

DIARY

Book 353

January 30 and 31, 1941

- A -

	Book	Page
Africa		
See War Conditions		
Agriculture, Department of		
Wickard (Claude R.) speech before Agriculture Conference at Purdue University - 1/14/41..	353	245
a) Copy sent to HMJr.....		244
Appointments and Resignations		
Personnel, Division of: Investigation resulting in disapproval of Ballinger as Director and contemplated appointment of Wilson (Farm Credit) - 1/30/41.....		65,109,110
Wilson, T. F.:		
Director of Personnel: Thompson memorandum recommending - 1/30/41.....		65

- B -

Ballinger, E. R.		
See Appointments and Resignations: Personnel, Division of		
Bata Shoe Company		
See Federal Bureau of Investigation		

- C -

China		
See War Conditions		
Clark, Bennett Champ (Senator, Missouri)		
Treasury letter on cost of servicing British and other foreign loans - 1/31/41.....		235
Correspondence		
Mrs. Forbush's resume' on mail reaction to Lend-Lease Bill (H.R.1776) - 1/31/41.....		287

- D -

Defense Savings Bonds, United States		
See Financing, Government		

- F -

Federal Bureau of Investigation		
Investigation of Mrs. Helm and Miss Thompson told by HMJr at 9:30 meeting - 1/31/41.....		142
Klaus memoranda - 1/31/41.....		268,269
a) Bata Shoe Company: Preliminary investigation		
Financing, Government		
Defense Savings Bonds, United States: Proposed set-up - Graves memorandum and chart - 1/30/41.....		62,64
Foreign-Trade Zones Board		
See War Conditions		
France		
See War Conditions		

- G -

Book Page

General Electric
See War Conditions: Germany
General Motors
See War Conditions: Germany
Germany
See War Conditions
Greece
See War Conditions

- H -

Helm, Mrs. James (Social Secretary, Mrs. FDR)
See Federal Bureau of Investigation

- I -

Inaugural Medal
See Mint, Bureau of

- M -

Medal, Inaugural
See Mint, Bureau of
Mint, Bureau of

Medal for third inauguration presented to FDR by
Mrs. Ross (Director) although neither HMJr nor
any member of his staff has seen or heard about
it: discussion at 9:30 meeting - 1/30/41.....
Gold movement to Fort Knox practically completed
(value now \$14½ billion) - 1/31/41.....

353 27,149
149

Munitions
See War Conditions

- P -

Peacock, Sir Edward
See War Conditions: Purchasing Mission
Personnel, Division of
See Appointments and Resignations

- R -

Refugees
See War Conditions: France

- S -

Self-Help Cooperatives
Self-Help Exchange, Washington: Thompson asked to
consider personnel there in case of suitable
vacancy in Treasury - 1/30/41.....

5

- T -

	Book	Page
Tax Research, Division of		
Report of projects during January 1941.....	353	205
Thompson, Miss Malvina (Secretary, Mrs. FDR)		
See Federal Bureau of Investigation		

- U -

United Kingdom		
See War Conditions: Military Planning; United Kingdom		

- V -

War Conditions		
Africa:		
Report on airplane shipments - 1/31/41.....		280
a) Map.....		286
Airplanes:		
African Shipments: Report on - 1/31/41.....		280
a) Map.....		286
British-type orders reviewed with HMJr by		
Purvis - 1/30/41.....		33
a) Summary of Purvis talk with Knudsen...		57
China:		
Tax group will be offered cooperation at Treasury:		
HMJr informs Buck - 1/30/41.....		86
Abolishment by British of free sterling on		
Shanghai market and difficulty of situation		
resulting discussed by Soong, HMJr, and		
Cochran - 1/31/41.....		153
a) Imposing freezing control upon Chinese		
and Japanese assets in United States		
discussed		
b) Additional loan by United States discussed		
Exchange market resume' - 1/30-31/41.....		97,272
Foreign Funds Control:		
Over-all order: Conference in Hull's office;		
present: Hull, Berle, Feis, Pasvolksy, HMJr,		
Foley, and Bernstein - 1/30/41.....		31
a) Hull, at Cabinet, suggests further		
conferences - 1/31/41.....		239
Foreign-Trade Zones Board:		
Annual report, January 30, 1940: Presented to		
Congress January 30, 1941.....		82
France:		
Additional refugees to United States discussed by		
Lacour-Gayet with Bell and Cochran - 1/31/41...		108
Germany:		
General Motors, General Electric, etc., to be asked		
about status of plants - 1/30/41.....		11
Greece:		
Aid discussed by Treasury, British Purchasing		
Commission, State Department, and Greek Minister -		
1/31/41.....		184

- W - (Continued)

	Book	Page
War Conditions (Continued)		
Lend-Lease Legislation:		
Mrs. Forbush's resume' on mail reaction to Lend-Lease Bill (H.R. 1776) - 1/31/41.....	353	287
Military Planning:		
Report from London transmitted by Halifax - 1/30/41.....		100
Munitions:		
Obstruction to flow of munitions pointed out by Waesche to HMJr.....		68
a) Memorandum transmitted to Knudsen - 1/30/41.....		67
Purchasing Mission:		
British-type orders reviewed with HMJr by Purvis - 1/30/41.....		33
a) Summary of Purvis talk with Knudsen.....		57
Contracts placed in United States as of January 30, 1941 discussed by HMJr, Gaston, Young, Buckley, Phillips, Purvis, and Ballantyne - 1/31/41.....		157,178,179
a) HMJr discusses with Watson (White House) - 1/31/41.....		180
Peacock, Sir Edward: British press comment on forthcoming visit to United States - 1/31/41..		222
United Kingdom:		
Food condition reported by American Embassy, London - 1/31/41.....		277
Vickard, Claude R. (Secretary of Agriculture)		
See Agriculture, Department of		
Wilson, T. F.		
See Appointments and Resignations		

January 30, 1941
9:30 a.m.

GROUP MEETING

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

H.M. Jr: I just want to say this: we have been through an extra difficult time since the first of December; and, unless something changes, I am going to leave tomorrow night for the week; and I am particularly anxious that Bell be out of the office as much as possible and Foley. Mrs. Klotz is going to visit her child. So I am going to look to Herbert Gaston to see that - and John Sullivan to see that while I am gone the shop clicks, and you will be acting, Herbert, and make sure that this fellow Bell and Foley get away, will you please?

Gaston: Won't let them in the building. That is easy.

- 2 -

Bell: As long as you are Acting Secretary, you ought to be able to issue an order.

H.M.Jr: Will you, Herbert?

Gaston: Yes.

H.M.Jr: And if you will take the brunt for a week or ten days, I would appreciate it; but, as I say, see that Bell and Foley - Mrs. Klotz is leaving. She has had a bad time, and I want Philip Young also to stay away for a week. Those people have been taking the brunt. Have I overlooked anybody? I don't think so? Have I, Mrs. Klotz? No, I think that those people worked the hardest on this thing. I think, John, if you will talk with Bell and find out just what he would like on this bill, you see. You know, the one we had the fight on yesterday. And Ed, you have got Cox up there following the Lend-Lease Bill. I think this: that we have had our share of success, but I want the people to get a rest while I am gone. That doesn't mean other people haven't worked also, but I just want the ones who have worked particularly hard. Kuhn has worked very hard, but he is young, and he hasn't been here long enough for me to feel sorry for him.

Foley: Did you see what Frederick Wile said about Ferdie's speech?

H.M.Jr: I did, yes.

Kuhn: It was Huntington Cairns' speech, trimmings by Kuhn, that was all.

H.M.Jr: Is your family coming this weekend?

Kuhn: Yes, Saturday.

- 3 -

H.M.Jr: Then it is a good weekend for me to be away. I certainly would not come in Saturday, Ferdie. I say, the fact that I am not singling you out doesn't mean I don't appreciate what you have done.

Kuhn: They will be down in the afternoon.

H.M.Jr: The fellows who have been here eight years feel it a little bit more.

Bell: I think Merle ought to get away. He didn't have any vacation at all last summer.

Cochran: No, no.

H.M.Jr: Why isn't it a good week, Merle?

Cochran: I think I would rather go a little bit later.

H.M.Jr: You always say that.

Cochran: Well, I am serious this time. (Laughter)

H.M.Jr: Why not take both? You have got many weeks of accumulation.

Cochran: I will save it.

H.M.Jr: You always say that.

Cochran: No, no. I really intend to get away. I may ask for a long one, one of these days.

Klotz: You may not get it. (Laughter)

H.M.Jr: Well, anyway, I am trying to - I am going to look to Gaston and Sullivan to keep the shop moving, and Gaston will be acting, and I would like to suggest, Herbert, that you have a 9:30 meeting every morning to keep the boys together and see that they behave themselves.

- 4 -

Klotz: It is going to be hard.

H.M.Jr: With Herbert in charge, I have no worries.

Gaston: Well, I hope you won't be too much surprised or too unpleasantly surprised when you come back.

H.M.Jr: And I hope, for your sake, that while I am gone the President doesn't transfer Coast Guard.

Gaston: Well, don't you think he is going to?

H.M.Jr: I think it is very likely to happen next week.

Gaston: I bet about two to one it will be done before you get back.

H.M.Jr: Who would be a good person to talk to Wright Patman?

Sullivan: I am going to see him this morning. He is testifying on this bill at 10 o'clock.

H.M.Jr: Find out which organization is retaining him, will you please? Last time it was the Retail Druggists.

Sullivan: Was that all? I think this is the American Bankers Association.

H.M.Jr: I would ask him.

Schwarz: I think, Mr. Secretary, in your press conference would be a good opportunity to clear up what he is going to testify to.

H.M.Jr: Bell is giving me a statement.

Bell: You don't know what he is going to testify to, do you?

- 5 -

- Schwarz: He has announced in advance that he thinks it is wrong to put on a big ballyhoo campaign. You didn't say that yesterday. Of course, in answering one question, some of the newspaper boys got that impression.
- Bell: Of course, what he is going to ask them to do is for the Government to buy the stock in the Federal Reserve Banks and stop issuing bonds and pay - make them meet all these expenditures with currency, pay off the debt in currency.
- H.M.Jr: You think so?
- Bell: Oh, sure, he is a strong advocate of that.
- H.M.Jr: Norman, here is a letter to Mrs. Morgenthau from a man who has been working four years in the Self-Help Exchange and a letter from Mrs. Doyle saying he is a good man. I wish you would get in touch with Mrs. Doyle, who is an exceptionally fine woman, and this man is a truck driver, and he has got Civil Service standing, and if you need somebody, I would give him a job, but let him know that you are doing it at Mrs. Morgenthau's request, and then if there are ever vacancies amongst the laborers, I wish you would look to this Self-Help first. Would you give these orders, you see, and at the beginning, until you get started, if you would work with Mrs. Doyle, but when we need somebody, they have got 40 or 50 people living in this house, you see, men who haven't got jobs, and Mrs. Doyle can tell you about them, and they place about 5 or 8 a week.
- Bell: That is very good.
- H.M.Jr: But let Mrs. Doyle and this man know that it is Mrs. Morgenthau who is interested, but if we have jobs for laborers or truck drivers, give

- 6 -

Mrs. Doyle an inside track, will you?

Thompson:

All right.

H.M. Jr:

They are really doing a wonderful job. Have you got anything?

Thompson:

I have a couple of letters, if I could stay afterward.

H.M. Jr:

Sure.

Dan? Are you really going to stay away next week?

Bell:

Yes.

H.M. Jr:

"One of the morning papers misinterpreted my testimony of yesterday regarding the supplemental estimates - " this is Bell speaking " - of appropriations in the amount of about \$3,500,000,000 to be submitted to this session of Congress. I was explaining that the total appropriations already on the books and the estimates of appropriations included in the Budget less estimated receipts for the fiscal years 1941 and 1942, added to the gross public debt last June 30, would approximate \$63,000,000,000. I then said that if you added to this figure the supplemental estimates of about \$3,500,000,000, which would probably be submitted to this session of Congress - " how do you know, Mr. Bell, it is going to be three and a half billion?

Bell:

Well, there is a note in the budget where they have expenditures of about two billion dollars in the summary budget tables and there are no estimates of appropriations in the appropriation figures, but there are footnotes showing that the estimates for national defense will

exceed two billion dollars and that the estimates for WPA for this year will be 400 and for next year will be a billion, and I have since gotten more exact figures from the Budget and the national defense figures will be two billion 423 million.

H.M.Jr: Why don't you come to the press conference and explain it yourself?

Bell: I will be glad to. It was in only one paper that I saw.

Schwarz: The Post.

Gaston: The Herald-Tribune had somewhat the same thing.

H.M.Jr: I refer you all to today's editorial in the Washington Post. It is a peach, excellent.

Gaston: Their editorial page has brightened up quite a bit since this new man came up. It is a brighter style.

H.M.Jr: It is wonderful. It is intelligent, favorable to the Treasury.

Kuhn: He wanted to come to see you, Mr. Secretary.

Foley: The editorial page has brightened up. (Laughter)

Gaston: He just pointed his thumb to Kuhn.

H.M.Jr: Ferdie, you have been here long enough now that you ought to know how to defend yourself.

Kuhn: I agree. That is quite right. But that Elliston man wants very much to come and see you, and I think that in view of his good work it might be a good idea if you could spare the time. He is only across the street. He could come anytime.

- 8 -

H.M.Jr: Tell the boys outside. I would like it very much.

Kuhn: Today or tomorrow?

H.M.Jr: Yes.

Kuhn: Good.

Sullivan: Mr. Secretary, may I be excused? I have to be there at 10 on the Hill.

H.M.Jr: What is going on?

Sullivan: A hearing this morning. There is some hope that we may be able to have it reported out this afternoon.

H.M.Jr: Oh. Now let me just say this: If it does, when would it pass?

Foley: It won't come up until after the Lease-Lend Bill.

Sullivan: That would probably be Thursday or Friday, so it won't be up for a hearing in the Senate until you get back.

Foley: The Lease-Lend Bill will get a - Sabath told me he would give them a rule on Friday.

H.M.Jr: A week from today?

Foley: No, tomorrow, and I am going to ask to be excused too, if you don't mind, because Bloom wants to see me at 10 o'clock, and we have been writing the committee's report, and they have got to have it to report the bill out.

H.M.Jr: Who is going to nod their head when I am all by myself?

- 9 -

Foley: You can take care of yourself all right.

H.M.Jr: Flatterer.

Foley: I was behind you, wasn't I?

H.M.Jr: That was in the Senate. It was terribly funny. Now let me just get this straight. Bloom is going to get a rule on the bill.

Foley: Sabath called up yesterday and said that he was going to give Foreign Affairs Committee a rule so they could take the bill up on the floor on Monday, and he was going to limit debate to two days, he thought, and they would probably vote on Wednesday.

H.M.Jr: Then do you think we can come next?

Foley: Well, if this other bill is ready and he gets a rule on that, they ought to be ready to pass that at the end of next week.

H.M.Jr: Put a little steam on Doughton and most likely Monday a week they will want to hear me in the Senate. Wonderful. If I had planned this for months, I couldn't have picked a better week.

Sullivan: Correct.

H.M.Jr: You (Sullivan) won't be late. Just let me talk to you a second. I just want to say this: I read Kintner and Alsop this morning, and I am delighted we didn't see him because he got his story from Sam Rayburn and made Sam Rayburn a hero, and if I could have written it myself, I couldn't have written it half as well. Right?

Kuhn: Well, Alsop said he wanted to see you about the Lease-Lend things but couldn't, so he got it somewhere else, but he does want to talk about

- 10 -

economic defense.

- H.M.Jr: Ten o'clock tomorrow, just so that he doesn't - but the fact that yesterday his story on Purvis - you wouldn't know the Treasury existed. It was beautiful. It would have been bad if they had built us up in that story, and they were giving Sam Rayburn everything, so I think by having made it a little difficult for him to get information, it is all to the good. O.K.?
- Foley: Here is the meeting over at the State Department. I will give you the one at the White House on Monday night.
- H.M.Jr: Thank you.

(Mr. Sullivan and Mr. Foley left the conference.)
- Bell: That is a memorandum of the meeting you had the other day with the Congressmen and Senators on that bill. This is the Federal Reserve memorandum.
- H.M.Jr: Is this the one with the thing out to buy the stock?
- Bell: Yes.
- H.M.Jr: This is out?
- Bell: Yes, sir.
- H.M.Jr: Well, what was the one that they handed me this morning, the boys?
- Bell: That is the same one. I understood that you said to have me check it.
- H.M.Jr: Well, the reason I did, they said it came from

- 11 -

Harry White.

Bell: That is right. You see, it had to have a page rewritten last night, and we didn't have the type like that. I gave it back to Harry to rewrite.

H.M.Jr: What else, Dan?

Bell: I have your memorandum here about looking into the American investments in Germany, Italy, and Japan. We might discuss that while you are away with Coe in Harry White's section.

H.M.Jr: I thought you might get hold of the president of the General Motors and say, "Now, look, we would like you to send somebody down here to tell us what is happening to your plant in Germany." The General Electric, what has happened to that plant, and Western Electric, the same, and again to build this thing up and then, as you say, to General Electric, "Do you know what other American plants there are in Germany?" and then gradually get a factual story of what has happened, what the Germans have done and so forth, and I want that to use as a back fire to get these funds frozen, and I don't know any other way to do it, and I would like to, if you had time, to start somebody on this thing today or tomorrow, I mean, if necessary, send somebody to the office of the head of the General Electric or General Motors and Western Electric and all these other companies that have these plants in Germany and Italy and get a first-hand story of what happens to American business people in those countries.

Bell: Jay Crane could help us on the Standard Oil thing.

- 12 -

- H.M.Jr: I would like you really to start that this week, Dan.
- Bell: All right.
- H.M.Jr: And then after I get this, I may just ask Congress to let me come up and tell the story and put it on the record, and I am sure that if we went and told these people that we want to know and there is a possibility that if we get this information and we freeze German assets, we may have an offset for them against--
- Bell: You wouldn't want to in any way indicate why you are getting the information?
- H.M.Jr: Yes, I would be perfectly frank with them.
- Bell: Because there might be the other side to it, they might say they would lose more than they would gain.
- H.M.Jr: I would only say, "We want this information. What you tell us we cant use, we won't, but tell us the whole story and then if there are certain parts you say we can't use, we won't." I would only do it absolutely out - we want the whole story. Now, if there are certain parts they feel we can't use - and if they would tell us, and they should tell us, the methods that some of these companies have used and the officials they have had to bribe to get their money out, that is a story, if they tell us that, the bribery which goes on.
- Chamberlain: Mr. Secretary, would it be worth while to ask the General Electric about their arrangements with the German electric companies? You see, they have patent arrangements. Would you bring that in?

- 13 -

- ...Jr: No, because the Attorney General is working on that independently. He is working on that very hard. He has gone into that thing in a tremendous way, this whole question of patents, the control of Germany over our companies using German patents, where they control our production, reporting of information and all of that. He has gone into that in a very big way.
- ...berlain: That really may be of bigger value than the actual plant.
- ...Sr: The Attorney General has gone into that patent situation and the exchange of information, and I want to confine myself to the monetary end of it. I am glad - the Attorney General is tremendously interested and is very active on that front.
- ...all: The State Department has been after me for some time to see representatives of the Venezuelan Government, and apparently they want to make some sort of arrangements somewhat similar to Argentina. I haven't seen them.
- ...Jr: Well, catch your breath. The Treasury will just be inactive. We will float from now until the tenth of February.
- ...all: Unlax?
- ...Sr: Absolutely, from now until the tenth.
- ...all: I don't want to see them.
- ...Jr: I would like you to give that to somebody.
- ...all: All right.

- 14 -

H.M.Jr: All right, Dan?

Bell: Yes.

H.M.Jr: And then between now and tomorrow, I want to talk with you and Odegarde and Kuhn so as to keep them rolling while we are gone.

Bell: Harold has a plan that I think ought to be brought in at that time.

H.M.Jr: And Harold, yes.

Kuhn: Odegarde is going away this afternoon.

H.M.Jr: Is he?

Kuhn: Yes, he has got to see somebody up in New York tonight, and then he won't be back until the middle of next week.

H.M.Jr: Oh, at 4:15, Graves, Bell, Kuhn, and Odegarde.

Kuhn: I think he was planning on getting the four o'clock train to meet that man.

H.M.Jr: No, we will do this at 2:30. I don't want to go away - 2:30. Herbert, would you sit in so that you can carry through on this, please?

Gaston: Two-thirty?

H.M.Jr: Yes. I want your advice anyway, but I would like to - anything that I want done while I am gone, I will ask you to sit in today.

Gaston: All right.

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

Bell: Yes.

- 15 -

W.S.Jr: Harold? Chick?

Chick: The office of Government Reports, that is Lowell Mellett's outfit, this week is conducting a radio broadcast across the country on the new tax collection requirements that we prepared a script for, and then they are going to have another one next month, and they have reached a large number of people and also, thanks to the good offices of John Sullivan, we have broken down some of the resistance of the Bureau against pictures, and Life is planning to have a large spread in time before the March 15 collection.

W.S.Jr: Those pictures in Life on Procurement I thought were very interesting.

Chick: They did a nice job on it.

W.S.Jr: Anything else.

Chick: That is all.

W.S.Jr: Pehle?

