. That meant they had more bills to pay.

H.H.Jr: And we took over the French assets.

Wife: If they had the French assets they wouldn't have the liabilities. The French would have had the liabilities.

H.H.Jr: But they didn't get the French assets. They took over the liabilities and not their assets.

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White: That way of stating it. They took over their liabilities but not their assets.

Foley: We can add that.

H.M.Jr: All right. Fix it up.

White: "The British took over - "

Foley: Right after "they were left to face Germany alone", strike in --

White: "They took over the French liabilities but not their assets." That would be accurate.

H.M.Jr: All right.

Foley: "The British financial resources here were cut in half."

H.M.Jr: What is the matter, Ferdie?

Kuhn: I think that is correct.

White: They weren't British resources, they were French resources against liabilities. The British took over those liabilities, but they didn't take over their assets.

Bell: The British had the same assets, but they were made to meet double liabilities. They weren't cut in half.

White: That is right. So I say if you say the British took over their liabilities but not their assets, it would be correct. This way it is counting the thing twice.

Young: You have already said it in the preceding

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sentence.

Coley: British liabilities were doubled.

H.L.Jr: Do you have to have that?

Wite: That is right. "They were left to face Germany alone." I think the next sentence, for purposes of accuracy, might well come out.

H.L.Jr: Now, wait a minute, so far there are no changes. They no longer had the French money to pay for it. That takes care of that. British liabilities were doubled.

Wite: Fine.

H.L.Jr: O.K. "They were left to face Germany alone." O.K. "Their financial resources here were cut in half." That is where I think - their resources weren't cut in half. Their joint resources.

Wahn: Suppose that came out?

Well: I don't think that would hurt it.

H.L.Jr: I don't think that would hurt it.. Just strike out "their financial resources here were cut in half". Harry, Harry?

Wite: Yes, I think that is more nearly accurate.

H.L.Jr: And it doesn't hurt it at all. That is all right. "They were left to face Germany alone. The result was that the British began to lose gold and dollar assets twice as fast after June as before; and they have continued to lose them at the faster rate

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ever since." I wonder if that is necessary.

Young: "At that rate."

Foley: "At the accelerated rate."

White: Does that mean if France had still been with them that England wouldn't have spent any more than she was spending here in the first six months, which was very small? Weren't there a lot of orders which were just getting going? They were going to spend more money anyway. The only reason they weren't spending it is because they claim they didn't get the orders, they didn't have the Purchasing Commission --

H.M.Jr: Now, wait a minute. The English - I may use round figures - had an expeditionary force of two or three hundred thousand which they sent to France, and while they had the French army of five million men, their expenditures were at that rate. Now, when they lost the army of France plus the French manufacturing resources, their purchases have to increase.

White: That is true. They had to be larger than they would have otherwise been.

H.M.Jr: I don't know how much bigger they would have been.

White: But they would have been bigger even if France hadn't --

H.M.Jr: Oh yes, but nothing like - I think that is

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all right, but the only thing I don't like, but they have continued to lose them. I like this. "The result was that the British began to lose gold and dollar assets twice as fast after June as before."

Bell: Period.

H.M.Jr: Period. Now let me just read back over there, because this is powerful stuff.

"When the French collapse came last June, the British took over all French contracts in this country, although they no longer had the help of French money to pay for them. British liabilities were doubled. They were left to face Germany alone. The results were - was that the British began to lose gold and dollar assets twice as fast after June as before."

I think that is all right.

"This war is now costing Great Britain more than fifty million dollars a day, or almost two-thirds of her national income. The British - ". Now, wait a second. "The British war is now costing Great Britain" - this fifty million is what they spent at home, Ferdie.

White: I think that should be put in sterling and then you would avoid that difficulty. It is not dollars they are spending, but it is sterling.

H.M.Jr: I think that would take care of it.

White: Everybody can add it.

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- W.M.Jr: "This war is now costing Great Britain more than twelve million pounds a day."
- Wite: The British government, really. It is costing Great Britain more, probably. In Great Britain, you would have to include the destruction of the buildings and a lot of other things they are now undergoing.
- Well: How about saying "the British"? That is what we have used in the preceding paragraphs referring to the government.
- W.M.Jr: I have got it better yet. "The British are spending more than twelve million pounds a day."
- W.M.Jr: "On this war."
- W.M.Jr: Well, they are just spending it.
- Wite: Well, that is the British --
- W.M.Jr: They are spending more than that if it is not war expenditure.
- Wiley: If it is only two-thirds of their national income.
- Wite: It would either have to be the government or -- I think that "this war is now costing the British government more than twelve million pounds sterling every day".
- Well: I think that is all right.
- Wite: And then you can add "that is approximately equivalent to fifty million dollars a day".