Pehle: You asked Harry White about this report that we had released a million dollars to pay for oil coming in. The story on that is that during the last part of December the French authorities ordered a million dollars paid to Socony Vacuum which Socony Vacuum said was for inventories that they had in the area before, and we weren't satisfied with the details on it, told them we wouldn't release it. They said we had to do something because they were afraid the payment instructions would be reversed and they would lose a million dollars which later they could show us they were entitled to, so we put it in a special blocked account, and we still have control over it,

- 16 -

but it is out of the French hands, but they haven't received their million dollars. We still have full control over it.

H.M.Jr: But these babies got the oil.

Pehle: The oil may have already been in the hands of the French. If the Socony-Vacuum story is straight, the inventories were over there.

H.M.Jr: It doesn't look too good to me.

Pehle: We will check it thoroughly.

H.M.Jr: Will you please? It is silly to bother with a million dollars of oil when there is a leakage that runs into hundreds of millions every day, but whatever we do, let's try to do well.

Pehle: That is all.

H.M.Jr: George, I have written you a memo, and I want you to talk with Dan Bell between now and tomorrow. I have got to look to you more and more each day, and so will Bell, on the whole question of this bond market, and I don't know whether you feel that your organization is strong enough or whether you want to add to it.

Maas: I have given it some thought, and I would be glad to pass on some information.

H.M.Jr: I wish you would talk it over with Bell and Thompson before Bell gets away, I mean where we are going to call on you for so much more, I just wondered whether you might not want to add a man or two. You never did replace Seltzer.

Maas: Well, I have got some younger ones in that used up the salary.

- 17 -

W.C.Jr: Yes, but the brains. What do you think, Dan?

Bell: Murphy took his place.

Maas: Murphy took his place.

W.C.Jr: I know, but - I will want one of your men on the road all the time visiting the banks.

Maas: I have thought about it, and I have written up what I thought you probably had in mind.

W.C.Jr: Come to these two men but one of your men will be on the road continuously talking to banks and savings banks and groups and so forth to get field information.

Maas: All right. We no doubt need some more people in that event.

W.C.Jr: Well, I want one or maybe two men on the road the whole time.

Maas: All right.

W.C.Jr: Just as soon as the fellow comes back - I mean, I have got to get field information.

Maas: It seems to me you will require a geographical analysis of sources of funds with this campaign.

W.C.Jr: Well, George, I am going to look to you and your organization, and it is up to you to have it and have enough there so that a couple of fellows can be out in the field if necessary, see. I mean I just can't take it all the time that we sort of rely on the Federal Reserve, so between now and tomorrow. Right will you--

Maas: I will do that.

- 18 -

H.M.Jr: There must be people that we can get.

Haas: Oh, sure, we can get them.

H.M.Jr: Anything else?

Haas: I have a few things here. Here is that Allison report. That really is 68 because they have 35 others waiting. Here is an interesting thing that came in on that case last night.

H.M.Jr: Case?

Haas: That--

H.M.Jr: Oh, yes. I haven't got anything from you on that.

Haas: Oh, I sent in several reports, including the income tax.

H.M.Jr: Did you? That shows me up.

Haas: It is a very interesting history. Farm Credit were very helpful on that. They put themselves out a good deal. That is Farm Credit, too. This, Mr. Secretary, is the SEC report on that I. T. & T.

(Discussion off the record)

H.M.Jr: Philip, Purvis will be here at 11 this morning. I would like you to be here.

Young: Can we talk contract allowance at that time?

H.M.Jr: Yes.

Young: That ought to be settled this week if you are going to be away.

- 19 -

- H.M.Jr: Herbert, would you be here at 11, please, when Purvis is here?
- Gaston: Yes.
- Young: On this steel capacity study that George has been making for Dunn, that was based, as you may recall, on the quantities given in the original British deficiency list which is secret today.
- H.M.Jr: Is what?
- Young: Which is secret. I understand we did send Knudsen a copy of it at one time. I think that is right. The discrepancies and the arguments of Dunn when he wrote in in this letter the other day which was passed on to George for answer boils down pretty much to the fact that he hasn't got the same figures in quantities underlying the estimates. Now, I gather that you don't want to make those quantities available.
- H.M.Jr: I told George he could. Somebody asked me this question once before.
- Young: No, I asked you once before if George could use those quantities to base his estimates on. There was never any question of making the actual figures of quantities available to Dunn, on the number of guns, ships, and so on which they estimate.
- H.M.Jr: Well, this is for the President of the United States that he is doing this.
- Young: Then we will give them the quantity figures on it.
- H.M.Jr: He is doing this directly for the President. The President has asked him to make a special report for him, so I think you ought to give it

- 20 -

to him.

Young:

Right.

H.M.Jr:

Impressing with him that they are secret.

Young:

I spent all day yesterday with the Chinese working out that deal, and we reached a tentative agreement last night after working on it from 10 to 6 with 15 people, including Guy Vaughn and Archie, which will save the Chinese somewhere between a hundred and fifty and three hundred thousand dollars on the deal.

H.M.Jr:

wonderful.

Young:

In the service charges, a hundred thousand of which is going to be paid up by Curtiss-Wright, rather against Guy Vaughn's feeling about it.

H.M.Jr:

You mean he is contributing that?

Young:

What it amounts to is they will cut the British price by approximately a hundred thousand dollars on the planes.

H.M.Jr:

And it saves them how much? How much will these - will they still get their 10 percent?

Young:

No, I cut the 10 percent down - the 10 percent amounted to 450 thousand dollars and I cut that down to 250, which represents just about the best estimate of the actual service charges that this fellow will perform in China for erecting and transporting planes and that sort of thing.

H.M.Jr:

What you saved them pays more than the freight, doesn't it?

Young:

It probably should if they have done it the

- 21 -

original way - if they had, they would have paid the 450.

- H.M.Jr: In behalf of the three Soong sisters, I thank you. (Laughter)
- Young: Of this 250 service charge, Curtiss-Wright is paying a hundred and the Chinese are paying a hundred and fifty.
- H.M.Jr: They should now "Sing A Soong of Six Pence." (Laughter)
- Young: That is terrible.
- H.M.Jr: You did a nice job.
- Young: One other thing.
- H.M.Jr: I am sure you will get the Order of the Rising Jay.
- Young: Well, I think Guy Vaughn will probably squeal on it, but it doesn't bother me particularly on that because he has got plenty of cushion in that British price.
- H.M.Jr: I am delighted.
- Young: The other story I picked up yesterday from the Chinese is that Kung, rather than Soong - that is a harder one to rhyme with.
- H.M.Jr: You are not afraid, are you?
- Young: Kung ordered last year about 70 or 80 different bombers, the materials and planes to be manufactured in China.
- H.M.Jr: How much?

- 22 -

- Young: About 70 Vultee dive bombers to be manufactured in China. He has just sold the materials for 17 of them to Indian at a profit of 320 thousand dollars for China, despite the fact they need some planes in China. Then you have a political situation, I gather, between Kung and Soong which is difficult.
- H.M.Jr: To put it mildly. Incidentally, I hope somebody - I saw that thing go through - over my desk that Soong transferred 70 thousand dollars to Sweden. It looked kind of funny. It came out of your (Cochran's) shop. I thought I might ask him point blank why he is sending 70 thousand dollars to Sweden.
- Wiley: The Dresden Bank acted in the matter and asked that its name be kept out of it.
- H.M.Jr: Think about it, Wiley. Just ask him point blank.
- Gaston: That would be the logical way to make payments to Germany.
- Young: Stettinius would like to know if you have any objection to Carl Adams handling foreign priorities for him over there. He is a man from Air Reduction Company. He is merely asking to inquire from you if you have any objection to it.
- Haas: Mr. Secretary, have you seen Ham?
- H.M.Jr: No, must I? I guess I ought to. I promised Leon. Will you tell the boys out there? I don't know how I am going to do all of this thing, but tell them outside, will you?
- Haas: All right. He mentioned this man's name.

- 23 -

- W.A. Jr: Well, tell them, sec. We will try to squeeze him in somewhere. I don't know Adams. Air Reduction?
- Young: Yes.
- W.A. Jr: It means nothing to me. Do you know him?
- Young: I have met him just once. I don't know anything about him more than that. I don't think we have anything to say about it anyway.
- W.A. Jr: Tell him no comment. I hope he is better than what Pearson and Allen say this new man is. He was executive secretary of Associated Farmers of California.
- Young: I see, according to the article in the Star last night, that there is some danger of the Coordinating Committee on Foreign Purchasing working for Mr. Millie.
- W.A. Jr: I saw that.
- Young: I have got a good man working already on that analysis of opinion. He starts his job officially the first of February. Allen Barth.
- W.A. Jr: Good. Now have you men talked to this fellow from Tennessee, this ex-publisher?
- Young: Milton? Yes. He is going to be of some use but not as good as he seemed before we met him.
- W.A. Jr: O.K. (Laughter)
- Young: I think Odgarde and I are agreed on that.
- W.A. Jr: Not as good as before you met him? What bar did you take him to? (Laughter)

- 24 -

Kuhn: The Cosmos Club.

H.M.Jr: They serve liquor there, don't they?

Klotz: That wouldn't help.

Kuhn: No, he is a good idea man, but he hasn't got his feet on the ground enough.

H.M.Jr: I see.

Kuhn: Odegarde will give you the details.

H.M.Jr: What else?

Kuhn: That is all.

H.M.Jr: Wiley?

Wiley: Nothing this morning.

H.M.Jr: You pass? Merle?

Cochran: Do you want to see Lacour-Gayet? I take it you don't.

H.M.Jr: No. (Laughter)

Cochran: Dan and I thought we would get that job so we have an answer all ready for him.

H.M.Jr: I hate to disappoint you, and I hope that Stephens whispered in everybody's ear no more memoranda until the tenth.

Cochran: We got that.

H.M.Jr: O.K. We have got them all here. I will try to do them sometime.

Cochran: I mentioned to Dan that question of the Brazilians

- 25 -

wanting the inside information on the Argentinian-American stabilization deal. You see, we are asking gold collateral from them so I don't think we had better give it to them.

H.M.Jr: I don't think so.

Cochran: Here is the silver letter for Canada. We have got 275 thousand ounces so far.

H.M.Jr: How much?

Cochran: Two hundred seventy-five.

H.M.Jr: Talking about silver, Harold, whatever happened to that question of whether a bottle should be three quarters or a quart.

Graves: Well, you remember Mr. Rosenstiel undertook to see you, and you referred him to me. He was in on Monday and I had a two-hour conversation with him.

H.M.Jr: I see.

Graves: I think we are all right on that. He, for the first time, seems to have been - or was quite agreeable in his attitude about the thing.

H.M.Jr: Any comments in the press on it?

Graves: No.

H.M.Jr: It didn't work?

Graves: Didn't work, so I think we are out of the woods on that.

H.M.Jr: O.K.

Cochran: You saw the story in the press about Sir Edward

- 26 -

Beesock this morning.

W. J. Jr.: I just saw the ticker. That means he has left?

Wickham: No, it doesn't mean he has left, but since the story was given out up on the Hill, the British wanted to carry it and I told them to go ahead.

Well, you mentioned that someone was coming.

W. J. Jr.: Oh. They said in the play last night, "He is not only British, he is English." (Laughter) Incidentally, I recommend, if anybody wants to have a very pleasant evening, to go to the play at the National Theater. It is way above the average.

Wickham: We are selling more gold to Afghanistan. That is one of our new customers.

W. J. Jr.: All right. Herbert?

Wickham: Ed Flynn approved our Presidential appointment of the New Orleans man. The mint at San Francisco. Something they wanted to do for something. Shortly afterwards he sent word that he had a lady tax lawyer in New York, a Miss Brady, for whom he is very anxious to get a job in Ed Foley's organization. I mentioned it to Ed, and she is making an application.

W. J. Jr.: Flynn thinks you are swell.

Wickham: He must be a good fellow, then.

W. J. Jr.: I am worried. (Laughter)

Wickham: I haven't given him anything yet, but he is very cooperative.

W. J. Jr.: I am glad you brought that up. Have you seen

- 27 -

the medal that Harold Graves struck off for the third inauguration of President Roosevelt? Have you seen it?

Gaston: No.

H.M.Jr: I haven't seen it either. The President of the United States asked me had I seen it. He seemed to think I knew all about it and about Joe Davis and all that, and I said that I knew nothing about it and hadn't seen it or anything else.

Graves: I haven't seen it.

Bell: Did you see the picture in the paper this morning?

H.M.Jr: No, he asked me about two or three nights ago when I was there. Have you (Graves) seen it?

Graves: No, I never heard of it.

H.M.Jr: Has anybody in the room seen it?

Gaston: No, I read about it in the paper.

Pehle: There was a picture of Mrs. Ross presenting it to the President.

H.M.Jr: That reminds me, but Sunday night the President said had I seen it, and I said, "No", and then it came up, Nelson Rockefeller was thinking of sending Joe Davis to do some sort of a bust or relief of every President of the 21 republics as a sort of a goodwill thing. The President asked what I thought about it just to be polite, and I thought it was an excellent idea. Then he said, "Have you seen the one that Joe Davis did of me?" And it seems it was done in the Treasury. I was so embarrassed that I just crawled under the table and cried. (Laughter)

- 26 -

I thought Harold had one in his vest pocket.
Have you (Klotz) seen one?

Klotz:

No.

...Jr:

Have you seen one?

...Jr:

No.

...Jr:

Wren't we all going to get one?

...Jr:

Why can't we have the Secret Service make an investigation.

...Jr:

It is a very good idea, both of Harold and his subordinates.

Graves:

I will be glad to testify.

...Jr:

All right.

It was really Sunday night he asked me, and I said, "No, I hadn't."

...Jr:

At the request of the State Department, the Defense Communications Board is sending in a request to the Budget both for this year and for next year for allocation and appropriation to the Federal Communications Commission for a system of listening and analyzing foreign propaganda broadcasts. You asked me to--

...Jr:

Excuse me, don't they make use of, for instance, what Columbia Broadcasting does?

...Jr:

Yes, they are bound to make use of it, but none of it is completely - it is more or less samples. They are trying to put in a pretty comprehensive system. They are working with these other agencies, including Princeton, and Harold Graves is working on that, too. You asked me to mention

- 29 -

this memorandum I wrote to you - Dr. Ernest Minor Patterson, Dean of Economics at Wharton School of Finance at the University of Pennsylvania. He is President of the National Academy of American Sciences. Sometime in March they are going to take up the financing of our defense effort and they would very much like to have you make a talk.

- H.M.Jr: Why don't you say we will furnish them with a speaker, but we don't know who it will be yet?
- Gaston: Moree's request was that he be permitted to see you so he could personally present an invitation to you, and they are willing to adjust their meeting to a time that is suitable to you.
- H.M.Jr: If he knows some good Chile wine, I will see him, but otherwise no. We will furnish a speaker.
- Gaston: Will Bell, probably?
- H.M.Jr: We will see. All right?
- Gaston: That is all.
- H.M.Jr: O.K.

January 30, 1941

Mr. D. W. Bell
Secretary Morgenthau

I would like somebody in the Treasury to make a systematic study as to what has happened to American investments in Germany, Italy and Japan. I wish you would think over the suggestion of writing the companies that we know have properties in these respective countries, and ask them what has happened to their properties, whether they can bring out any of their earnings or dividends, etc. I would like to go into this whole situation.

January 30, 1941

MEMORANDUM FOR THE SECRETARY'S DIARY

There was a meeting in Secretary Hull's office attended by Secretary Hull and Messrs. Berle, Feis and Pasvolksy of the State Department, Secretary Morgenthau and Messrs. Foley and Bernstein of the Treasury Department. The subject for discussion at the meeting was freezing control and registration of foreign assets. Berle stated that there were the following alternative ways of proceeding:

- (1) Extending freezing control to continental Europe except Turkey, Greece and Russia and general registration.
- (2) Foreign exchange control and general registration.
- (3) General registration and freezing in individual cases where persons are found to be acting contrary to the interests of the country.
- (4) General registration of foreign assets.

Pasvolksy thought that it would be a good thing to encourage foreign-owned assets to leave the United States even though they went to South America and therefore any action taken such as simple registration which drove assets from the country was satisfactory. Feis thought that although it was important to attempt to deal with the use in the United States of assets belonging to certain foreign countries, it was also important to prevent such countries from taking their assets out of the United States and using them elsewhere in the world, such as Latin America. Feis first thought that registration and foreign exchange control would be a desirable thing, although he recognized that this would not deal with the domestic use of foreign-owned assets. Then he suggested that if no foreign exchange control were imposed, that we simply have registration and also reporting of each transaction. He then recognized that this was impractical because of the volume of reports that would have to be filed.

Berle argued the possibility of just freezing those individual cases where upon investigation evidence was obtained indicating inimical activities of such individuals.

Secretary Morgenthau pointed out the necessity of limiting the use within this country of certain foreign-owned assets for a variety of reasons, and also the importance of preventing such funds going to Latin America. He stated that any of the alternatives other than freezing control as indicated in (1) above would be entirely unsatisfactory. Simple registration would

- 2 -

not preclude the undesirable domestic use of assets, and would also impel immediate withdrawals of funds. Freezing individual cases after investigation would be extremely difficult to administer, have little beneficial effect, and would be in the nature of a "gestapo" proceeding which would have a very bad public reaction. Foreign exchange control would not prevent the domestic use of the moneys, and it would be comparatively easy to withdraw funds from the country in evasion of the control. Secretary Morgenthau felt that the real issue was one either of freezing control or nothing at all, and that the matter was entirely one for the Secretary of State to decide. Secretary Morgenthau said that he felt the greatest concern with respect to German, Italian and Swiss assets in this country. Towards the end of the discussion Feis admitted that the discussion had made clear to him that any of the intermediate action suggested might be worse than nothing at all; that the real issue was freezing or no freezing. Secretary Morgenthau pressed Berle for an answer on this particular point and Berle somewhat reluctantly admitted the difficulties attending any of the intermediate steps suggested and that the real question was whether or not freezing should be extended as indicated.

Secretary Hull suggested the possibility of continued meetings between the Departments for discussion of the problems. Secretary Morgenthau indicated that he thought the point had been reached when the problem was for the Secretary of State to decide. Secretary Hull said that he would consider the matter and call Secretary Morgenthau tomorrow.

January 30, 1941
11:10 a.m.

THE BRITISH PURCHASING PROGRAM

Present: Mr. Purvis
Mr. Callantyne
Mr. Gaston
Mr. Young
Mrs. Klotz

W. J. Jr: Mr. Gaston is going to be acting while I am gone, and I hope Philip Young will go, too. You may have a little trouble persuading Mr. Gaston on some of these things, but I think if you will work on him, I think you can bring him around.

Purvis: I shall do my best. I sent you over a little note of that meeting yesterday with Mr. Knudsen. I don't know whether you have had a chance to glance at it or not.

Young: This one?

Purvis: Yes. I promised the Secretary I would give it to him.

Young: It came in at 10:15.

W. J. Jr: Let me read this.

Purvis: I asked Self to put it down because I thought you would like to look at it.

- 2 -

- H.M. Jr: If this goes through, it is one of the most exciting things.
- Purvis: I think it is something that we can adapt to the list of British types. Now, whether it can be done, I want to secure your helpful thought on today because the method of trying to broaden that out, assuming that Knudsen gets word - though it looked very favorable yesterday afternoon. Knudsen was pretty sure.
- H.M. Jr: "The British type orders under review."
(See Attachment 1)
- You see, Herbert, what they have got is a whole bunch of British orders coming to around a hundred and 75 million dollars for planes, and they looked over the French gold and they looked over the Belgian gold and it was very difficult for them to do it, so I made the suggestion to them, "Why not go over and say, 'Here, we want 19 hundred and 60 planes. What can you give us which are American types, and if you haven't got an American type to fit this - what we need, won't you adopt what we have?'"
- Gaston: Yes. I read that memorandum. Of course, it seemed to me that the essential thing is to keep on production the things which are being produced now.
- Purvis: The fundamental difficulty was that Mr. Knudsen was of the definite belief that the phraseology of 1776 when passed would not permit of the United States administration placing orders even if it approved of them for British types. I challenged that with him and got it checked up with his own lawyers, and they came back and said he was wrong. That changed his approach because then he felt how ridiculous it was not to be able to do something today that you can do a month from now, and that was how he came to the idea

- 3 -

of six months on the British type.

H.M.Jr: "The British type orders under review were as follows: 600 Hudsons, 720 Lockheed 37's."

Is that the two engine fighter?

Furvis: The 37 is what they call a Boston. I think that is a two engine, yes.

H.M.Jr: Do you still call it the Boston?

Furvis: Well, they kept on referring to it yesterday as the Boston.

H.M.Jr: You know what the story was originally. They called it the Boston as a compliment to Mr. Kennedy.

Furvis: If I had only known that yesterday. (Laughter)

H.M.Jr: Has the first Boston been delivered?

Furvis: I really don't know.

Gaston: I don't think that is the triple fuselage Interceptor. I think that is a 39 where the fuselage is in the middle.

Furvis: The Lockheed Interceptor.

H.M.Jr: You might call it - no, Hyde Park - that wouldn't be good.

Blotz: Fishkill?

Furvis: No, I would rather have a better one for Fishkill. We will keep that for our ace.