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H.M.Jr: Well, that isn't necessary.

Bell: Well, somebody will ask that.

H.M.Jr: Well, they can multiply. Let them ask. How would you put it, Harry?

White: "This war is now costing the British government more than twelve million pounds sterling every day."

H.M.Jr: I wouldn't say sterling, "twelve million pounds".

White: Well, there are many kinds of pounds.

H.M.Jr: All right, "twelve million pounds sterling".

White: "Each and every day."

H.M.Jr: Got it, young lady?

Shelley: Yes.

H.M.Jr: Would you read what you have on that?

Shelley: "The war is now costing the British government more than twelve million pounds sterling every day."

H.M.Jr: All right, "or almost two-thirds of her national income".

White: It is 60 per cent.

H.M.Jr: Or say --

Bell: Three-fifths.

White: Is that almost two-thirds, or is that a

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little more than half?

Foley: Well, say three-fifths.

H.M.Jr: Why not say 60 percent?

White: Roughly about 60 percent.

H.M.Jr: Or "approximately 60 percent of her national income".

Kuhn: You can't say "her", if you mean British government. "Of the national income."

Bell: It is national income.

Cochran: Is 50 their latest figure, Harry?

White: What?

Cochran: Is that their latest figure?

White: Well, it is an estimate.

H.M.Jr: Read the sentence, please.

Shelley: "This war is now costing the British government more than twelve million pounds sterling every day, or approximately 60 percent of the national income."

H.M.Jr: "Of the" or "of its"?

Kuhn: There is only one national income, isn't there?

H.M.Jr: All right. "The British are raising about 40 per cent of this cost by taxing their people at home." I would leave "at home" off.

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- White: There is an important point that might be injected there, that this expenditure is rapidly increasing - "and this expenditure is rapidly increasing".
- H.M.Jr: Is it?
- White: Yes. Well, it is much higher - each quarter it has been greater.
- H.M.Jr: Well, that would come after that first sentence, wouldn't it?
- Bell: That would be a new sentence, wouldn't it?
- H.M.Jr: All right, "and this expenditure" --
- White: "Steadily increasing", if you like.
- H.M.Jr: "Is steadily mounting." All right?
- Shelley: Yes. That is at the end of the first sentence?
- White: You can just keep this in mind if you want to on that point. In June, 1940, they were spending at the rate of three billion pounds a year. In October, six months later, it was at the rate of three billion six. In the last month that we have, it was at the rate of four billion two.
- H.M.Jr: Four billion --
- White: At the rate of four billion two hundred million pounds a year, showing how the rate of increase goes up.

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- H.M.Jr: Now, give it to me once more.
- Shelley: "This war is now costing the British government more than twelve million pounds sterling every day, or approximately 60 percent of the national income, and this expenditure is steadily mounting."
- Kuhn: That is all right.
- H.M.Jr: "The British are raising about forty percent of this cost by taxing their people." Leave off "at home". The only place I might like to put the "at home" is, "the British are spending - British government is spending twelve million pounds - how would that first sentence read?"
- Shelley: "This war is now costing the British government more than twelve million pounds sterling."
- Bell: That includes their expenditures in the United States.
- H.M.Jr: No, it doesn't.
- Bell: Sure.
- H.M.Jr: It doesn't, does it?
- White: Yes, they have to pay out in sterling what they get in dollars, so if you put it in sterling that takes care of their sterling expenditures.
- Bell: That is their budget expenditures.
- White: That is right.

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H.M.Jr: Well, just cross it out - are you with us?

Shelley: Yes sir.

H.M.Jr: That "at home" comes out.

"To give you an idea of what the British people are doing to pay for the war, you may be interested in the following table comparing British and United States taxes at the" -

Please put this, "to give you some idea of what the British are doing to pay for the war, you may be interested in the following tables comparing the British and United States taxes." All right?

White: That "United States" means Federal, you know. Is that clear?

H.M.Jr: Yes.

Foley: I think it is clear, Harry, because you don't locate this couple anywhere. You want to be sure and read "married couple," this time, "with two dependents in the house".

H.M.Jr: Where is that?

Foley: At the very top.

H.M.Jr: The joke is, normally I am so nervous about fighting time to get this out, but today Ed is nervous. As long as one fellow is nervous, it is all right.

Bell: You have got to have somebody.

H.M.Jr: I would rather have Ed do it.