H.M.Jr: Well, anyway, "So far as the Hudson and Lockheed 37 are concerned, it was established that no

- 4 -

corresponding U. S. types existed which could fulfill the duties of these types (which roughly comprise long range sea reconnaissance and convoy work). Moreover the production of the Lockheed factory is dependent upon intensive prosecution of production of these types which are now well established. Nevertheless, it seemed reasonable to suggest that they had a possible interest for the U. S. Army Department and Mr. Knudsen approached General Arnold (with a definitely favourable reaction) as to the possibility of giving an "American Tag" to the Hudson type for a period of six months so as to enable the order for 300 Hudsons to be placed by the U. S. Army Department. Production on this type runs out in June and the matter is thus of first urgency. The question of the Lockheed 37 could be subsequently examined in the light of General Arnold's reply on the Hudsons. The production problem on the Lockheed 37 is not so urgent as current orders carry production through to October 1941.

"The Glenn-Martin Baltimore Type is somewhat superior to the Douglas Boston--"

- Young: The Douglas DB-7.
- H.M.Jr: "...performing the same duties, viz. an army support bomber. The Boston is equivalent to the U. S. Army type A.20 and it would be equally suitable to take A.20 - " you know, call it Detroit and I think Knudsen would love it.
- Wlotz: It would be better if we could identify more.
- H.M.Jr: I see.
- "Mr. Knudsen felt, however, that the Douglas organization could not give additional A.20's during the period in question beyond those

- 5 -

already proposed for the U. S. Army and British, whereas the Baltimore is looted up in the Glenn-Martin factory and the capacity could not be switched to other work without loss of valuable output. It was, therefore, suggested that the question of treatment of the Baltimore on lines analogous to the Hudson should be pursued by Sir Henry Self with the Army Department if the Hudson order were cleared by General Arnold as indicated in Paragraph 2 above.

"On the Vultee Dive Bombers, it was explained that either the Brewster or the Vultee Dive Bomber is acceptable from the British view and that the U. S. Army Department have indicated an interest in the Brewster type. It might, therefore, be possible to deal with this order in the same way as for the Hudson and it was proposed that Sir Henry Self pursue the matter with the Army Department if the Hudson situation be cleared as anticipated.

"With regard to the suggestion that the Brewster or Vultee Dive Bombers could be exchanged for Douglas Dive Bombers, the performance of the types was compared and it was found that the Brewster and Vultee's would be some 50 to 60 miles faster and have better defense and armament."

That is the American?

Survis:

No, the British types are 50 to 60 miles an hour faster than the American type, which amazed me. Of course that is the Army type.

W.J.P.:

"Their substitution by the Douglas Dive Bomber did not thus seem practicable. As compared with the Curtiss Naval Dive Bomber the speed is

- 6 -

roughly the same but the Curtiss Dive Bomber has been designed for naval use, whereas the Brewster and Vultee types are designed for land operation. The two could not be interchanged--"

Purvis: Yes, there is a reason for that.

H.M.Jr: "...e.g. the Curtiss Dive Bomber has a tire pressure of 80 lbs. per square inch which is far too high for land operated aircraft although acceptable for aircraft landing on aircraft carriers. The British would only be too grateful to get all the Curtiss Dive Bombers they can for use with the British Naval forces; and this would be over and above the need for securing Brewster and Vultee Dive Bombers for support of the Army.

"The discussion thus resulted in the question of the order for 600 Hudsons (or such lesser number as might be necessary to keep production well in line) being examined by General Arnold to see if it could be taken over as a U. S. Army order by giving the type an 'American Tag' for a period of six months.

"In the light of the decision on this type, it is proposed that Sir Henry Self pursue further with the Army Department the possibility of similar treatment for the other orders to the extent necessary from the production viewpoint."

Purvis: And two of those, they found that on the same approach as Knudsen's approach on the U. S. types, they could be postponed until after February 28 without detriment to the - I mean, that is what Knudsen and Self, getting together, decided.

H.M.Jr: Without running out of orders.

- 7 -

Purvis: The real essential is that Lockheed fighter. The question, of course, is how that might be applied in the British type list of orders, and there, there are two categories that I wanted to secure your thought on. It is quite obvious that - they look, anyway, as if there are four contracts here which might be considered to be in parallel with the Lockheed-Hudson in that they represent apparently continuation orders in factories already built, so that is one category. Now, that will, however, only take care of about one-fifth of the ordnance and tank list on British types, and I was looking at the other items which it seemed to me might be dealt with on the same basis if Secretary Stimson felt inclined. For instance, when Layton was here, the Secretary had said that on medium artillery - that is 4.5 and 5.5 guns - they felt very definitely sympathetic and, without arguing the case at all, they would accept the placing of those orders as being important to the British and not too disturbing in any way here. There was no argument. That was a graceful gesture on Secretary Stimson's part. It may be on tagging those two items, for instance, he would be willing to give a tag for those particular orders.

H.M.Jr: I would try it.

Purvis: I think it is worth trying.

H.M.Jr: Definitely.

Purvis: And then I picked out certain other ones on which he might be willing to do something.

H.M.Jr: If I am correct, there is about 370 odd million for the English type, isn't there?

- 8 -

Purvis: You have got rid of a hundred and 79 million out of that through this airplane thing, if Arnold comes through, leaving a hundred and six million of product and 31 million of capital for the others.

H.M.Jr: That was wonderful. It cuts it in half. Isn't that wonderful?

Klotz: Yes.

Purvis: Of course, that is partly due to the application of the Knudsen formula, but it has introduced a new principle which is applicable.

H.M.Jr: Are there more things left in the hundred and 66 million?

Purvis: Then I say immediately on this first type which looks to me at first blush on all fours with the Lockheed-Hudson, there are 40 million almost of those which require no capital because they are continuation orders, apparently, of production which has been programmed in existing plants. Then there are some very big items here in the - certain types which Stimson, Secretary Stimson agreed with Layton he would permit to be put into this show even though he hadn't been very anxious about it. Now, those, if you add those together, you have taken care of another 80 or 90 millions, if he would do it. If he would - if Secretary Stimson would now adopt the tag principle to the extent of following up his negotiations with Layton by approving an American tag on those things, he talked and finally gave way on with him, we would be jolly near to out of the woods for the period to the end of February this year.

H.M.Jr: What I would suggest is - do you want a suggestion?

- 9 -

- Purvis: Yes.
- W.C.Jr: I would go to Stimson direct without my calling.
- Purvis: Yes. That is exactly what I wanted to ask you. I shall do that today.
- W.C.Jr: And I think you would get further in the first instance.
- Purvis: Yes.
- W.C.Jr: Now, do you think it would help any if I call up Knudsen? It would be crowding him a little bit.
- Purvis: Yes. You see, he has got Arnold. It was a very successful conversation. You could feel it and tell it. He felt very strongly he would like to get Arnold's final say-so.
- W.C.Jr: I would go and see Stimson and put this thing up to him without having it appear in any way that it comes from us.
- Purvis: All right. I would, in other words, inform them of a talk we had with Knudsen yesterday, the exact status with Arnold, ask his sympathetic consideration of - when Arnold recommends it to him of putting it through, and talk its application to the problem as a whole.
- W.C.Jr: That is just the way I was delighted in this Mintner and Alsop story, that they wrote it as though the Treasury didn't exist. The list sort of walked itself over to the President. (Laughter) That was perfect. It appeared in the morning when I testified, and they were asking me all about this list, you see, what was in it and if it was written that I had taken it over, they would have asked for it.

- 10 -

- Purvis: It would have been terrible.
- H.M.Jr: Now, one other thing before you give me anything. The 875 million American types, are those orders being placed now?
- Purvis: Now, I asked that specifically of our people, and they say that whereas they can't actually say to me that the orders are in process of placement, the whole machinery is moving forward in a way which makes us feel we have struck no snags since we have talked. It takes a little time to transmit it through all its purposes, but as recently as yesterday afternoon late, Mr. Johnson and Mr. Childs felt satisfied with the way it was moving. That is the reaction you have had, isn't it Charles?
- Ballantyne: Yes, sir.
- H.M.Jr: How about you, Philip?
- Young: I haven't called up from the Hill?
- Young: As far as I know, it is going along.
- Purvis: As far as we can see, it has struck no snags. It has been certified, thanks to your effort, it has been apparently approved by the President, it has been walked over to the RFC, and when I saw Jesse Jones night before last, he didn't raise any question about that being difficult. The only difficulties were in connection with those other transactions.
- H.M.Jr: Well, I have nothing. What have you got?
- Purvis: Could I just bring up - I think it is a relatively easy one, but I would just like your

- 11 -

guidance if I could. We are under instructions from England to arrange for five months storage of ammunition in North America. We have been planning to do that in Canada. It means enormous capital expense in making - building buildings in which to put the stuff. We find that - notably at Fall River - we could get a tremendous amount of abandoned buildings which could be utilized. There is a little snag in it. Which looks to us all right. It has been suggested that if we could have - perhaps if I may just show you what is suggested. (Exhibited document to Secretary)

- H.M.Jr: Is it to save money?
- Purvis: No, it is to save time in building the buildings.
- H.M.Jr: The only thing that bothers me is sending the Canadian soldiers, even though they are civilians.
- Purvis: You mean unless it could be done by civilian guards, you think it would be inadvisable?
- H.M.Jr: How many guards would it be?
- Purvis: Forty or fifty. It is not a great number.
- H.M.Jr: Well, I have no objection if the State Department doesn't.
- Purvis: I think I will leave it up to the Ambassador. I just wanted to make sure that you didn't mind my having that taken up.
- H.M.Jr: They are merely Canadian soldiers in civilian garb.
- Gaston: Maybe there would be some way to put some United

- 12 -

States Army ammunition in the building and have an Army guard.

Purvis: That is what I called--

H.W.Jr: That is an improvement.

Purvis: Yes, that is.

H.W.Jr: I am just kind of a little - leaning backward.

Gaston: They have got lots of guards.

Purvis: Deal with it with kid gloves.

H.W.Jr: I would go very easy, because William Randolph Hearst will make the 50, five thousand.

Purvis: He will have us taking over New England.

H.W.Jr: I don't think it is worth it.

Purvis: I have felt a little diffident about really pushing the Ambassador into that without a word to you.

H.W.Jr: My hunch is, I don't think it is worth it.

Purvis: I wanted to get your thought on this. (Showed the Secretary a copy of Time)

H.W.Jr: Mrs. Klotz is looking for it now. Haas said he sent it to me. (W. S. F. Campbell)

Young: We sent Mr. Purvis a copy of it with the exception of the tax stuff.

H.W.Jr: Who, he has sent it over?

Purvis: That is it.

- 13 -

Young: But not the tax stuff.

H.M.Jr: Oh.

Purvis: It is indeterminate. It is not enough to oppose it, if it is important.

H.M.Jr: Have you read this?

Purvis: I have. I have glanced through it. It is not quite determinate. I wouldn't say no. What would you think?

Young: I haven't read it. I don't know.

H.M.Jr: As far as I am concerned, this would kill it.

Purvis: His wife is ill, and he has been detained in Boston all this week, and time is getting very short, considering the time it takes to get to England.

H.M.Jr: I see he is a partner of John J. Raskob.

(Telephone conversation with General Watson follows:)

January 30, 1941
11:35 a.m.

✓
46

H.M.Jr: Hello.

Operator: General Watson.

H.M.Jr: Hello.

General
Watson: Hello.

H.M.Jr: H.M.Jr. talking.

W: (Laughter) Oh, yeh.

H.M.Jr: How are you?

W: Fine.

H.M.Jr: Listen, this fellow Campbell that you sent over
to Purvis.

W: Yes.

H.M.Jr: Purvis happened to mention him to me and I've had
some experience with him myself.

W: Yeh.

H.M.Jr: So, I -

W: Well, the President told me to.

H.M.Jr: Well, I know; wait a minute.

W: Yeh.

H: Let me tell you something which I don't think
the President knows; that he is a partner and
in business with John J. Raskob?

W: He is and I think he told the President that.

H.M.Jr: I see.

W: I'll tell you what happened, Henry. He went
over there to dinner one night.

H.M.Jr: Yeh.

W: And next day the President told me to call up
Purvis and personally make an appointment for
him to see him.

H.M.Jr: You think - you think the President really wants
him to go over there?

- 2 -

W: Well, now that I don't know.

H.M.Jr: Could you find out?

W: Yes.

H.M.Jr: Campbell has a very bad financial record.

W: Yeh.

H.M.Jr: And -

W: I always thought he was a Republican.

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

W: He says he isn't.

H.M.Jr: Well, he's all mixed up with Raskob.

W: Yes, I know.

H.M.Jr: And that's worse than a Republican. And I just wondered if we want that type of fellow over there. We've got one Republican over there now.

W: I know. You mean that boy that's in the papers every day?

H.M.Jr: Yeh.

W: Well, I don't know why we ever sent that thing over there. I told the President this morning, I don't know, I don't trust him.

H.M.Jr: Well now Campbell - I got his record from the Department of Agriculture and everything, see?

W: Yeh.

H.M.Jr: And he's really been against about everything that Roosevelt ever stood for.

W: Yeh, I know.

H.M.Jr: See?

W: Yeh.

H.M.Jr: I personally - I'd like to pass this on and then if you could let me know. I think it's a mistake

- 3 -

to let that man to go over to represent us in Agriculture over in England, that's what I think.

W: What is he - is he going to go -

H.M.Jr: He's going to go over to teach the English how to farm.

W: Well, how in hell is he going to do it? Is he going to have any official status?

H.M.Jr: Well, he would be as coming from the White House. Yeh.

W: Well, they say he's been a - He's got the biggest farm in the world, you know.

H.M.Jr: Oh sure. He borrowed two million dollars during the last World War and then went bust.

W: He did?

H.M.Jr: Yeh. And he's been bust ever since.

W: I thought the old boy owned practically the whole earth.

H.M.Jr: Oh no. He's been bust ever since.

W: Hmm.

H.M.Jr: I think it's a mistake. I'm just looking after the President's interests. This fellow goes over -

W: Do you want to send me a little memo or do you want me tell him?

H.M.Jr: I'd rather you tell - you can tell him that from the experience that I've had with him myself and what I know about him -

W: That you don't want him to go.

H.M.Jr: I think it's a great mistake.

W: All right.

H.M.Jr: But if the President - after hearing that, if the President still wants him to go, I'd like to know it.

W: All right. I'll get that to him sometime today.

- 4 -

I'm in an awful jam here right now and I've got -
Say look here, what are you going to do tonight?
I haven't got anything to do.

H.M.Jr: (Laughter) Oh, wait until you see it. It's a
great secret.

W: Yeh, I see. Well, I'll bet you'll be pretty
good.

H.M.Jr: Well, we're not bad. We're not bad.

W: Yeh.

H.M.Jr: You know the Morgenthau's always come through.

W: Yeh, they do.

H.M.Jr: Yeh.

W: Well the Watsons - the Watsons always go down
fighting, pitching.

H.M.Jr: I know.

W: I'll do my damdest.

H.M.Jr: I know.

W: I won't do much though. I haven't had a chance.

H.M.Jr: But that Virginia Valley stuff, you know.

W: Yeh.

H.M.Jr: Haven't had a chance?

W: No, I'm going to talk mostly about myself.

H.M.Jr: Well, that'll be interesting.

W: Yeh.

H.M.Jr: Well you'll let me know some time today. Maybe
you can tell me -

W: Yeh. All right, I will.

H.M.Jr: Thanks.

- 14 -

Purvis: There is an out on this. The time element. It is difficult to get on the Clipper and so on, and I suppose we plow in March, I don't know.

H.M.Jr: You saw this stuff. I think Mrs. Klotz will pardon me. It is damned nonsense.

Purvis: I would simply do it to - tell them they have got to give him an absolute run for his money, but you can tell from that record that it won't actually achieve anything. But just now we will do it with the greatest willingness.

H.M.Jr: Let me get Wickard. After all, he would be interested.

(Telephone conversation with Secretary Wickard follows:)

January 30, 1941
11:40 a.m.

✓
51

H.M.Jr: Hello.

Operator: Secretary Wickard.

H.M.Jr: Hello.

Claude
Wickard: Yes.

H.M.Jr: Claude, this is Henry.

W: Yes.

H.M.Jr: Listen, something kind of confidential I'd like you to be thinking about between now and lunch. General Watson sent over a man by the name of Thomas D. Campbell, a so-called "wheat king"?

W: Yes.

H.M.Jr: To Arthur Purvis of the British Purchasing Commission.

W: To do what?

H.M.Jr: And wants him to send him over to England as the President's representative to teach the English how to farm.

W: Oh.

H.M.Jr: Hello.

W: Yeh, I understand. Whose idea is this?

H.M.Jr: Well it comes right from the boss. Yeh. Now I just called up Pa Watson and I told him I thought it was a great mistake.

W: Yes?

H.M.Jr: And I just wondered if you could be thinking about it and, if you agreed with me, why we could talk about it at lunch.

W: Yes. Well, now, teach them how to farm where?

H.M.Jr: In England. Types of farming, I suppose.

W: You mean plow up all the grass lands and so on?

H.M.Jr: I suppose so. You know the man, don't you?

- 2 -

- W: Yes, I know who he is. I got personally acquainted with him.
- H.M.Jr: Well I went to Farm Credit to Al Black and he's given me a whole report on him, because when I was in Farm Credit in '33 I had business dealings with him.
- W: Yeh. All right, I'll give some thought to that by then and I'll talk it over with you.
- H.M.Jr: I told Pa Watson that I thought sending one Republican over there at a time was enough.
- W: Hm, hm. (Laughter). Well, this fellah was supposed to have been a supporter during the last campaign wasn't he?
- H.M.Jr: I don't know. But, as Secretary of Agriculture, is that the kind of fellow that you'd send over there?
- W: No.
- H.M.Jr: What?
- W: No.
- H.M.Jr: Course not.
- W: No.
- H.M.Jr: O. K.
- W: All right.

- 15 -

- H.H.Jr: He says of course he wouldn't send him over.
- Furvis: Nevertheless, I shall send him with a great willingness if the President wants him to go.
- H.H.Jr: Sure.
- Furvis: You pointed out that this hundred and 22 million dollars worth of contracts placed during that period was an extremely embarrassing situation. Our people have been making some inquiries and there is a short and simple and, I think, interesting note as to how it has happened.
- (See Attachment 2)
- H.H.Jr: Oh, I love this. I have got to read this to you. This is from the Farm Credit. This is a personal note to George Haas.
- "Dear George:
Still further inquiry concerning Mr. Thomas Campbell reveals that he is apparently about the only man that ever took J. P. Morgan clean. He did just that in a week at the time of the last war. Mr. Campbell is also credited with selling a man the Brooklyn Bridge before breakfast every morning and making him like it."
- I will show this to the Secretary of Agriculture. Maybe he will want him to go.
- Klotz: He won't. Maybe I wouldn't show it to him.
- H.H.Jr: Well, I am going to try to save you, but if I get an answer, "yes", send him over. I think they could do some good tractor farming in Iceland.
- Young: Well, they formally cleared two million dollars of agricultural implements last night.

- 16 -

H.M.Jr: For England?

Furvis: Sure.

There are 20 thousand tons of super, super phosphate which the Minister asked when I was there to get there by March 1 so as to get a big increase in their crop. They are fully alive to it. He got me especially when I was over there, and we did a tremendously quick job of getting that stuff over because that will save merchant shipping.

H.W.Jr: I am running behind. I spent 20 minutes on Mr. Campbell, and he is not worth 20 seconds, but that is my fault, but I wanted to help you out with the White House.

Furvis: I appreciate it.

Would you like that officially on the record? We could add a little to it, but it was just something that was worked on last night for me. The real difficulty is the impetus of the machine.

H.M.Jr: No. It doesn't answer it, but let's let it go.

Furvis: I told them to give you the best they could on it.

H.M.Jr: We will just have to do this on a day-to-day basis. Now, during my absence - I will be gone a week - why not let's you and I set a sum now? How much do you want to clear next week?

Furvis: May I tell you tomorrow morning? Could Phillips and I come before you leave and could we have the boys settle that tomorrow morning, because I wouldn't want to give you an inaccurate figure.

- 17 -

H.M.Jr: Just so Mr. Gaston can know.

Purvis: Exactly.

Charles, will you take charge of getting this for me?

Ballantyne: Yes.

H.M.Jr: I will give you 11:30, but by that time I will be biting my nails. I will Jesse Jones you.

Purvis: Jesse Jones sent over word to me, "God help you if I don't get over soon," and I very much would have liked to have had another opportunity to see him. There is one other thing I particularly want to mention tomorrow. It won't take five minutes. It is very important.

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7860

Box 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.To The Secretary of the Treasury
Washington

With the compliments of Arthur Purvis

January 30th, 1941.

SUMMARY OF TALK WITH MR. KNUDSEN

Wednesday, January 29, 1941.

1. The British type orders under review were as follows:

600 Hudsons
720 Lockheed 37's
276 Baltimores
360 Vultee Dive Bombers

2. So far as the Hudson and Lockheed 37 are concerned, it was established that no corresponding U. S. types existed which could fulfil the duties of these types (which roughly comprise long range sea reconnaissance and convoy work). Moreover the production of the Lockheed factory is dependent upon intensive prosecution of production of these types which are now well established. Nevertheless, it seemed reasonable to suggest that they had a possible interest for the U. S. Army Department and Mr. Knudsen approached General Arnold (with a definitely favourable reaction) as to the possibility of giving an "American Tag" to the Hudson type for a period of six months so as to enable the order for 600 Hudsons to be placed by the U. S. Army Department. Production on this type runs out in June and the matter is thus of first urgency. The question of the Lockheed 37 could be subsequently examined in the light of General Arnold's reply on the Hudsons. The production problem on the Lockheed 37 is not so urgent as current orders carry production through to October 1941.

3. The Glenn-Martin Baltimore type is somewhat superior to the Douglas Boston, performing the same duties, viz. an army support bomber. The Boston is equivalent to the U. S. Army type A.20 and it would be equally suitable to take A.20 in lieu of the Baltimore. Mr. Knudsen felt, however, that the Douglas organization could not give additional A.20's during the period in question beyond those already proposed for the U. S. Army and British, whereas the Baltimore is tooled up in the Glenn-Martin factory and the capacity could not be switched to other work without loss of valuable output. It was, therefore, suggested that the question of treatment of the Baltimore on lines analogous to the Hudson should be pursued by Sir Henry Self with the Army Department if the Hudson order were cleared by General Arnold as indicated in Paragraph 2 above.

4. On the Vultee Dive Bombers, it was explained that either the Brewster or the Vultee Dive Bomber is acceptable from the British view and that the U.S. Army Department have indicated an interest in the Brewster type. It might, therefore, be possible to deal with this order in the same way as for the Hudson and it was proposed that Sir Henry Self pursue the matter with the Army Department if the Hudson situation be cleared as anticipated.

-2-

5. With regard to the suggestion that the Brewster or Vultee Dive Bombers could be exchanged for Douglas Dive Bombers, the performance of the types was compared and it was found that the Brewster and Vultee's would be some 50 to 60 miles faster and have better defense and armament. Their substitution by the Douglas Dive Bomber did not thus seem practicable. As compared with the Curtiss Naval Dive Bomber the speed is roughly the same but the Curtiss Dive Bomber has been designed for naval use, whereas the Brewster and Vultee types are designed for land operation. The two could not be interchanged, e.g. the Curtiss Dive Bomber has a tire pressure of 80 lbs. per square inch which is far too high for land operated aircraft although acceptable for aircraft landing on aircraft carriers. The British would only be too grateful to get all the Curtiss Dive Bombers they can for use with the British Naval forces; and this would be over and above the need for securing Brewster and Vultee Dive Bombers for support of the Army.

Conclusions

The discussion thus resulted in the question of the order for 600 Hudsons (or such lesser number as might be necessary to keep production well in line) being examined by General Arnold to see if it could be taken over as a U. S. Army order by giving the type an "American Tag" for a period of six months.

In the light of the decision on this type, it is proposed that Sir Henry Self pursue further with the Army Department the possibility of similar treatment for the other orders to the extent necessary from the production viewpoint.

Washington, D. C.,
January 29th, 1941.

Arthur H. Purvis
Morris Wilson
Sir Henry Self

1. On December 19th, the President suggested, in view of our lack of dollar exchange, that we should conclude no further contracts for the time being but should stop negotiations at the point of conclusion. Between then and January 16th, \$122 millions worth of orders have been placed. What is the explanation?

2. At the end of 1939, we started purchases on an "over the counter" basis, merely buying what we needed to complete or insure the main production of England and France. But the loss of French production and the air attacks on England have forced us to change our line of action. America is our main arsenal, and "over the counter" purchases do not suffice.

3. From the middle of 1940, we have had to plan our purchases from America as we have planned our production in England. We have obtained all the capacity we could, and where it did not exist, we created, having in view not only our needs of 1940, or of 1941, but of 1942. American production was no longer an accessory but an essential.

4. When our lack of dollar exchange caused us to call a halt, we found that a complete cessation of orders would have two indirect effects which were even more important than the direct effect of a cessation of supplies:-

a) Much of our English production is thrown out of gear, owing to lack of balancing items required from this side. The balancing requirements may be either strategical, where finished products are needed from the U.S. to complete the equipment of our forces, or industrial, where component materials or tools are required from the U.S. for goods manufactured in England.

b) If we fail to place orders to utilize capacity obtained or created by us during the past year, the diversion of this capacity to other uses will throw us

-2-

back to our starting point many months ago. We shall not merely lose the six weeks or so during which no orders can be placed.

5. The whole machine of British purchasing has been geared to long term aims and it had gained immense momentum by December. At the beginning of the year we were ready to place orders within the next two months to about \$1,200 millions. Instead, we have had to cut off all new programmes; up to January 16th we had placed about \$122 millions.

6. That it is so much, is due to the impossibility of stopping dead so high-powered a machine, without disastrous effects. We have been concerned only to avoid grave damage to our war effort, not so much now as a year or more hence, when it will be most needed. Six weeks lost now may mean six months lost a year hence; in spending as much as we have spent in the last month, beyond what we were already committed to, we have only been concerned to avoid irreparable wastage; and judged from this angle it is doubtful if we have spent enough. We are still cutting down our expenditure; and the more we do so, the more we risk a waste for the future.

January 29, 1941

January 30, 1941.
3:55 p.m.

61

H.M.Jr: Hello.

Operator: Secretary Jones.

H.M.Jr: Thank you. Hello.

Jesse Jones: Jesse Jones.

H.M.Jr: Henry Morgenthau, Jr.

J: How are you, sir?

H.M.Jr: I'm alive.

J: I knew I wanted to talk with you some time today or tomorrow if there was any time. Would you have any free time?

H.M.Jr: Well -

J: A few minutes.

H.M.Jr: Well, I always have, Jesse. I -

J: I'm pretty well crowded - that's the reason I -

H.M.Jr: Yes.

J: I don't know just what minute I could get at it.

H.M.Jr: Well, would you want to do it either a few minutes before or a few minutes after Cabinet? A few minutes after?

J: Maybe I could do it before Cabinet.

H.M.Jr: Well, I got - I could get over there a little early.

J: Well, I'll tell you. Suppose I call you in the morning?

H.M.Jr: I'm at your service.

J: O. K.

H.M.Jr: I'm at your service.

J: Fine.

H.M.Jr: Thank you.

Jan 30, 1941

SUGGESTED FIRST STEPS IN
DEFENSE LOAN PROMOTION PROGRAM

After a determination of the kind of securities to be offered at the present juncture, and a determination, at least broadly, of the nature of the desired promotion program, it is believed that the following steps should at once be taken:

Organization

1.--Qualified persons should be chosen for the key positions in the promotion organization, including persons to serve in an advisory capacity. (See accompanying chart roughly outlining the organization believed necessary for quick and efficient functioning.)

2.--Office quarters and office facilities should be secured, adequate for the proposed organization. (This is now being studied.)

Planning

3.--As rapidly as the staff is recruited, the formulation of detailed plans should be begun, under the leadership of the several key men chosen, for the various phases of the program, such as radio, motion-picture, direct-mail, and press publicity, installment-sales promotion, field

Prepared by Harold Graves

-2-

effort, and so on. (As fast as these plans are crystallized and approved, the different phases of the program can go forward promptly.)

Field Organization

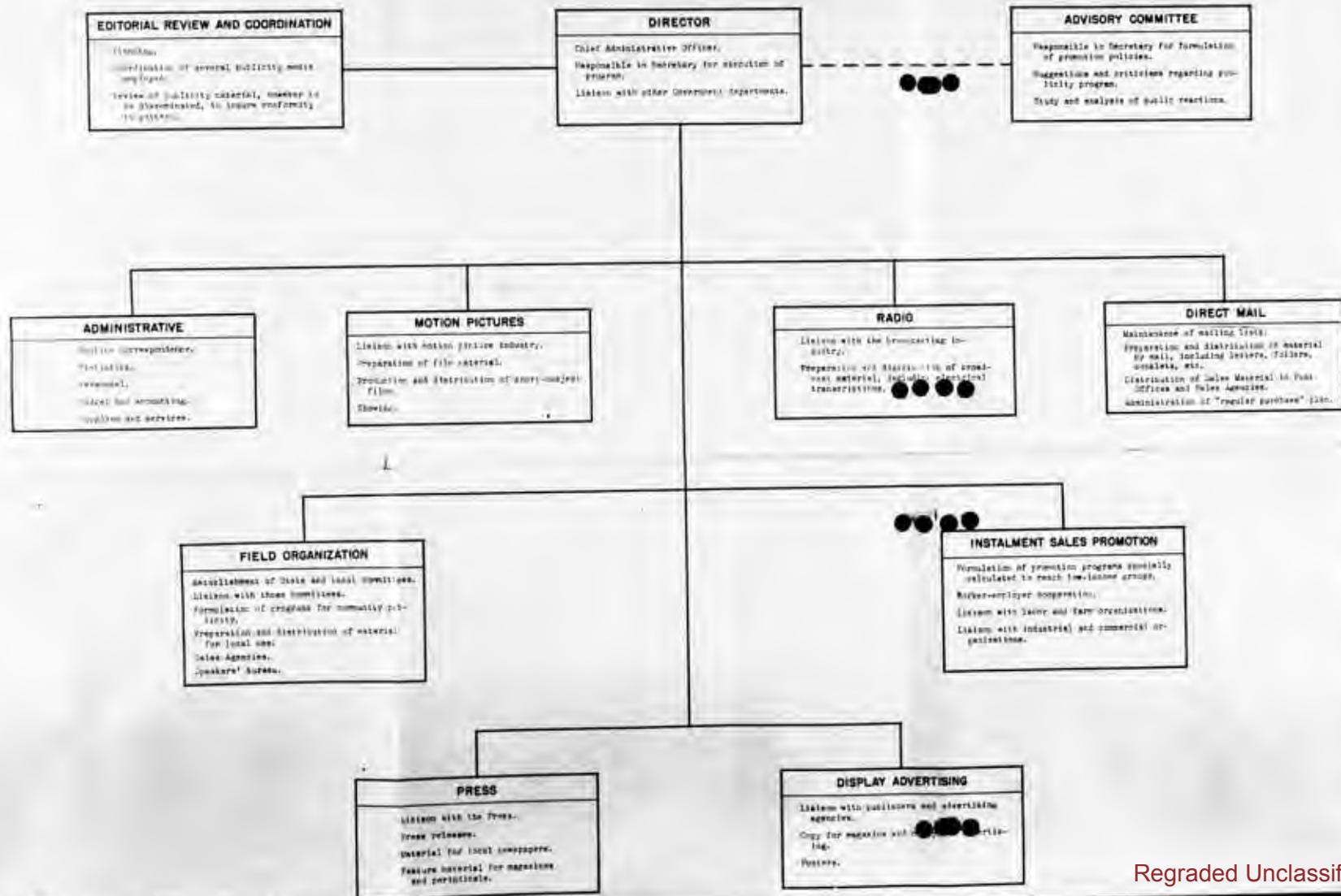
4.--Planning and constructing the necessary field organization would probably present the greatest difficulty. It would be advisable to appoint or designate a number of Treasury representatives (possibly as many as 50) for supervisory duty in the different States or sections of the country. Persons selected for such duty should be chosen with great pains, and assembled for thorough instruction and training before assuming their posts. These steps would take time, and should therefore be undertaken without delay.

Immediate Publicity

5.--Although care should be taken to avoid premature effort, certain things can be done toward immediate publicity while the steps suggested above are in process. These would certainly include appropriate press releases describing developments in the program, and the distribution of literature through post offices and through the facilities of the Division of Savings Bonds. (This is now proceeding.)

U S TREASURY DEPARTMENT
January 29, 1941

DEFENSE LOAN ORGANIZATION



January 30, 1941

Secretary Morgenthau

Mr. Thompson

As pointed out to you recently, the Administrative Office needs the services of a person well trained in matters of personnel management and civil service technique to assist on the intricate personnel problems arising in connection with the employment of some 80,000 persons in the Treasury Department.

After searching for several weeks for a person possessing these qualifications, this office has had recommended to it Mr. T. F. Wilson, at present employed as the Director of Personnel in the Farm Credit Administration under the Department of Agriculture. Before negotiating with Mr. Wilson for a permanent assignment in the Treasury Department in Grade CAF-14, at an annual salary of \$6,500, it would be extremely helpful if the Department of Agriculture could, without too much inconvenience, detail Mr. Wilson to the Treasury Department for a period of 90 days on a reimbursable basis, at the conclusion of which time this Department would have had an opportunity to observe firsthand Mr. Wilson's qualities and would then be in a position to enter into final negotiations looking toward his transfer to this Department or his return to the Department of Agriculture.

It would be desirable, if this detail meets with the approval of the Department of Agriculture, to have Mr. Wilson report for this assignment as early in the month of February as his services could be made available.

[Handwritten signature]

January 30, 1941

I spoke to Claude Wickard and he is sending M. L. Wilson over to see General Watson to tell him that they can't imagine any worse person to send than Campbell from Montana to England.

Recd. Hear's memo 2/1/28/41
" Rec'd ltr to Hear 1/29/41

JAN 30 1941

My dear Mr. Director *General*:

I enclose herewith a memorandum from Admiral H. H. Vaeche, Commandant of the United States Coast Guard, which points out the possible bottleneck in the export shipment of high explosives from ports of the United States. This subject is of interest to me because as Secretary of the Treasury I am charged with the safe handling of such shipments in the harbors and waters of the United States.

I recommend that this subject be referred to the appropriate authority in your organization.

Very truly yours,

Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Hon. Wm. F. Eadsen,
Director General,
Office of Production Management,
Council of National Defense,
Washington, D. C.

Enclosure

By messenger 3:50 1/30/41
Marked Confidential

WED:PEP:abc 1/22/41

SC 641

22 January, 1941.

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

I wish to call your attention to a possible obstruction to the flow of munitions. At present, limited quantities of high explosives are being shipped overseas from the United States. These explosives, for the most part, leave by way of the ports of New York and New Orleans. The Bayonne Terminal, located in New York Harbor, and the explosive anchorages in the Mississippi River, are used by vessels loading explosives at these ports.

At practically all ports large shipments of high explosives would have to be transferred from railroad freight cars to barges, and from barges to seagoing vessels at explosive anchorages. This procedure is necessary in the interest of safety, because docks with railroad facilities and enough draft for seagoing vessels are not generally available at sufficiently isolated localities to permit loading from freight cars directly to seagoing vessels.

Production from mills now under construction will presumably be heavy in 1941, and large shipments to Great Britain and to bases leased by the United States are anticipated. Harbor facilities are inadequate, I believe, to handle the prospective increased traffic.

The present method of loading high explosives at most ports from barges involves a doublehandling, with consequent increase of danger, cost, and time. I suggest, therefore, that a survey be made now of explosive-loading terminals throughout the United States, and that action be taken without delay to provide adequate isolated wharves for the safe and expeditious handling of explosives.

R. E. VARSONE,
Rear Admiral, U.S. Coast Guard,
Commandant.

VND:FKP:abc 1/22/41

Eccles

69 ✓

January 30, 1941

My dear Mr. President:

For your own confidential information,
I am enclosing herewith a memorandum which you
asked me to furnish you.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,
The White House.

By messenger 3:25 p.m. 1/30/41
envelope marked "Strictly Confidential"

January 30, 1941

My dear Mr. President:

For your own confidential information,
I am enclosing herewith a memorandum which you
asked me to furnish you.

Yours sincerely,

(Signed) H. Morganthau, Jr.

The President,

The White House.

January 30, 1941

My dear Mr. President:

For your own confidential information,
I am enclosing herewith a memorandum which you
asked me to furnish you.

Yours sincerely,

(Signed) H. Morganthau, Jr.

The President,
The White House.

MEMORANDUM FOR THE PRESIDENT:

Subject: The Recommendations Made to Congress by the Board of Governors of the Federal Reserve System, Presidents of the Federal Reserve Banks and the Federal Advisory Council

1. Powers over reserve requirements.

(a) Federal Reserve recommendations. Congress should establish statutory minimum reserve requirements equal to the present statutory maximum requirements. The Reserve System should be given powers to raise the reserve requirements up to double these proposed statutory minima, to vary the requirements for different types of banks, and to apply them to non-member banks.

(b) Treasury comment. This is the most important of the proposals submitted by the Federal Reserve System.

While there is already available, under existing legislation, substantial unused power to reduce excess reserves,* the Treasury agrees that the statutory powers to increase reserve requirements should be enlarged, and that they should be made applicable also to non-member banks.

However, the Treasury believes that the power to increase reserve requirements should not repose exclusively in the Federal Reserve System but concurrence of the Treasury Department should be required. This concurrence is needed because the power to raise reserve requirements carries with it the power to raise interest rates and thereby to increase the cost

* For example: unused margin of power to raise reserve requirements; sale by the Reserve System of its holdings of Government securities; increase of the Treasury balances with the Federal Reserve banks by sale of bills and by transfer of Treasury balances from the member banks to the Federal Reserve Banks; Treasury sterilization of inflowing gold; increase of required reserves through reclassification of banks.

- 2 -

of the defense program, to curtail industrial expansion, and to make it more difficult for the Government to borrow. Moreover, there is reason to believe that one of the objectives of the recommendations is to produce a higher level of interest rates and that the bankers generally favor such higher rates.

Because the Treasury does not consider a further increase in interest rates desirable at this time, and because a maximum of flexibility is desired in the regulation of reserve requirements, the Treasury believes that the minimum required reserves fixed by statute should not be increased.

2. Transfers of Control Powers.

(a) Federal reserve recommendations. That the control of reserve requirements should be transferred from the Board of Governors to the Open Market Committee. The Open Market Committee includes five representatives of the Federal Reserve Banks as well as the members of the Board of Governors.

(b) Treasury comment. Not only should the monetary and banking control powers of the Open Market Committee not be enlarged, but its present powers should be withdrawn, and it should be made a purely consultative body. All the powers of monetary and fiscal control should be concentrated in the Executive and in agencies operating under the President's direction or under the direction of officials appointed by him, subject to Senate ratification.

3. Abolition of certain monetary powers of the President and the Secretary of the Treasury.

(a) Federal reserve recommendations. The powers to raise the gold price, to issue \$3 billion of greenbacks, to monetize new purchases of foreign silver, and to issue silver certificates against seigniorage on previous silver purchases, should be repealed.

- 3 -

(b) Treasury comment. The Treasury would not object to a repeal of the mandatory provisions of the Silver Purchase Act. But if the Federal Reserve proposals for the repeal of the discretionary provisions with respect to the price of gold, the issue of greenbacks, and the issue of silver certificates against silver seigniorage are made in order to shut off the possibility of their use to produce an undesired currency expansion, they involve a reflection on the judgment of the President and of the Treasury which is not justified by their past record with respect to these provisions. If the argument is that the mere existence of these powers impairs confidence, it should be noted that the Federal Reserve System through its open market operations, has the power to bring about a much greater expansion of the supply of money than could be brought about by the Executive through the use to the statutory limits of all its powers of currency expansion.

The monetary history of this and other countries does not justify the belief that discretionary powers over the supply of money are less safe in the hands of government executives than in the hands of central or private bankers.

There does not seem likely to be in the near future any development which would justify the use of these powers of currency expansion. But these are uncertain times, and conditions can change with extraordinary rapidity. In a period such as the present when it is especially difficult to forecast the future, deliberate contraction of the power of the Executive branch of the government to deal effectively and promptly with any monetary or financial development, of whatever nature, would appear to be peculiarly ill-timed.

4. Required Consultation by the Treasury with the Open Market Committee.

(a) Federal Reserve recommendations. The Treasury should be required to consult the Open Market Committee prior to any operations of the Stabilization Fund which would affect excess reserves, and prior to any unsterilized gold purchase.

(b) Treasury comment. The Treasury believes that there should always be free consultation between the Treasury and the Board of Governors on all important monetary and banking matters of mutual concern. The Treasury believes, however, that

- 4 -

it should not be required to consult private bankers before carrying out operations which might involve delicate and highly confidential international negotiations or operations of such a nature that "leaks" would permit of illegitimate speculative profits.

5. Governmental Fiscal and Monetary Policies.

(a) Federal Reserve recommendations. Government borrowing from commercial banks should be stopped or curtailed; the proportion of government expenditures financed from tax revenues should be increased; the Budget should be balanced as soon as possible. The Treasury should discontinue the issuance of gold certificates against newly acquired gold.

(b) Treasury comment. The Treasury is in general agreement with the recommendations relating to borrowing from banks, taxation, and the Budget. The Treasury believes that newly acquired gold should be dealt with at any time in the manner which seems most appropriate to the circumstances of that time, and not according to any rigid rule, and that the effect of gold inflows on the supply of money is only one among several important circumstances to which consideration should be given in deciding for or against sterilization.

HDW:mng(rel)
1/27/41

JAN 30 1941

MEMORANDUM TO MISS LEAHY:

In your memorandum of January 15, 1941, you asked for a memorandum of the background, surrounding circumstances, and results of the letter by the President to the Speaker dated January 19, 1939, re Section 10 of the Gold Reserve Act, expiring June 30, 1939.

The Gold Reserve Act of 1934 provided that the stabilization fund powers and the powers specified in paragraph (b)(2) of Section 43, Title III of the Act approved May 12, 1933, as amended, relating to fixing of the metallic content of the dollar were to expire two years after passage of the Act, unless the President by proclamation extended such powers for an additional year. This the President did by proclamation dated January 10, 1936, extending such powers for an additional year from January 30, 1936. By an Act of Congress approved January 23, 1937, these powers were again extended to expire on June 30, 1939. On January 19, 1939, the President wrote identical letters to the Speaker of the House of Representatives and to the President of the United States Senate recommending the extension of these powers. After extensive Congressional hearings and debate, the Congress by an Act approved July 6, 1939, extended such powers until June 30, 1941.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

By messenger 1/30/41
4:05 P.M.

BB:ard - 1/27/41.

0:

1/17'41

77

Mr. Foley

This was sent to you by
the Secretary.

That part which was not
related to the "number 1"
part was omitted from this
copy.

McGuire

JAN 21 1941

MR. FOLEY

C O P Y

THE WHITE HOUSE
Washington

January 15, 1941

Dear Mr. Secretary:

Would you be good enough to send me memoranda in regard to the following:

1. Memorandum of the background, surrounding circumstances, and results of the letter^A by the President to the Speaker dated January 19, 1939, re Section 10 of the Gold Reserve Act, expiring June 30, 1939. B

As this information is to be included in the President's Public Papers and Addresses, it would be very much appreciated if you could let me have these memoranda as soon as possible since we are now in the process of compiling this data.

Very sincerely yours,

/s/ M. A. LeHand

M. A. LeHand
Private Secretary.

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

C O P Y

THE WHITE HOUSE
Washington*Sent to Sullivan*

January 15, 1941

Dear Mr. Secretary:

Would you be good enough to send me memoranda in regard to the following:

2. Memorandum giving the surrounding circumstances and results of the President's letter, March 14, 1939, addressed to Senator Harrison, re amendments to H.R. 3790, a bill dealing with reciprocal taxation of incomes of Federal and State employees -- amendments which dealt with taxes on several imported products.

As this information is to be included in the President's Public Papers and Addresses, it would be very much appreciated if you could let me have these memoranda as soon as possible since we are now in the process of compiling this data.

Very sincerely yours,

/s/ M. A. LeHAND

M. A. LeHand
Private Secretary,The Honorable,
The Secretary of the Treasury,
Washington, D.C.

C O P Y

THE WHITE HOUSE
Washington

January 15, 1941

Sent to Foley

Dear Mr. Secretary:

Would you be good enough to send me memoranda in regard to the following:

1. Memorandum of the background, surrounding circumstances, and results of the letter by the President to the Speaker dated January 19, 1939, re Section 10 of the Gold Reserve Act, expiring June 30, 1939.

As this information is to be included in the President's Public Papers and Addresses, it would be very much appreciated if you could let me have these memoranda as soon as possible since we are now in the process of compiling this data.

Very sincerely yours,

/s/ M. A. LeHand

M. A. LeHand
Private Secretary.

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

THE WHITE HOUSE
WASHINGTON

January 15, 1941

81

*See Sullivan reply
prepared by Sullivan
for Part II on 1/21/41*

MEMORANDUM:

Will you be good enough to send me
a copy of the following:

1. Summary of the background, sur-
rounding circumstances, and results
of the letter by the President to
the Board of Governors, dated January 10, 1939,
concerning the Gold Reserve
Act, effective June 30, 1939.

2. Summary of the surrounding
circumstances and results of the
President's letter, March 14, 1939,
to the Board of Governors, re-
sponding to H. R. 7250, a bill
to amend the International Taxation
Act of 1938 and State
and local laws which
relate to the covered in-
come tax.

Will this information be to be included
in the Public Papers and Addresses,
and will you be good enough to send me
a copy of the same as soon as possi-
ble in view of the progress of compil-
ing the same.

Very sincerely yours,

M. A. L. Hand

M. A. L. HAND
Private Secretary,

Director,
Bureau of the Treasury,
Washington, D. C.

FOREIGN-TRADE ZONES BOARD

ANNUAL REPORT

TO CONGRESS

For The Fiscal Year Ended

June 30,

1940



WASHINGTON, D. C.

January 30, 1941

FOREIGN-TRADE ZONES BOARD

Jesse H. Jones, Secretary of Commerce,
Chairman.

Henry Morgenthau, Jr.,
Secretary of the Treasury.

Henry L. Stimson,
Secretary of War.

Thos. E. Lyons,
Executive Secretary.

* * *

Committee of Alternates

South Trimble, Jr., Chairman,
Solicitor, Department of Commerce.

Ralph H. Dwan,
Chief Counsel, Bureau of Customs, Treasury Department.

Brig. Gen. Thomas M. Robins, Assistant to the
Chief of Engineers, U. S. Army, War Department.

* * * * *

Room 3060 Department of Commerce Building,
Washington, D. C.

FOREIGN-TRADE ZONES BOARD,
WASHINGTON, D. C.,
January 30, 1941.

TO THE CONGRESS OF THE UNITED STATES:

The Foreign-Trade Zones Board has the honor to submit herewith its annual report for the fiscal year ended June 30, 1940. There is also transmitted a copy of the Annual Report of the City of New York relating to the operation of Foreign-Trade Zone No. 1, Stapleton, Staten Island, for the calendar year of 1939.

Legislation authorizing the establishment of foreign-trade zones in or adjacent to ports of entry of the United States was enacted during the 2nd Session of the 73d Congress (48 Stat. 998, 1003). The Act created a Board consisting of the Secretaries of War, Treasury, and Commerce, to administer its provisions. The last named was designated as chairman. The legislation authorized both public and private corporations to make applications to the Foreign-Trade Zones Board for the privilege of establishing foreign-trade zones. In the case of a private corporation, authority for filing an application must first be obtained from the legislature of the State in which it is proposed to establish the zone.

As contemplated by the Act, a foreign-trade zone is an isolated, enclosed, and policed area, under Federal supervision, operated as a public utility by a corporation, in or adjacent to a port of entry, without resident population, furnished with the necessary facilities for lading and unloading, for storing goods, and for reshipping them by land and water; an area into which

2.

goods may be brought, stored, and subjected to certain specified manipulation operations. If reshipped to foreign points, the goods may leave the restricted trade zone without payment of duties, and without the intervention of customs officials, except under certain conditions. Such products cannot, of course, leave the trade zone for domestic use or consumption without full compliance with existing customs laws. Goods may not be manufactured or exhibited in such an area, but may be "broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed with foreign or domestic merchandise, or otherwise manipulated". The foreign-trade zone is subject equally with adjacent regions to all the laws relating to public health, vessel inspection, postal service, immigration, and to the supervision of Federal agencies having jurisdiction in ports of entry, including customs, to a limited extent.

As foreign-trade zones are new in this country and expenses incident to their establishment are considerable, the progress of establishing such areas in our ports has proceeded slowly. The New York Foreign-Trade Zone, the first to be authorized under the 1934 Act, was opened at Stapleton, Staten Island, on February 1, 1937 and is at present the only zone in operation. The zone established by the Alabama State Docks Commission at the Port of Mobile in July 1938, was closed shortly thereafter upon the application of state officials and the grant cancelled.

3.

No application for grants to establish foreign-trade zones in ports of entry of the United States were received by the Board during the year. A number of ports, however, have continued an interest in the establishment of such areas, including the Board of State Harbor Commissioners of California for a zone at San Francisco and the Puerto Rican Insular Government for a zone at San Juan. The application for the zone at San Francisco has been held in abeyance pending the selection of a suitable site, while additional information has been awaited from the Puerto Rican Insular Government regarding the establishment of the San Juan zone.

NEW YORK FOREIGN-TRADE ZONE

The outbreak of the European war has considerably increased and accelerated activities in the New York Foreign-Trade Zone. As a result of the disruption of established world shipping routes and the closing of customary trade channels, a number of commodities which formerly were shipped direct, have been brought to the New York Foreign-Trade Zone and transhipped to final destinations abroad. On the other hand, trade developed with a number of Continental European countries during the early days of the zone, has been completely cut off by the outbreak of the war and the subsequent blockade. On the whole, however, the activities of the zone have been considerably increased and the existing facilities over-taxed by the business which has been attracted to the zone during the year.

The zone has been used extensively for the consolidation of large shipments of Chilean copper, Argentine corned beef, Canadian asbestos and American materials for shipment to Great Britain and France.

Although the Board has approved plans for additional construction in the New York Foreign-Trade Zone, including a utility building and tanks for the storage of vegetable oils, so far, the city has not undertaken such construction. This delay has been influenced, at least in part, by a suit which has been brought contesting the right of the City to operate the Zone as it is now doing. Until such litigation has been disposed of, the City has naturally been unwilling to erect the new buildings and install the additional facilities it had originally planned. Business which ordinarily would have been attracted to the zone has not been accommodated due to failure to provide such additional facilities.

Several developments in the New York Foreign-Trade Zone during the year are worthy of mention in this report. As a result of the war, Sumatra leaf tobacco, which formerly was handled through Rotterdam and Amsterdam, will now be brought to the foreign-trade zone and plans are being made to hold sales by inscription at the zone similar to those formerly held in the Netherlands. Funds realized from such sales will be utilized to a considerable extent for the purchase of American equipment and supplies for the Dutch East Indian Government, materials that formerly were supplied from

5.

the Netherlands prior to its occupation by the Germans. It is possible that the types of Sumatra leaf suitable for all the American markets will continue to utilize the zone even after the cessation of hostilities. In connection with the National Defense Program, stock piles of tungsten ore, Chilean copper, antimony and other metals, are being built up in the New York zone. Extensive machinery has been installed in the zone for the cleaning and manipulation of imported tungsten ore prior to its being placed in stock reserves or being brought into customs territory.

Summary of Operations and Fiscal Condition

The books of the New York zone are kept on a calendar year basis. Accordingly, its latest annual report, a copy of which is attached, covers only its operations for the calendar year of 1939. This report shows a gross operating income of \$256,838 and operating and administration expenses of \$206,096. Of this latter sum \$24,162 represented the cost of United States customs guards whose services are paid for by the grantee of the zone. We are advised that during the first six months of 1940 the activities of the zone continued to increase at a very satisfactory rate and that the operating results were approximately equal to those for the entire year of 1939.

During the year 1939 the city continued its work of improving and repairing the structures which were initially on the property. Its expenditures for that purpose during the year aggregated \$272,695 and its total investments on that account including all items of expense in adapting the area for zone purposes at the close of the year amounted to approximately \$1,270,241.

The statistical tables attached to the report of the city show receipt during the calendar year of 1939 of 4346 lots of merchandise weighing 100,845 tons and having a value of \$39,082,000. These figures represent a substantial increase over 1938, when 1285 lots of merchandise, weighing 38,895 tons, valued at \$5,752,071 were received in the zone. Similar figures for 1937, the first year the zone was in operation, were as follows: 92 lots of merchandise, weighing 10,600 tons valued at \$1,174,293. This gain for the brief period the zone has been operating is encouraging when it is shown that the number of different commodities increased to 155 in 1939, and came from 56 different countries, including the United States and its possessions.

Distribution of merchandise from the zone to 40 foreign countries amounted to 15,098 tons, valued at approximately \$16,870,611; and merchandise imported into customs territory of the United States from the zone in 1939 weighed 57,064 tons and was valued at \$8,292,395. The remaining merchandise in the zone on December 31, 1939, weighed 55,302 tons and was valued at \$17,705,000, being over twice the amount and having over four times the value of merchandise in the zone at the start of the year 1939.

Collection of customs duties on merchandise imported into customs territory rose from \$345,635 in 1938, to \$732,167 in 1939. The collection of this revenue was at no expense to the Government, the salaries of customs officials being borne by the Grantee.

Merchandise was delivered at the zone in 1939 by 55 vessels engaged in foreign trade, 316 in inland waterway and harbor traffic, 1166 motor trucks, and 7 parcel post deliveries.

Merchandise was shipped from the zone by 4 vessels engaged in foreign trade; 51 vessels in coastwise and intercoastal trade; 565 inland waterway and harbor craft, 6377 motor trucks, and 7 parcel post and messenger deliveries.

In order of value, the ten leading commodities handled at the zone in 1939 were airplanes and parts, \$16,406,000; household effects, \$5,481,659; Brazil nuts, \$1,910,881; machinery, \$1,528,674; canned beef, \$1,458,972; copper, \$870,164; istle, \$684,370; tungsten (wolfram) ore, \$608,416; aluminum, \$460,000; and wood pulp, \$385,243.

In order of weight, the ten leading commodities handled at the zone in 1939 were Brazil nuts, 35,810,820 lbs., wood pulp, 23,580,353 lbs., household effects, 19,994,557 lbs., canned beef, 17,661,639 lbs., motor trucks, 15,926,000 lbs., soy beans, 14,956,416 lbs., sago and tapioca flour, 15,733,939 lbs., talc, 11,591,400 lbs., istle, 8,155,627 lbs., raw sugar, 6,993,908 lbs.

In order of importance, by weight of merchandise received in the zone, the ten leading countries in 1939 were Brazil, 43,598,955 lbs., Germany, 19,445,128 lbs., Sweden, 18,582,200 lbs., China, 16,972,250 lbs., Netherlands Indies, 13,771,642 lbs., Argentina, 12,792,526 lbs., Italy, 10,320,561 lbs., Mexico, 8,185,035 lbs., Cuba, 7,001,251 lbs., Uruguay, 5,083,698 lbs.

In order of importance, by value of merchandise received in the zone, the ten leading countries in 1939 were: Germany \$4,468,637; Brazil, \$2,281,565; Argentina, \$978,957; China, \$780,460; Netherlands, \$709,583; Italy, \$707,481; Mexico, \$688,543; Netherlands Indies, \$511,085; Uruguay, \$494,184; Belgium, \$337,532.

8.

In order of importance, by weight of merchandise shipped from the zone, the six leading countries in 1939 were: Sweden, 13,731,894 lbs., France, 10,966,960 lbs., Netherlands Indies, 1,417,798 lbs., United Kingdom, 1,120,075 lbs., Puerto Rico, 1,099,230 lbs., Australia, 327,042 lbs.

In order of importance, by value of merchandise shipped from the zone, the six leading countries in 1939 were: France, \$14,017,400; United Kingdom, \$1,514,259; Australia, \$698,927; Sweden, \$210,131; Netherlands Indies, \$91,988; Puerto Rico, \$88,030.

The city's annual report shows that wages paid for services in the New York Foreign-Trade Zone exceeded \$96,000 in 1939. This figure is in addition to wages paid longshoremen, estimated at \$70,000 and wages paid by customers for manipulation by their own employees, reported to exceed \$50,000 during the period. A report entitled "Administration of the Foreign-Trade Zone in New York City", prepared by the Commissioner of Investigation and Commissioner of Docks and submitted to Mayor LaGuardia on August 5, 1940, presents a detailed analysis of all operations in the New York Foreign-Trade Zone. According to this report, employment statistics of the zone show that the average number of persons employed per month for the first three months of 1940, was 882 and the average number of hours worked per month 41,862.

According to the Deputy Collector in Charge, the following types of manipulation were carried on in the New York Foreign-Trade Zone during the fiscal year: examination, segregation, camphorization and repacking of household effects; labelling and repacking meat food

9.

products; splitting, skinning, polishing and rebagging Chinese peas; cleaning, grading and rebagging chick peas; cleaning and rebagging mustard seed; cleaning and drying crude drugs; drying, ridging, culling and bagging Brasil nuts; mixing, sampling and rebagging tungsten ore; maturing and sampling leaf tobacco and sampling woolen woven fabrics.

BOARD'S ACTIVITIES DURING FISCAL YEAR

No questions requiring formal consideration were decided by the Board during the fiscal year. The Board, however, acted informally on a number of matters affecting the administration of the New York Zone, including the granting of permission to defer certain construction improvements until 1946.

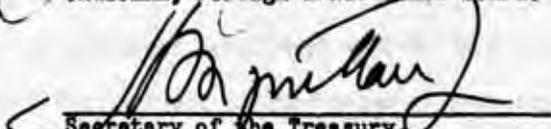
LEGISLATION

During the final session of the 76th Congress, bills were introduced in both Houses of Congress designed to restrict materially the activities and operations now permitted in foreign-trade zones. Among other restrictions, the bills would extend the regulatory provisions of the Intercoastal

10.

Shipping Act of 1933 to operations within foreign-trade zones and would authorize the Maritime Commission to administer provisions relating to rates and charges. The Departments of Commerce and War, and the Maritime Commission reported unfavorably on the bills. No action was taken on the proposed legislation before the Congress adjourned.


Secretary of Commerce,
Chairman, Foreign-Trade Zones Board.


Secretary of the Treasury.


Secretary of War.

CONFIDENTIAL

PARAPHRASE

A telegram (no. 26) of January 30, 1941, from the officer in charge of the American Embassy at Nanking reads substantially as follows:

According to the British Consul, the text of the charter of "Central Reserve Bank", as transmitted in recent despatches, closely follows the text which Leith-Ross drafted in 1937 for the Chinese National Government and which leading banks of the world approved. Additional details are known to the British Financial Commissioner in Shanghai (Hall-Patch).

TO THE SECRETARY
TECHNICAL ASSISTANT
OF THE OFFICE

1941 FEB 2 10 53

TECHNICAL ASSISTANT
RECEIVED

(Received from Treasury Dept., Los Angeles, California, presumably from
 H. S. Holsman, Treasury Attaché, Shanghai, China, on January 30, 1941.)

CONFIDENTIAL MEMORANDUM

To the Secretary:

Puppet Reserve Bank opened in Shanghai on morning of 20th inst. Officials thereof, fearing they would meet terrorists at front entrance, entered at back door.

In market early morning there was much confusion when Associated Press message from New York announced that the United States Treasury was contemplating freezing all foreign credits in the United States, which caused Chinese speculators to sell U. S. dollars. This action strengthened the value of Chinese dollars. The situation is not clear.

It is believed pressure will be exerted on Chinese commercial banks to accept the new puppet notes. Latter may be forced to open accounts in the new currency without interest. The Sino-British stabilization fund is still out of business. Lately the import demand for cotton, rice and coal in Shanghai was very heavy with no export cover whatever. It is estimated that cotton requirements for the next few months might equal 3,000,000 U. S. dollars monthly. Pressure on fund last week was particularly heavy and Fund Committee thought it advisable to discontinue selling for time being and allow market to adjust itself to a new and more economic level before further support is given. However, this is the import season in China and demand for foreign exchange must be expected.

Hsi Te-Kan is at present in Chungking where he has had several conferences with Kung in regard to currency stabilization under new U. S. \$50,000,000 loan, but so far no definite decision arrived at. Fundamentally there has been great divergence of views as to whether futures selling of exchange should be under "entire restrictions" or "free selling." The government at Chungking seems to favor the former procedure while others the latter. Hsi is of opinion that as long as Shanghai remains as it is, market there should be maintained.

Further that should an exchange market be established Chungking free selling should be adopted, at least in the beginning, in order to uphold public confidence. Speculation could be checked at Chungking with much less difficulty. Hsi promises that nothing will be done until the formation of new joint committee of five, composing one American, one British and three Chinese representatives.

Treasury Attache'

TO THE SECRETARY
YBA
TECHNICAL ASSISTANT
OFFICE OF THE

20 11 MA 03 WML:NB

THE OFFICE DEPARTMENT
RECEIVED

JAN 30 1941

My dear Mr. Bueck:

Through your letter to Mr. Frank Metrich of this Department, Mr. Ping-fong Kao's letter expressing a desire to study tax administration in the United States has come to my attention.

I shall look forward to seeing the members of Mr. Kao's staff who come on such a mission and I wish to assure you, as I have assured Mr. Kao, that the Treasury Department will assist the mission in every way possible.

Thinking you may be interested in seeing a copy of my letter to Mr. Kao, I am enclosing a copy herewith.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Dr. J. Lossing Bueck,
Department of Agricultural Economics,
University of Hanking,
Chengtu, China.

Enclosure.

Airmail H:501/20/41
File to Mr. Thompson

HLM/afm 1-25-41

JAN 30 1941

My dear Mr. Buck:

Through your letter to Mr. Frank Dietrich of this Department, Mr. Ping-fong Kao's letter expressing a desire to study tax administration in the United States has come to my attention.

I shall look forward to seeing the members of Mr. Kao's staff who come on such a mission and I wish to assure you, as I have assured Mr. Kao, that the Treasury Department will assist the mission in every way possible.

Thinking you may be interested in seeing a copy of my letter to Mr. Kao, I am enclosing a copy herewith.

Sincerely,

(Signed) H. Macgibbon, Jr.

Secretary of the Treasury

Dr. J. Loesing Buck,
Department of Agricultural Economics,
University of Hanking,
Chengtu, China.

Enclosure.

HLM/afn 1-25-41

Almond 4:50
1-30-41
File to Mr. Thompson

JAN 30 1941

My dear Mr. Koo:

I am pleased to learn that you are interested in sending members of your staff to Washington to investigate methods of tax administration in the United States.

I wish to assure you that the Treasury Department will be most happy to receive such a delegation and will cooperate in every way to make their studies as profitable as possible. I shall look forward to meeting your representatives on their arrival in Washington.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Ping-fong Koo,
Director, Direct Tax Administration,
Ministry of Finance,
Chungking, China.

File to Mr. Thomson

ORIGINAL FORWARDED TO ADDRESSEE
FROM OFFICE OF THE SECRETARY

ELM/afm 1-24-41

JAN 30 1941

My dear Mr. Koo:

I am pleased to learn that you are interested in sending members of your staff to Washington to investigate methods of tax administration in the United States.

I wish to assure you that the Treasury Department will be most happy to receive such a delegation and will cooperate in every way to make their studies as profitable as possible. I shall look forward to meeting your representatives on their arrival in Washington.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Ping-fong Koo,
Director, Direct Tax Administration,
Ministry of Finance,
Chungking, China.

ORIGINAL FORWARDED TO ADDRESSEE
FROM OFFICE OF THE SECRETARY

File to Mr. Thompson

HLM/afm 1-24-41

PARAPHRASE OF CONFIDENTIAL TELEGRAM RECEIVED FROM THE AMERICAN
EMBASSY, RIO DE JANEIRO, NO. 69, OF JANUARY 30, 1941.

The Bank of Brazil is said to have been approached by the
Russians, who want to open accounts with it in United States
dollars. The balance of the Bank of Brazil of the Yokohama
Specie Bank is now U. S. \$5,000,000, mostly in futures of one
and two months.

811.5151 Control/8

RA:WNV:VLI

Ucopy:aja

PAW

GRAY

BERLIN

Dated January 30, 1941

Rec'd 5:45 a.m. Jan. 31.

Secretary of State

Washington

342, January 30, 6 p.m.

FOR TREASURY FROM HEATH AND FOR THE DEPARTMENT'S
INFORMATION.

According to the statement of the Reich's short term debt on November 30, 1940, which has just appeared, the Reich increased its short term borrowings during November by 1737 million marks to 35,896 million marks as compared with 1960 million marks in October. No statement of long term debt has been issued since the one for the end of September. The total borrowed in each of both months was probably over 3 billion marks since, as stated in my telegram under reference, long term borrowing probably averaged well over 1 billion marks a month during the last three months of the year.

During November the amount of Treasury bills and certificates outstanding increased by 2072 million marks to 29,985 million marks and utilization of the Reich's operating credit at the Reichsbank increased by 32 million marks

FA7 -2- 342, Jan. 30, 6 p.m. from Berlin

marks to 662 million marks. The amount of other short term loans outstanding (representing chiefly the loan from the Reichskreditkassen system) decreased by 363 million marks from its peak figure of 1715 million marks on October 31 to 1352 million marks on November 30. This item undoubtedly decreased by an even larger amount during December since, as reported in my air mail memorandum of January 14, according to Reichsbank Director Kretzschmann, the circulation of Reichskreditkassen notes (and consequently the amount of the loan to the Reich) was at the beginning of January only approximately one-half of its peak figure in the fall. The amount of new finance plan tax certificates outstanding also decreased during November by 4 million marks to 3549 million marks.

MORRIS

KLP

JR

GRAY

Berlin

Dated January 30, 1941

Rec'd 11:06 a.m.

Secretary of State,
Washington.

333, January 30, 10 a.m. (SECTION ONE)

The Berlin newspapers publish prominently reports of testimony before the Senate Foreign Affairs Committee by Secretary Morgenthau who is quoted as having stated that England must cease to fight without American help. He is also quoted as having remarked that he has already mentally written off the British World War debt to the United States. In editorial comment under the heading "Dethroned England" the BOERSEN ZEITUNG says: "It is profitable to let the fire of war burn a little longer until the British clearance sale has gone through to the end. Therefore one can also calmly write the British war debts off mentally when he expects a many times greater gain from the British liquidation. The only prerequisite is that one places the English in a position to carry on the struggle until their complete exhaustion". The BOERSEN ZEITUNG remarks in this connection that Great Britain formerly the greatest world and finance power has sunk to the level of the states which formerly served it as pawns on the political chessboard and has become a plaything

in

-2- #333, January 30, 10 a.m. (SECTION ONE) from Berlin.

in the hands of the United States of America.

DIENSTAUS DEUTSCHLAND remarks that the testimony of Secretary Morgenthau is followed with care in Berlin and that his statement that England, China and Greece cannot continue the war without the planned extension in American help is viewed as a remarkable confirmation of the German statements with regard to the degree of effectiveness now attained in the struggle of the Axis against England. DIENSTAUS DEUTSCHLAND continues "from the German side one supplements the statements of Morisco by the intimation that these successes of Germany have already been attained in the stage of preparation and that one can draw therefrom conclusions as to the effects of the major attack. The words of Grand Admiral Raeder with regard to the 'too lateness' of the American help are given even greater weight as argument by the American declarations. According to local opinion the evasive manner in which /Secretary Morgenthau answered the question the new English debts will experience the same fate as the English world war debts shows how low he now estimates the English credit.

MORRIS

WSB

GMW

GRAY

Berlin

Dated January 30, 1941

Rec'd. 10:33 a.m.

Secretary of State,
Washington.

333, January 30, 10 a.m. (Section Two).

Furthermore in connection with the general theme of the United States of America attention is paid to the effort of Lord Halifax who protested against the decision of Washington to raise the embargo on the Soviet Union who described this step of the United States as the opening of a dangerous gap in the blockade. On the one side, it is said in Germany, England urgently pleads for help, on the other side, it puts itself forward as the censor of well thought out American Government decisions. One explains this English action in Germany with the statement that only English concern about the ineffectiveness of the blockade would lead the English to such a criticism of the United States of America."

The BOERSEN ZEITUNG refers to this same point in the editorial comment already cited and remarks that with regard to this criticism Secretary of State Hull declared that the goods going to Russia were entirely unimportant

and

-2- GMW 333, January 30, 10 a.m. (Section Two) from Berlin

and that he doubted furthermore that they could be of any value to a third party. The BOERSEN ZEITUNG concludes: "that is to say: where American interests are concerned friendship ends. That means however also: when America speaks England has nothing more to say. Morgenthau asserted with a sobriety bordering on brutality that England has nothing more to win with its own strength. Thereby there is characterized the present situation of the land which (?) began this war. To another there is however also substantiated the enormous responsibility of that other land which stirs up a fire of war which now could go out of its own accord."

(End of Message).

MORRIS

RR

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 30, 1941.

TO Secretary of Argentina

FROM Mr. DEARTH

CONFIDENTIAL

sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£127,000
Purchased from commercial concerns	£ 52,000

In the open market, sterling remained at 4.03-1/2. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£ 17,000
Purchased from commercial concerns	£ 5,000

Fluctuations for the other currencies experienced little change, except for a one-cent decline in the "commercial" Swiss franc and a small improvement in the Canadian dollar and Cuban peso. The closing rates were:

Canadian dollar	17-1/8% discount
Swedish krona	.2386
Reichsmark	.4000
Lira	.0505
Portuguese escudo	.0402
Argentine peso (free)	.2375
Brazilian milreis (free)	.0505
Mexican peso	.2066
Cuban peso	7-9/16% discount
Chinese yuan	.05-1/2

We sold 12,500,000 in gold to the Bank of Java, which was added to its earmarked account.

We purchased 115,000 in gold from the earmarked account of the National Bank of Argentina.

No new gold engagements were reported.

No gold or silver prices were received from the Bombay bullion market today.

In London, a price of 23-1/4d was fixed for both spot and forward silver, representing a gain of 1/16d in each case. The dollar equivalent of this price is 42.21¢.

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

- 2 -

We made three purchases of silver totaling 215,000 ounces under the Silver Purchase Act. Of this amount, 40,000 ounces represented a sale from inventory, and 75,000 ounces consisted of new production from foreign countries, for forward delivery. The remaining 100,000 ounces represented part of a shipment of 821,747 ounces which was shipped to this country early in January by the Central Bank of China. So far, we have purchased 450,000 ounces of the Chinese shipment.

A handwritten signature in dark ink, appearing to be 'J.M.R.', is centered on the page.**CONFIDENTIAL**

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 30, 1941.

for Miss Chauncey
 to Secretary Morgenthau
 FROM Mr. Cochran

STRICTLY CONFIDENTIAL

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

<u>Date</u>	<u>Amount Debited</u>	<u>Paid To</u>
January 30	\$120,000	Hungarian General Consul in New York for account of Cash Offices, Budapest.



BRITISH EMBASSY,
WASHINGTON, D. C.

January 30th, 1941

Personal and
Secret

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Arthur

The Honourable,

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

TELEGRAM RECEIVED FROM LONDON
DATED JANUARY 26th, 1941

NAVAL

Greek submarine claims to have sunk 3 Italian ships on January 24th.

12 enemy mines were exploded, 8 exploded spontaneously in United Kingdom waters on January 27th. Enemy mine laying activities are being dealt with satisfactorily and our losses by mine are still very moderate.

MILITARY

In the Tobruk area, estimated 150,000 gallons of petrol captured. The water situation good.

ETHIOPIA

By the evening of January 25th, our forces were astride the Barentu - Agordat road near Agordat, in the Gogni area action has developed successfully. Total prisoners now 1,200 including 30 officers. Umm Hagar occupied January 25th.

ROYAL AIR FORCE

Night of January 25th/27th. A very good attack upon Hanover post and telegraph office was carried out by 16 heavy bombers. Weather was clear, all bombs dropped in target area starting large fires. Leaflets were also dropped. All our aircraft returned safely.

JANUARY 27th. Weather conditions were

bad/

bad. At dusk a Beaufort dropped a land mine near the Port Militaire at Brest.

NIGHT OF JANUARY 27th/28th.

All operations cancelled.

LINKS.

On January 28th Stenhelm again bombed Italian landing grounds. Our fighters shot down 5 U.R. 42 (Fiat biplane) fighters near Luchini and 2 G.50 (Fiat monoplanes) fighters near Terni. One Hurricane lost, pilot safe, one Gladiator missing and 2 damaged.

SYTHIA.

Three days ago also hit bombed communications and machine gunned a motor transport in the Agordat area.

THE MEDITERRANEAN.

January 27th. Enemy activity slight. A few coastal and inland reconnaissance by single aircraft. One JU 88 bomber shot down by anti-aircraft in Nice theatre.

NIGHT OF JANUARY 27th/28. No enemy operations.

REPORT ON GERMAN TROOP MOVEMENTS IN SPAIN
BY AIR AND FROM THE AIR

GERMANY
By A. A.
British

GERMANY
1 Bomber
Nil

SPAIN

No new military evidence of preparations for German move into Spain.

ITALY

Reports of German troops in Italy are

are still conflicting no formation yet identified. There are probably some German troops in southern Italy and Sicily, perhaps for guarding aerodromes. No evidence of sufficient German forces for attack on Malta.

HUNGARY.

Preparations to facilitate German move through the country continue and communications are being steadily improved.

CONFIDENTIAL

Paraphrase of Code Radiogram
Received at the War Department
at 8:33, January 30, 1941

London, filed 13:50, January 30, 1941.

1. On Wednesday, January 29, planes of the British Coastal Command operated normal patrols during which one German plane was damaged. There was no report on British air losses. Adverse weather caused the abandonment of all flights of Bomber Command planes on this day and during the preceding night.

2. During the night of January 29-30 airfields at Biggin Hill, Cambridge, Kenley, Slough and Windsor were attacked by German raiders and East London was bombed. A total of 36 German planes were plotted over England. On the preceding day raids were carried out against Gloucester, Hartlepool and the surrounding area, and the London suburbs of Erith and Barking. In addition, German planes were on reconnaissance missions over the east coast of Britain. There was no report on German air losses.

3. British reconnaissance by planes based on Malta indicates that the fortifications at Tripoli in Libya are being worked on. Planes at Castel Benito (?) have been identified as German, probably Junkers bombers. Two vessels of an Axis convoy were damaged by British naval aircraft off the eastern Tunisia coast. Bridges and the railroad west of Cheren in northern Ethiopia were attacked by British bombers from the Sudan. One Axis plane was destroyed and four others damaged when British planes based in Greece intercepted a flight of 20 Axis planes. In the Barce-Derna area of Libya the Royal Air Force continued to cooperate with land forces. The area

CONFIDENTIAL

CONFIDENTIAL

around Hargeisa in western British Somaliland was attacked by R.A.F. bombers from Aden.

4. It is thought in London that the present plans of General Wavell, Commander of British troops in the Middle East, are to skip Derna for the time being allowing it to stew in its own juices and to concentrate his efforts on the Bengasi and Barce areas.

5. Additional German forces in Rumania have now been identified and the present minimum estimate of German forces in this country is ten divisions, of which two are motorized and three or four armored. In Dobruja alone there is one motorized, one armored and two other German divisions.

6. Trades Union leaders and industrial employers meeting in London on January 29 offered the Ministry of Labor full cooperation in the industrial mobilization of men and women workers. It is believed that women will soon be doing all types of industrial work within their abilities. This belief is based on the fact that all men between the ages of 37 and 40 and all 18- and 19-year-old boys are to be registered for compulsory military service and on the fact that many of the occupations which were formerly classed as exempted occupations will no longer be so classified. If an insufficient number of women volunteer their services as industrial workers, it is expected that the Minister of Labor, who is a labor leader himself, will initiate a system of compulsory registration

CONFIDENTIAL

CONFIDENTIAL

of women for service in industry similar to that used in the military-service registration of men.

7. On January 27 a German sea raider was reported to be in the South Pacific 1260 miles NNE of New Guinea.

SCANLON

Distribution:

Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence
Air Corps - 2
G-3

CONFIDENTIAL

RESTRICTED

G-2/2657-220
No. 304

M.I.D., W.D.
January 30, 1941
12:00 M.

SITUATION REPORTI. Western Theater of War.1. Air Force Operations.

A small force of R.A.F. bombers attacked targets at Wilhelmshaven and northwestern Germany. All planes returned.

II. Greek Theater of War.

Air: Minor air activity.

Ground: Local operations continue, with minor successes claimed by both sides.

III. African and Mediterranean Theaters of War.

Air: No air activity reported.

Ground:

Libya. Derna is still holding out and the Italians claim to have beaten back an attack by a British armored division west of the town. The British report Italians retreating between Derna and Barce.

Eritrea. The British offensive continues in the Agordat area.

Ethiopia and Italian Somaliland. Operations are continuing.

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

RESTRICTED

January 31, 1941

Chief Secretary Bell

Mr. Cochran

In my memorandum to the Secretary dated January 29, 1941, I reported Mr. Lacombe-Guyot's desire for an appointment with the Secretary in order that he might present to him the question of emigrants coming from France to the United States, which subject the French Ambassador had made representations upon to the Department of State. At the Staff meeting yesterday morning the Secretary told me that he did not desire to receive Lacombe-Guyot. Consequently I made an appointment for Mr. Lacombe-Guyot to call on Mr. Bell and myself at 10:30 this morning.

When Lacombe-Guyot came to Mr. Bell's office, he explained that the political question of permitting additional refugees coming from France to the United States was one which had been submitted to the Department of State, and which depended upon the decision of that Department. Lacombe-Guyot explained, however, that if the State Department did not favorably upon the French proposal, the Treasury would necessarily be brought into the picture since the French Government would be obliged to draw upon its blocked dollar balances in this country to provide the foreign exchange necessary to pay transportation of the emigrants and to enable them to have sufficient funds in hand to satisfy American Immigration authorities. In answer to Mr. Bell's inquiry, Lacombe-Guyot stated that he did not know how many individuals would be involved. He said that he understood there were approximately three million refugees in concentration camps in unoccupied France. Most of these are Jews from Germany. The remaining part is also made up principally of Jews from Czechoslovakia, Austria, Spain, etc. Responding to Mr. Bell's further question, Lacombe-Guyot stated that his Government would be willing to expend a substantial amount along the above-mentioned lines, although no specific figure had as yet been mentioned.

It was our understanding that the matter of permitting the refugees to come to the United States was one which would have to be passed upon by the State Department before there was anything the Treasury could do. At the Secretary's luncheon today Mr. Bell mentioned the subject to him. It was discussed between the Secretary, Messrs. Bell, Wiley, Fable and myself. Since lunch I have forwarded to Mr. Wiley a copy of my memorandum of January 29, together with a copy of a Department of State document dated January 10, 1941, providing the text of the State Department's note addressed to the French Ambassador on December 27, 1940, in answer to the representations made by the French Ambassador. From this it will be noted that the Department of State is not inclined to make any change in its regulations at present, or seek legislation necessary thereto, with the view to relieving the refugee situation in France. There is nothing technically to be done by the Treasury in the circumstances.

January 31, 1941

The Secretary handled this matter at an informal meeting with Mr. Graves and Mr. Thompson on January 17, 1941. At that time the Secretary decided that he did not want to sign the proposed Treasury order, attached to the memo by Graves and Thompson. HM Jr told Mr. Graves and Mr. Thompson at this meeting that he didn't want Mr. Ballinger to be Director of Personnel and he said that he wanted a change to be made. The matter was also discussed at 9:30 mtg on 1/21/41.

Thursday, January 30th, after the 9:30 meeting, the Secretary asked Thompson why he didn't fix up the Personnel Division matter, and said he just was not going to have Ballinger down there. Thompson said that if that was the Secretary's final decision he (Thompson) would ask McReynolds to place Ballinger because McReynolds had said that if the Secretary decided that he did not want Ballinger, McReynolds would place him. The Secretary told Mr. Thompson to do that.

On January 30th, Mr. Thompson suggested he would like to have Ted Wilson of Farm Credit, and the Secretary suggested he give him a memo and he would give it to Secretary Wickard, who was lunching with HM Jr. (see memo of 1/30/41). Soon thereafter Governor Black phoned over and was willing to let Wilson come to the Treasury, provided he was transferred, but he couldn't spare him on a detail.



TREASURY DEPARTMENT

WASHINGTON

December 9, 1940.

MEMORANDUM FOR THE SECRETARY:Re: Personnel Division

On October 2, you instructed me to make a survey of the Personnel Division and to report to you concerning the qualifications of Mr. Ballinger to serve as Director of Personnel, and concerning the qualifications of the persons serving as his principal assistants. You instructed me that this inquiry should include, among other things, a character investigation and an exploration of the income-tax history of the persons involved. You suggested that bureau officers should be interviewed, and their comment sought. You subsequently asked that persons formerly employed in the Personnel Division who had left the Division subsequent to July 1 should be interviewed and their suggestions and criticisms obtained. These things have been done. In addition, a study has been made of the Division's functions, organization, and methods of doing business.

Character and Tax Investigations

Character and tax investigations were made by the Intelligence Unit of the following-named employees, 22 in all:

Memo. for the Secretary--2

<u>Name</u>	<u>Title</u>
E. R. Ballinger	Director
John Thomas Burns	Investigator
Mills Dean	Investigator
Albert Joseph Faulstich	Investigator
Vaughn Brown Ferguson	Investigator
Daniel Irving Glass	Investigator
Raleigh Marion Gudridge	Investigator
James Edgar Harper	Chief of Section
Donald Henry	Investigator
Theodore Albert Hill	Investigator
Roland Radford Johnsrud	Investigator
John David Larson	Investigator
Philip Morton Light	Investigator
William Edgar Marshall	Investigator
Jack Henry Newman	Investigator
Herschel Parham	Investigator
David Hutchinson Scull	Investigator
Eldon Blake Smith	Investigator
Hiram Ward Stutler	Chief of Section
Willard Spencer Thompson	Administrative Assistant
James C. Rivers	Investigator
C. Norman Rogers	Investigator

The investigations disclosed nothing reflecting upon the character of the persons named, and no tax irregularities were found, excepting in the case of Mr. Ballinger, which will be discussed below.

Unsatisfactory Conditions Found

In a number of respects, the work of the Division was found to be unsatisfactory, chiefly the following:

- 1.--The functions and duties of the Division were not clearly defined. Neither the employees of the Division itself nor the bureau officers with whom they had dealings were aware of the exact authority which the Division was expected to exercise.

Memo. for the Secretary--3

2.--There was a tendency on the part of the Division to overexpand its authority and to encroach upon the customary jurisdiction of bureau officers. The Division assumed a policing attitude toward its job, rather than one of service and helpfulness, creating resentment and ill feeling in the bureaus. This was particularly true in classification matters, which the Division was seeking to centralize under its control.

3.--The effort was being made to extend the jurisdiction of the Personnel Division to matters unrelated to personnel administration as such.

4.--Although much of the work of the Division has been excellently done, on the whole it has not been carefully supervised. Considerable friction and ill feeling was found to exist among the employees. Working methods and arrangements were often not satisfactory, due at least partly to faulty supervision.

5.--Some unnecessary work was being done, particularly to establish records of persons formerly employed in the several branches of the Department but no longer in the service, for the most part duplicating satisfactory records already available in the bureaus.

6.--In some instances, men were assigned as classification investigators who were relatively inexperienced, lacking in ordinary judgment and tact, and inclined to adopt an arbitrary and overbearing attitude in their dealings with bureau officers and employees, and to go beyond their proper authority in such dealings.

Remedies

These conditions have been, or are now being, remedied. With Mr. Thompson's approval, the following steps have been taken or are in process:

1.--An understanding has been arrived at as to the proper scope of the Division's functions.

Memo. for the Secretary--4

This will limit the Division to duties related strictly to personnel matters, and will preserve the basic authority of the responsible bureau officers in such matters.

2.--The function of classifying positions for compensation purposes, which was in process of being centralized in the Personnel Division has been restored to bureau officers, subject to review for the Administrative Assistant to the Secretary by the Personnel Division. Nine of the fourteen investigators formerly assigned to classification work in the Personnel Division have been, or are now being, placed elsewhere in the Department, or have left the service, leaving a force of five for review duties. The clerical force assigned to classification matters has been, or will be, reduced from 13 to 4. In reducing the staff of classification investigators, care is being taken to retain only persons of proven ability and suitable personality and disposition, so as to eliminate as far as possible all causes of friction between the Personnel Division and bureau officers and employees.

3.--Unnecessary record work has been abandoned. This will release 22 emergency-relief employees for separation or assignment elsewhere in the Department.

4.--The organization, supervisory assignments, and working methods of the Division are still being studied, and suggestions will be made from time to time for further improvements.

Formal Order

A departmental order has been drafted and is submitted herewith for consideration and signature, if satisfactory, which will fix the authority and duties of the Division along the lines of this discussion. Approval and dissemination of this order will eliminate the existing uncertainty about the functions which the Division is expected to

Memo. for the Secretary--5

perform, and will go far toward clearing up the present troubles and difficulties.

Mr. Ballinger

Mr. Ballinger entered the Government service May 9, 1916, as a clerk in the Bureau of Internal Revenue at an annual salary of \$900. He remained in the Internal Revenue Service until July 1, 1929, when he was detailed to the Personnel Classification Board, where he served under Mr. McReynolds. His salary was then \$3,700. With the abolishment of the Personnel Classification Board in 1932, he was transferred to the Civil Service Commission along with other employees of the Board. While with the Commission, he was promoted to \$4,600. He was transferred from the Civil Service Commission to this Department on October 29, 1934, as Technical Assistant, Office of the Secretary, with a salary of \$5,600. He was promoted to \$6,500 on January 1, 1936, and to \$7,000 on January 1, 1937. He was designated Director of Personnel on January 28, 1939, without change in compensation.

Mr. Ballinger's record in the public service has been generally good. Two things, however, appear in his record which should be called to your attention.

Income Tax Investigation.

An income-tax investigation made in 1937 disclosed

Memo. for the Secretary--6

certain irregularities on Mr. Ballinger's part in connection with his tax returns for the period from 1931 to 1935, inclusive. The irregularities consisted of the following:

1.--Failure to file returns for the years 1931, 1932, and 1933, for which the law required returns, although, as the investigation disclosed, there was no tax due.

2.--Failure to file return for the year 1934, until requested to do so by the Collector, although, again, as the investigation disclosed, there was no tax due.

3.--Failure to maintain adequate records, as required by law, with respect to income from other sources than salary (professional practice and rents).

4.--Failure to include income from rents in returns for 1934 and 1935.

Mr. Ballinger had been long an employee of the Bureau of Internal Revenue, and for five years was an internal revenue agent, and knew, or should have known, that he was at least technically in violation of the law, and certainly negligent, in the matters above related. In fairness to him, however, it should be pointed out that the investigation disclosed only a nominal amount of additional tax due (a deficiency of \$9.93 collected for the year 1935), and no evidence was produced tending to show any intent to defraud the Government.

Record in the Internal Revenue Service

The record shows that in 1929, while employed as internal revenue agent at Boston, Mr. Ballinger addressed

Memo. for the Secretary--7

an anonymous letter to the Commissioner of Internal Revenue at Washington, containing statements reflecting upon the integrity and loyalty of certain revenue agents, including his superior officer, the internal revenue agent in charge.

This matter was thoroughly investigated by the Intelligence Unit. Mr. Ballinger's authorship of the letter was readily admitted by him. This episode resulted in his being brought back to the Bureau at Washington, and within a few months he was detailed to the Personnel Classification Board, bringing to an end his service in the Bureau of Internal Revenue.

The defense made by Mr. Ballinger at the time appears in the record of the investigation in the following language:

"He admitted that he wrote the letter but insisted that it was written in good faith and in an honest effort to bring to the attention of the Commissioner of Internal Revenue certain alleged lax conditions which he contended existed in the office of the Internal Revenue Agent in Charge at Boston. He stated that he would have directed a signed statement to Deputy Commissioner Allen but for the reason that he was afraid someone in Mr. Allen's office who might be unfriendly to him might advise the Boston office of the receipt of such a letter. He further stated that he was sure that if his unsigned communication reached the Commissioner of Internal Revenue, an investigation would be undertaken and the charges verified."

His Qualifications

Mr. Ballinger is believed to be technically well qualified for the position of Director of Personnel. He has had long familiarity with personnel matters, having

Memo. for the Secretary--8

been employed in responsible assignments both by the Personnel Classification Board and by the Civil Service Commission. He was the only person connected with the Treasury Department to secure an eligible rating in the competitive civil-service examination for the position which he now holds.

He has a pleasing personality, is exemplary in his personal habits, and has an excellent reputation. He is a hard worker. He impresses me as being courteous, cooperative, and friendly in his official relationships, and patient and fair in his dealings with employees and associates.

In many respects, Mr. Ballinger has improved the Department's personnel work since his incumbency in his present office. He has standardized and simplified the forms used for personnel actions by the various bureaus and branches of the Department; improved payroll methods; eliminated certain duplications in leave records; established a convenient index of all Treasury employees, much reducing the time necessary in responding to the numerous inquiries which the Department receives regarding personnel; reorganized the classification files; and established better facilities for the placement of applicants and the recruitment of persons to supply vacancies. He has improved the quality of correspondence between the Department and Members

Memo. for the Secretary--9

of Congress regarding personnel matters.

Mr. Ballinger's chief faults strike me as being (1) a tendency to delegate the supervision of the work of the Personnel Division to subordinates, without giving it sufficient of his own personal attention; (2) an ambition to obtain jurisdiction and authority for himself and his organization at the expense of bureau officers and others responsible for operating results; and (3) a disposition to make his organization into a police agency to guard against supposed abuses by operating officers rather than a service agency to aid those officers in the discharge of their responsibilities.

I believe that these faults can readily be corrected. Particularly for the last two, some excuse is to be found in the fact that at the time of his designation as Director of Personnel no instructions were issued by the Department precisely defining his duties. It is to be remembered in this connection that the position of Director of Personnel in the Treasury Department, like similar positions in other departments, was established pursuant to the provisions of an Executive Order (No. 7916, dated June 24, 1938), which appears on its face to contemplate a strong centralization of personnel management functions in these new offices. In the absence of departmental instructions to the contrary, and in view of the broad wording of the

Memo. for the Secretary--10

Executive Order referred to, Mr. Ballinger probably had considerable justification for believing that, as Director of Personnel for the Treasury Department, he was expected to exercise a larger authority than now appears to be desirable.

Conclusions

In my opinion, such difficulties as have been encountered in the administration of the Personnel Division have resulted chiefly from the lack of instructions adequately defining the jurisdiction and duties of that Division.

I believe that such instructions should be issued at once, in the form of the departmental order above referred to.

As now being reorganized, I believe that the Personnel Division will be competent to handle the more limited functions contemplated by the instructions contained in the proposed order.

As to Mr. Ballinger, I do not believe that the delinquencies mentioned above now afford a basis for removing him from his position. I believe that, under the instructions proposed, he will make a satisfactory Director of Personnel. At any rate, I feel that he deserves a further trial on this new basis.


Assistant to the Secretary.

I concur in the foregoing.


Administrative Assistant
to the Secretary.

Disposition of Administrative and Investigating Force,
Division of Personnel

Name	Title	Disposition
E. R. Ballinger	: Director	: Retained
Mills Dean	: Investigator	: Foreign Funds Control (Pending)
W. S. Thompson	: Administrative Assistant	: Public Debt Service
J. D. Larson	: Investigator	: Internal Revenue (Pending)
William Marshall	: Investigator	: Internal Revenue
John Burns	: Investigator	: Retained
Norman Rogers	: Investigator	: Secretary's Office
T. A. Hill	: Investigator	: Procurement Division (Pending)
A. J. Faulstich	: Investigator	: Retained
P. M. Light	: Investigator	: Secretary's Office (Mr. Young)
J. C. Rivers	: Investigator	: Accounts
Donald Henry	: Investigator	: Railroad Retirement Board
Roland Johnsrud	: Investigator	: Retained
Jack Newman	: Investigator	: Internal Revenue (Pending)
Loy Gudridge	: Investigator	: Retained
David Scull	: Investigator	: Internal Revenue (Pending)
Eldon Smith	: Investigator	: Retained
Daniel Glass	: Investigator	: Social Security Board
J. E. Harper	: Section Chief	: Retained
Herschel Parham	: Investigator	: Retained
V. B. Ferguson	: Investigator	: Retained
E. W. Stutler	: Section Chief	: Retained

Summary

Transferred out of Treasury Department	2
Transferred from Personnel Division to other Treasury branches	10
Retained in Personnel Division	<u>10</u>
Total	<u>22</u>



TREASURY DEPARTMENT

WASHINGTON

February 28, 1941.

ORDER

The functions of the Division of Personnel established in the Office of the Secretary by Treasury Department Order No. 32, dated June 25, 1940, are fixed, for the present, as follows:

1.--Personnel Records.

(a) The Division of Personnel will maintain the customary departmental records relating to persons currently employed in or under the several bureaus and branches of the Department, including retirement records, in which will be recorded for each employee all actions affecting his status as such. These will be in addition to, and will not supersede, similar records maintained by the several bureaus and operating branches of the Department.

(b) It will be the depository of the personnel records of discontinued branches or subdivisions of the Office of the Secretary, and of discontinued projects not directly identified with any permanent branch of the Department.

(c) It will maintain, so far as practicable, records of all persons formerly employed in or under the several

bureaus and branches of the Department, excepting persons employed prior to July 1, 1939, in unclassified field positions under the Bureau of Internal Revenue. These will be in addition to, and will not supersede similar records maintained by the bureaus and operating branches of the Department.

(d) The purpose of the personnel records here referred to will be (1) to facilitate response to inquiries from officers of the Department, the Civil Service Commission, Members of Congress, and others properly interested, with regard to the service records of particular individuals, and (2) with reference to persons currently employed, in addition, to provide a basis for the consideration of recommendations from the heads of bureaus and branches of the Department for changes in the status of particular employees, and for the preparation or review of official papers relating thereto. The Division of Personnel will be responsible generally for answering inquiries relating to individuals currently or formerly employed in the Department or any of its branches, verbally, by telephone, or by letter prepared for signature by the Administrative Assistant to the Secretary, as may be appropriate, and for the preparation or review of formal papers relating to personnel actions. This will not, however, preclude the direct reply by bureau officers to informal inquiries addressed to them.

2.--Personnel Actions.

The Division of Personnel will review, for the Secretary, all personnel actions proposed by the heads of the several bureaus and branches of the Department which require approval by the Secretary, such as appointments, promotions, demotions, resignations, retirements, suspensions, and separations for cause, with a view to determining whether such actions conform with law, the Civil Service rules, applicable regulations, and established departmental policies, and, after such informal contacts with the proper bureau officers as may be necessary to a full development of the pertinent facts, it will call specially to the attention of the departmental officer having administrative jurisdiction all cases in which the proposed action does not so conform. After such informal contacts with the proper bureau officers as may be necessary to a full development of the pertinent facts, it will also call specially to the attention of such departmental officer all disciplinary cases in which the action proposed appears to be unduly lenient or severe.

3.--Classification of Positions.

(a) The classification of positions in the departmental service which are subject to the Classification Act of 1923, as amended, will be based upon classification sheets prepared and initialed by the heads of the

several bureaus and branches of the Department or their representatives. The Division of Personnel will make a review of all such classification sheets, including in connection therewith such investigations as may be necessary to the proper allocation of proposed new positions and the reclassification of positions with changed duties, and will, for the Secretary, with such exceptions as the Administrative Assistant to the Secretary may prescribe, allocate all positions in the departmental service in the District of Columbia to their proper grades, subject to the approval of the Civil Service Commission. It will make no allocation, however, differing from that proposed by the bureau officer having jurisdiction, without first affording that officer an opportunity to be heard with relation thereto, and then only with the written approval of the Administrative Assistant to the Secretary.

(b) The Division will lend such advice and assistance as may be requested by the heads of the several bureaus and branches of the Department in connection with classification matters, whether arising in the departmental service or in the field.

4.--Liaison with Civil Service Commission.

The Division of Personnel will be responsible for the preparation of all formal reports, communications, and correspondence to or with the Civil Service Commission.

-5-

All such formal reports, communications, and correspondence, excepting reports, communications, and correspondence relating to routine matters, will be for the signature of the Administrative Assistant to the Secretary. This will not, however, preclude liaison between the Division of Personnel and the Civil Service Commission with reference to personnel matters generally nor direct contacts between bureau and field officers and the Civil Service Commission and its field representatives in relation to routine matters such as the availability of eligibles for appointment, the eligibility of particular candidates for appointment or reinstatement, etc.

5.--Hearing of Grievances.

Upon reference or request by the departmental officer having administrative jurisdiction, the Division of Personnel will hear and investigate the complaints of employees or other persons aggrieved by the action of any bureau officer in regard to a matter connected with personnel administration, and complaints of individual employees or groups of employees with regard to rates of compensation, classification, and other similar matters, and will submit appropriate recommendations thereon to the officer making the reference or request.

6.--Efficiency Ratings.

The Division of Personnel will review such methods of

January 31, 1941
9:30 a.m.

GROUP MEETING

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

Foley: The committee report was in the New York Times and Post this morning.

H.M.Jr: Who wrote it?

Foley: We did.

H.M.Jr: Good.

Foley: Hackworth went down and we spent from 10 o'clock until 3 down in the committee room, Hackworth and Beaman and McCormick and Johnson and Bloom and I.

H.M.Jr: Did you let Bloom in on it?

- 2 -

- Foley: Yes. It was very funny. (Laughter) We had a big long quotation from the Curtiss-Wright case, a quotation from Justice Sutherland's opinion. Bloom says, "Just a minute, just a minute, I think you are going too far there Mr. Foley." I said, "Well, you will have to catch Judge Sutherland, he wrote this." (Laughter)
- H.M.Jr: Ed, take two or three minutes and tell the people, if you can do it in two or three minutes - I want them to know what happened in Mr. Hull's office yesterday afternoon. I think it is very important. I would rather it would come from you than me. I mean, I would rather have you describe the negotiations.
- Foley: The Secretary and Bernie and I went over to Mr. Hull's office about half past four yesterday, and we spent about an hour and a half there. Berle and Feis and Slavolsky were present in addition to Mr. Hull. (Laughter)
- H.M.Jr: Bernstein kept correcting me. I said, "Bernie, he is Schlabolosky to me and nothing else," and I stuck to that. I refused to pronounce his name right.
- Gaston: You mean alias Pasvolsky?
- Foley: Yes. Berle did most of the talking for the State Department, and the upshot of the point that he was trying to make was that the State Department was perfectly willing to have registration of all foreign owned assets in this country. They didn't want to freeze the assets of any country. They would be willing to have, in addition to registration, a selective freezing arrangement whereby on information that the Secretary might acquire in connection with certain situations those funds could be

- 3 -

impounded or, in lieu of that, just exchange control would be satisfactory, but they didn't want to go the whole hog and have actually impounding of assets of any particular country or the nationals of that country. The Secretary took the position that a selective freezing was absolutely impossible to administer, and it would put a burden on him of going out and investigating to determine whether or not certain funds should be frozen, and he refused to do that. When Mr. Hull saw the point, I think he had a fuller appreciation of the problem than he ever had before. Feis then agreed with the Secretary that that was an impossible administrative task and would put him pretty much on the spot because if he didn't make the investigations, men like Dies would say, "Well, why haven't you gone out and found these situations and frozen the funds," and, if he did, he would be in the position of having an O. G. P. U. and people snooping and spying on everybody in the country. Feis agreed that that was an impossible situation, and then the Secretary forced Berle to come to the same conclusion, so the result was that Mr. Hull - the Secretary told Mr. Hull that he thought it was up to him to determine whether or not the foreign situation was such at this time that another shock could - the situation would withstand another shock on top of the Lease-Lend Bill and other things that had been going on. Secretary Morgenthau said that he thought it was entirely a State Department problem, that if we were going to do anything at all, we would freeze, and we would freeze the assets of Germany, Switzerland, Italy, and it was up to the State Department to tell us when they were willing to have us take that next step, and Mr. Hull promised to call Mr. Morgenthau sometime today and tell

- 4 -

him that that was feasible or it wasn't feasible at this time.

H.M.Jr:

Just as we left, Berle wanted to take up some other things, and I said, no, that I was too tired and to show you - this is very much in the room here - how right I was, Foley was a little bit surprised. I took the position just to concentrate on the freezing, but you remember going over, I said if we don't - Foley pointed out the danger of having this whole thing thrown to Maxwell. I said, "The first thing you know, if you don't, the President will say, 'I am sick and tired of the State Department and the Treasury. Neither one can get together, so I am going to give it to a third party.'" Remember when I said that?

Foley:

Yes.

H.M.Jr:

Last night at supper it was very interesting. Across the dinner table, he said, "You know, this whole argument between Agriculture and Interior about the Forestry, I am about getting fed up with it, and I think I am going to give it to the Treasury." It just shows how the thing works. He is about fed up with that thing, and he is going to give it - so I thanked him and said nothing would please me better than to go back looking after trees. We did a stunt last night about this pine forest, and that sort of brought it to his mind, you see, and I know I am right, and particularly after last night. If we stuck on the whole order, the first thing we know, he would say, "Well, there is no use trying to get State and Treasury together, and I will just set it up as a separate thing," and so I think - you see, Feis was very good. He was very helpful yesterday. He pointed out - the point that Berle took was

- 5 -

that he would just as lief see the money driven out, he didn't care. But Feis said, "Well, talking for myself, I don't want to see it all driven down to South America and see these things happen." That seemed to make an impression on Mr. Hull, although he said somebody, he didn't mention the man's name, the money that they are using in South America came from Germany. I didn't want to argue with him, but then I nailed Berle down to say, "Now, will you agree that if we do it, the only way to do it is to freeze, that or nothing? Will you agree to that?" Schlabolosky, his position - and when we went into the room, there had been an agreement in a meeting before that there should be just registration and nothing else. That was the position at the beginning, wasn't it? There had been an agreement before we got there. The point that I made was that - after Foley whispered it to me, that I wasn't going to set up an O. G. P. U. and go into every factory in the United States and all that. I just point blank refused to do it. I said, "I am just not going to do it." So I think right now it is in the best shape it has been. And then Schlabolosky said, "Well, the next thing you will have to take Russia and then you will have to take Japan," and we didn't correct it or anything else. So if I don't hear from Hull by noon, I am going to call him. I think it was the best meeting we have had on it. It cleared up a lot. But Mr. Hull first said, "Well, you fellows, you experts, get together," and I said, "No, there is no sense of the experts getting together. You have got to decide whether you think it is safe to take this step." Well, I want to read Hitler's speech and see what he says. Then he tried again to get the experts together, and I said, "No, Cordell, it is up to you to decide is it safe to take

- 6 -

this step," and that is where it is left. But I hope none of you feel too badly that we are taking this thing piecemeal rather than trying to stick for the whole or nothing. Do you feel badly about it, Harry?

White:

I think that is the best way to handle it. I think, just as you say, that if there is agreement on that next step, then the remainder of the problem is much simplified, and if there isn't agreement on this step, their attempt to shift the thing, if that is in their mind, becomes much more difficult because they have refused to take this step, not on the basis of either the Treasury or some other agency, but rather on the basis of the wisdom of taking the steps, so I think on both counts the step was the correct one.

Gaston:

Have you considered if you tried selective freezing and putting it on a basis of belligerents, including Great Britain in the freezing?

H.M.Jr:

Herbert, the original proposal we made was freeze the world and then give general licenses.

Gaston:

But narrowing it down, wouldn't it be a good idea to freeze Great Britain along with Germany?

Foley:

When we speak about selective freezing, Herbert, they mean that you investigate certain men or certain businesses.

Gaston:

I thought there was an alternative that you would select certain countries.

Foley:

That was the Secretary's proposal.

H.M.Jr:

Select three countries.

- 7 -

- Keaton: I was suggesting including Great Britain among those, and that there wouldn't be any great complication in it but it would look better on the surface.
- W.C. Jr: I think, Herbert, we have passed that.
- White: That would have been all right several months ago.
- W.C. Jr: Several weeks ago.
- Foley: Since the Lease-Lend Bill, it is ridiculous to camouflage it any longer.
- Sullivan: The hearings on the public debt act were closed yesterday morning and went into executive session and finished yesterday afternoon. They did not report the bill out because Treadway is ill. Knutson made a motion that the limit be reduced from 65 billion to 60 billion and that they would be given until Monday to think this over. Mr. Doughton thinks they are going to get together with Treadway and decide whether or not to file a minority report. If they don't file a minority report, he seems to think that an hour or two on the floor will be sufficient, and if there is a minority report, it will take a day or two. After the meeting yesterday afternoon, I went with Mr. Doughton and Mr. Cooper into Speaker Rayburn's room, and he wasn't there. Then they went in on the floor and got an agreement from him and McCormick that this bill was to follow the Lease-Lend Bill. I then talked with Senator Harrison. I knew he had appointed a sub-committee to handle this over there, but I wanted to talk to him first. Then I talked with Senator Prentiss Brown, who is the chairman of that sub-committee, and arranged a hearing a week from Monday over there. Now, I think

- 8 -

there is a chance that the bill will be out of the House at that time, but even if it isn't, I think we can go ahead with the hearing all right.

H.M.Jr: If it isn't, I will be amazed.

Sullivan: You say if it isn't out of the house?

H.M.Jr: Yes. I should think it would be passed certainly next week.

Sullivan: Well, Mr. Doughton and Mr. Cooper and the rest of them thought they would spend all week on the Lease-Lend Bill. My information was otherwise, but I didn't know how confidential the report Mr. Foley gave us from Sabath was, so I didn't say anything. I urged them to do everything they could to get it through as quickly as possible.

H.M.Jr: Good.

Bell: Is the Monday hearing rushing you a little too much? Do you have a statement you want to go over?

H.M.Jr: I think it had better be Tuesday.

Sullivan: All right, I can fix it all right.

H.M.Jr: It will give me time to take my spurs off.

Foley: And the cactus.

Sullivan: I don't know whether you had better take them off for that hearing. (Laughter)

Foley: Off your britches.

- 9 -

H.M.Jr: Listen, I stick on my horse. You can't see daylight between me and the saddle, either. That is a dead giveaway. I never had any cactus there.

Foley: They don't have cactus in Wyoming.

H.M.Jr: Not if you stay on your horse.

Sullivan: Mr. Doughton called up this morning stating that he understood there was a vacancy on the Processing Tax Board of Review, and I don't think I will have a chance to mention it to you until you get back.

H.M.Jr: Good. I haven't heard it.

O.K., John.

Sullivan: Yes, sir.

H.M.Jr: Merle?

Cochran: Nothing.

Wiley: Nothing.

H.M.Jr: Now, what do you mean, "Nothing"? Have you had a chance to try out that Spanish wine?

Wiley: No, I haven't had a chance.

H.M.Jr: Those are important matters. It will be the first thing I want to know when I get back.

Pehle: Mr. Bell has a memorandum about that remittance point that I raised. I don't know whether he spoke to you about it.

H.M.Jr: Remittance? I told him I would go by the

January 31, 1941 ✓
9:21 a. m.

136

H.M.Jr: Hello.

Operator: Secretary Wickard hasn't come in yet. They expect him soon.

H.M.Jr: Thank you.

Operator: Right.

9:46 a. m.

H.M.Jr: Hello.

Operator: Secretary Wickard.

H.M.Jr: Hello.

Claude Wickard: Secretary, I talked to General Watson late yesterday afternoon over the telephone. He didn't come back to the White House after he went out with the movie stars. He was just a little - very impatient because I called him and I didn't get him to consent to have M. L. Wilson come over to see him. He said that both you and he would see the President last night and he kind of intimated that he didn't see what - why it was such an urgent thing as I seemed to think it was.

H.M.Jr: Of course. I talked to him last night and when I saw him he wasn't impatient at all; he was in very mellow mood.

W: Well -

H.M.Jr: And he said that he would get to the President this morning and he seemed very appreciative of the fact that you and I were taking an interest.

W: Yeh?

H.M.Jr: So he was all right last night.

W: Well what I wanted to report to you was that I haven't been able to get him to see my reasons for his seeing M. L. Wilson.

H.M.Jr: I don't think it's necessary. You must have said something about this man Campbell didn't you?

W: Oh I said I thought the idea was terrible.

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

- 2 -

W: That's enough.

H.M.Jr: I wouldn't bother getting M. L. over there.

W: All right.

H.M.Jr: He's got it and he said he told me to tell Purvis to do nothing - just to wait.

W: I see.

H.M.Jr: So I think from what you told him and I told him I think it's been taken care of.

W: All right. Now I'm going to send a copy of this speech over in order to substantiate the record.

H.M.Jr: Do that.

W: And when are you leaving - tonight?

H.M.Jr: Yeh.

W: Well, have a lot of fun.

H.M.Jr: Thank you.

W: Get some rest. All right, bye.

H.M.Jr: Thank you.

- 10 -

committee report.

(Telephone conversation with Secretary Wickard follows:)

- 11 -

Mr. Bell: No, I told Bell - Bell rather told me about the committee report, and I said I would abide by it.

All right.

Mr. DeSilva: Yes, sir.

Mr. Skouras: Mr. Spyros Skouras in New York, who is pinch-hitting for Harold Vanderbilt, advises me that "Panama Mattie" is too expensive. (Laughter)

Mr. DeSilva: Are you speaking in code, Phil? (Laughter)

Mr. DeSilva: The things that are said in this office are terrible.

Mr. DeSilva: I am going to give that report verbatim at Cabinet, and I hope that Frances Perkins gets as much fun out of it as Mrs. Klotz did.

Mr. DeSilva: Skouras. Isn't the fellow we indicted, is he?

Mr. DeSilva: No. DeSilva.

All right. What else?

Mr. DeSilva: I have also turned down the Navy planes. Admiral Towers did a good selling job on the Greek Military Attache and convinced him he didn't want them.

Mr. DeSilva: Which leaves us where?

Mr. DeSilva: Where we were in November.

Mr. DeSilva: That is making progress, one step forward and two back.

- 12 -

- Young: I have 20 million dollars of contracts to clear. Do you want to hold those up until this meeting at 11:30.
- H.M.Jr: Definitely. I hope you didn't clear them.
- Young: No, I refused to last night.
- H.M.Jr: I am glad you did.
- Young: About two million of that represents Navy surplus guns which they are selling, obsolete guns.
- H.M.Jr: Well, be up to date on that, will you please, on how much they have done since the first of January.
- Young: Yes.
- H.M.Jr: That is too much. You did not clear them?
- Young: No, sir. I refused to clear them last night until I talked with you last night.
- H.M.Jr: No, I would have been very much disappointed if you had.
- Young: I told them I wouldn't until I talked with you.
- H.M.Jr: Be here at 11:30, will you, Herbert, so that you know what is going on, please.
- Young: You asked me to call Burdie Wright the other day on the P-40 production, and they are evidently going along all right. He has been talking directly with Bob Lovett on the Army situation.
- H.M.Jr: Good.
- Young: And they think they may place an order for P-40's,

- 13 -

ostensibly for the Army, but there is no danger of its running out until fall anyway.

H.M.Jr: Good.

Young: That is all I have.

Haas: I have nothing.

Kuhn: I have nothing.

H.M.Jr: Harry?

White: Here is the letter to Professor Fischer that you wanted to sign before you left.

H.M.Jr: What do I say to him, just "Thank you"?

White: Just thanking him and giving him--

H.M.Jr: Three cheers?

White: Consideration.

Gaston: Are you getting Irving Fischer away from me, Harry?

White: I didn't know he was with you.

Gaston: I give him to you freely.

White: Oh, you do? He is getting pretty old. His hundred percent plan and that is what that statement, the 400 economists, largely involved, with something additional.

H.M.Jr: I suppose you know, but I didn't know that Lauch Currie wrote a book on the hundred percent plan.

White: Oh, of course, but not only that, Mr. Secretary,

- 14 -

I think you have the best report on the subject unquestionably that has ever been written which was written in the summer of 1934, chiefly by Currie and which I had a hand in, and which was written about a year or two after the books. If the subject of a hundred percent reserves comes up again, the report might be dug up. This is nothing new. The shipments of gasoline to Japan are pretty high, three and a half million dollars. We are having a difficult time--

H.M.Jr: Don't you want a chair up here? You wouldn't have to walk so far.

White: I don't know of anything else. It doesn't seem so far this morning - when you called me yesterday--

H.M.Jr: Are you all right today?

White: Yes, but that may account for the way I was talking on the phone.

H.M.Jr: I could hear you all right.

White: We are having a very difficult time getting men, partly owing to the Council of Defense and partly to the general situation in the universities and elsewhere, they are becoming very reluctant to release men. Could I use your name with Mr. Dykstra? We want to get a man from the University of Wisconsin, and they are very reluctant to do it.

H.M.Jr: Surely.

White: One of the consequences of the Federal Reserve recommendations--

H.M.Jr: I have just got to stop a minute to tell a story which will interest you detectives. It

- 15 -

seems that Mrs. Helm, the social secretary - have I told you this story?

Klotz: No.

H.M.Jr:of Mrs. Roosevelt, for some reason or other is on the National Defense payroll, and it seems that McReynolds gave an order that F.B.I. should check all people on the National Defense - have you heard about this? - who received over three thousand dollars. Whereupon, in his usual way, that he can't see any further than this, he sends men out to her home town in Illinois--

Klotz: Who is he?

H.M.Jr: F.B.I. They call up everybody, all of her friends, go down to her farm, people say, "Well, what is the matter with Mrs. Helm? What crime has she committed?" And--

Klotz: Oh, my goodness.

H.M.Jr: And they interview the whole town. I gather it is a town of about five hundred or a thousand people, and Mrs. Helm was simply outraged. She says she doesn't know what she is going to tell the people when she goes home. Mind you, at no time did it ever get to these people that Mrs. Helm is Social Secretary to Mrs. Roosevelt. So they find out who her friends are, they find out one of her friends is Miss Thompson, Mrs. Roosevelt's Personal Secretary, so they start to investigate here - (Laughter) - and they go to her hotel and ask the desk clerk who comes, what time of night they come, and so on, and what time they leave, and so forth.

Klotz: No?

- 16 -

...: Absolutely. Mrs. Roosevelt told the story, and she said, "What do you suppose Tommy told the desk clerk the next time an FBI man came to see her? She didn't do what Mrs. Helm said, 'The next time one of those FBI men asks about me, you just tell him to go to hell.'" This was Tommy.

...: Yes, I know.

...: And to show what kind of a loyalty there is, they have got - oh, gosh, Hoover has apologized to Mrs. Roosevelt and to General Watson and to Mrs. Helm and everybody else, and she is just fit to be tied, so Sidney Sherwood - evidently they got in on this thing - said, oh, he had nothing to do with it. He said he had nothing to do with it, it was entirely McReynolds. McReynolds personally did this.

...: Oh, I think that is terrible.

...: Poor old Mac is about in as Dutch as anybody can be over at the White House. Mrs. Helm is just fit to be tied and so is Tommy, and Sidney Sherwood threw the whole thing on Mac.

...: Why blame Mac? If he made a general order, how could that organization be so stupid?

...: But to go out there and - at some stage they should suddenly realize who Mrs. Helm is, but they didn't, and they didn't seem to know who Miss Thompson is, either. They will never live it down. Have you ever heard anything more stupid?

...: No.

...: I have heard this story three times over there now, but the last one was about their going to

- 17 -

Miss Thompson's hotel and interviewing the clerk and all the rest of it, because she was a friend of Mrs. Helm.

Gaston: It wouldn't surprise me, some of the stuff that comes in in their reports. (Laughter) They don't identify anybody.

H.M.Jr: I said to Miss Thompson, "Why do they do it to you? Just because I am a friend of Mrs. Helm's." They investigated all of Mrs. Helm's friends. Besides being here, she is the wife of an admiral in the United States Navy. You know that, don't you?

Klotz: Oh, I know it.

H.M.Jr: A woman of the highest repute, but I certainly got a good one out of that. I wish you could see Thompson. She just foams at the mouth. I think she takes it all out on McReynolds on account of Sidney Sherwood, you see. Of course, he never would have done anything like this. It was this man McReynolds. I think it is terrible.

Foley: Sherwood is Mac's assistant.

White: One of the results of the Federal Reserve System's recommendations which appeared in the paper may have probably caught your attention. It was that the New York banks raised their reserve requirements to move to stave off possible criticism later and because they were impressed with the steps, so that you already have had some consequences of that. I will give you the exact figures.

H.M.Jr: Do you mind? I want George to watch that particularly.

- 18 -

- White: Then he can give you the - or of the figures of the exact reduction.
- H.M.Jr: George is watching that in connection with financing, so if you have got anything like that--
- White: Then from then on you (Haas) can carry the ball.
- H.M.Jr: George is putting on extra people to watch this whole thing.
- White: Fine. It - I - Dan mentioned to me, and he may have told you about it, of a contemplated newspaper support along with other economists for the return of the use of gold coin. The same group - not the Federal Reserve System, but the same group advocated before coming out again, apparently in a big way. I was wondering whether you might want to take this opportunity to use the Federal Reserve Board and the other members of the defunct fiscal committee to study this thing after you are gone and have a meeting after you return so that you can take up the merits of the return, et cetera, as an item.
- H.M.Jr: It is all right with me if Dan can start it before night, but Dan goes off duty tonight.
- White: We can merely inform them that that is going to be the subject after you return, and they can prepare a memorandum, and we will have a memorandum prepared on it.
- H.M.Jr: If he can do it between now and five o'clock tonight and thinks well of it, it is all right with me.
- Bell: Well, I just thought maybe the Treasury might

- 19 -

want to study it, and, if it does come out, I don't think it is certain yet, be prepared to answer it the same day it comes out. As I understood it, Willkie signed it before he went abroad, and Lew Douglas, and people of that type, are prepared to sign it.

Warton: Willkie indorsed it in the campaign, you know.

Cell: But I suppose Aldrich and maybe Burgess, I don't know--

W. Jr: Well, it is one of the minor things. If you fellows can handle it between now and 5 o'clock. Let's keep moving.

White: I didn't have in mind the importance of that particular thing, but rather as a vehicle.

W. Jr: I know, and I will try today to give you a chance, but I doubt it. I know what you have got in your mind. Have you got much more, Harry? I have got to move.

White: Mr. Wiley's office obtains material now that they receive on a very confidential basis that is not available to anyone. It contains - I mean to anyone outside of the office. That is the circumstances under which they get it. It does contain material with regard to movement of accounts and other things that we have been getting in part and no longer get because they get it. I wonder whether it would be agreeable to you, if it is agreeable to them, as I think it is, if we could have one man who could use their material for such things as relate to matters which they - they get most of it from the FBI.

W. Jr: How about it, Wiley?

- 20 -

Wiley: I think that would be quite easy to arrange.

H.M.Jr: How much more have you got, Harry?

White: Just one other item, two other items. We are getting a - it is already prepared - a large study - it is in mimeographed form - of the British investments all over the world in detail, greater detail than anybody has ever done, and also we are having almost ready of all the corporations. Now, is there anything that you want done about that?

H.M.Jr: Just wait until I get back.

White: That is all.

H.M.Jr: Have you (White) talked with Thompson about your trip?

White: I will. There is some modification about it, if it is all right with you.

H.M.Jr: Sure.

White: I changed the status of the investigation.

H.M.Jr: You mean locale?

White: Yes.

H.M.Jr: (To Thompson) Where is he changing it?

White: He doesn't know yet. I just found there is a more acute problem in Mexico.

H.M.Jr: Well, that was my first suggestion.

White: Yes, I thought it was too far and as I investigated, it is only an overnight trip.

- 21 -

- H.M. Jr: I thought you would enjoy it more.
Harold?
- Graves: I have a report from Mrs. Ross.
- H.M. Jr: That was my first suggestion.
- White: It was, and I thought it was too far.
- H.M. Jr: Harold, what?
- Graves: I have a report from Mrs. Ross about the medal incident that you referred to yesterday. It seems that she had been appointed the head of a medal committee by Joe Davis, the chairman of the inaugural committee, to have charge of the preparation of the medal as is commonly done at that event, and she made the presentation with her committee, not in her capacity as Director of the Mint, but acting as chairman.
- H.M. Jr: That didn't bother me, I want to see a medal.
- Graves: Very good, I will see that you get one.
- H.M. Jr: I want to see a medal.
- Graves: Very good, I will see that you get one.
- H.M. Jr: I want everybody else to have one. We have got these, and they are very nice, you know.
- Graves: I have a memorandum also from her pointing out that the gold movement at Fort Knox is now completed. The value shipped down there at this time was just in excess of nine billion, and she reports the total values there now at 14 and a half billion.

- 22 -

Bell: That is just about capacity, isn't it, Harold?

Graves: I think it is almost, but not quite.

H.M.Jr: O.K., Harold. Anything else?

Graves: Yesterday all the Congressmen from Philadelphia paid me a visit to inquire into our plans for the new mint, and it is very evident that they are going to oppose the establishment of an additional mint.

H.M.Jr: In Philadelphia?

Graves: No, our plan was to establish a mint in the Middle West. Their objection, of course, is that a mint in the Middle West will take some volume away from the Philadelphia mint.

H.M.Jr: Well, do you need any help?

Graves: Well, I am going, of course, to report that to Mr. Bernard right away and let him deal with it.

H.M.Jr: I saw something in the paper about it.

Foley: There are doing that in Colorado, too, aren't they?

Graves: These people said they were, but I have not heard of any.

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

Graves: That is all.

H.M.Jr: Dan?

Bell: We have been talking with the Clerk of the Appropriations Committee for the past two months

- 23 -

to see whether or not we couldn't submit monthly financial statements to the Committee, and we have had it up with the Chairman, and he was very agreeable to trying to get space in the Record every month, and we would submit the summary and financial tables where the Congressmen and Senators could get their data rather than getting it from all kinds of sources. He thinks well of it, and we have cleared it with the Budget and they have approved this letter, and this is the first attempt--

- H.M.Jr: Now don't forget, you are going to get your three million dollars.
- Bell: That has already gone to the Budget.
- H.M.Jr: But that doesn't mean anything. Who are you going to leave here to dynamite it out of the Budget?
- Bell: I think the Budget is going to get it through.
- H.M.Jr: Push it out, will you? It needs a push over.
- Bell: I think it will go out very soon.
- H.M.Jr: Will you leave word behind for somebody to give it a push?
- Bell: Yes. This problem here, I think, brings up another matter, an accounting matter. I am not so sure that the President shouldn't appoint a committee of somebody representing the Budget, War and Navy, and the Treasury to work up a procedure in connection with the accounting for this material that might go to Great Britain under the Lease-Lend Bill, and I should think if there are any documents signed in connection with those materials, they ought to be

- 24 -

lodged in the Treasury, and we ought to have the current information as to the status of the accounts.

H.M.Jr: Will you work that out?

Bell: Well, do you want to mention it at all at Cabinet today?

H.M.Jr: No, put it in the form of a letter.

Bell: O.K. This - Mr. Davidson saw me last night. I think we might send a copy of this to Jesse Jones just for his information, and then circulate it around the Treasury, and that is as far as we ought to go for the moment.

H.M.Jr: Good. I don't know what is in it, but I will leave it with you.

Bell: Well, it was written by a Britisher and it is all about maintaining Great Britain's status after the war, in other words, keep Britain a going concern after the war is over.

H.M.Jr: Is that all?

Bell: That is all.

H.M.Jr: I would be very glad to have all of you have lunch with me at one o'clock today down stairs. I will see you all before I go.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 31, 1941

TO Files
 FROM Mr. Cochran

At 10:45 this morning the Secretary received Dr. T. V. Soong of China. Mr. Cochran was present. Dr. Soong presented to the Secretary an autographed photograph of General Chiang Kai-Shek. He stated that he had an important cablegram from London which he desired to discuss with the Secretary, although he realized that the letter was leaving Washington tonight and was very pressed for time. After a few moments of Soong's explanation of the cablegram, the Secretary remarked that this was a complicated technical matter which he could not possibly go into now and he asked Dr. Soong to talk it over with Mr. Cochran.

In Mr. Cochran's office Dr. Soong explained that the cablegram was one which he had just received from Mr. Rogers in London, with the instruction to talk it over with Sir Frederick Phillips before consulting the American Treasury thereon. Soong had, however, seen fit to bring it informally to our attention first. While Mr. Cochran was not permitted to read the cablegram, the main point therein apparently was a proposal on the part of the British to abolish free sterling on the Shanghai market. There was involved likewise a proposition for a financial arrangement between Great Britain and Japan which would abolish free sterling in Japan. The proposal was made that if these steps were to be carried out the Chinese should agree to the freezing of Chinese assets by the British within the British Empire.

Dr. Soong talked at great length in regard to the difficult position in which China would be placed if the above plan is followed. He said that if free sterling could not be used in Shanghai, this would stop the convertibility of the national Chinese yuan into sterling and would force Shanghai out of the orbit of Chinese financial influence into the orbit of Japanese influence with the puppet government's currency circulating almost exclusively in Shanghai. He added that the normal movement is from Chinese currency into sterling. Considering, however, the difficulty of purchases with the sterling area, there has in recent months been the additional move to sterling into dollars, the United States being the market from which goods can best be obtained by National China. If sterling becomes blocked in China, it will not be possible to convert it into dollars for commercial needs. Consequently sterling blocked balances will grow up, and sterling will depress vis-a-vis the yuan. At the same time the direct demand for American dollars against the yuan will grow and the premium on the dollar accordingly rise.

In view of this outlook, Soong inquired whether the United States would be willing to impose freezing control upon Chinese and Japanese assets in the United States. He asserted that control of Chinese assets abroad was to the benefit of the Chinese Government, and that he recommended it for our consideration. If this is done, however, following the contemplated British action with respect to Shanghai sterling, it would be necessary also to block Japanese assets in the United States, or otherwise

China Loan

- 2 -

Japan would move goods out of China into Japan and thence to the United States as Japanese products. Mr. Cochran told Dr. Soong that he could not speak for the United States Government, but that he certainly felt that it is not immediately ready to block Japanese assets. For China voluntarily to recommend that her assets be blocked in this country was an innovation to American authorities, and he could not state what their reaction would be.

The other point made by Dr. Soong was that if the British proposals go through it would be necessary that the United States Government promise to give China further financial assistance if the expected strain on the yuan vis-a-vis the dollar takes place. In answer to Mr. Cochran's question as to whether dollar exchange in addition to the \$50,000,000 now under negotiation would be expected, Dr. Soong intimated that this might be the case.

Mr. Cochran explained to Dr. Soong that the whole Chinese situation seemed quite complicated as the steps for completing the Stabilization Agreement were developing, considering the difficulty of imposing general exchange control which would either include or exclude Shanghai; considering the extent to which China is occupied by the Japanese; and considering the added involvement from there being a sterling market and a sterling Stabilization Fund in China. Mr. Cochran told Dr. Soong that he could give him no answers to his questions. He should discuss his cablegram with Sir Frederick Phillips and then come back to the Treasury where Mr. Bell and the other Treasury officials dealing with the Chinese-American Stabilization arrangements could have the benefit of all of Dr. Soong's information and could give him their reaction before he cabled a response to the message from London.

It seemed to be Dr. Soong's desire that the status quo, insofar as the relations of sterling and the Chinese yuan, be continued. That is, he did not indicate any enthusiasm for the British plan.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 31, 1941

TO Files

FROM Mr. Cochran

At 11 o'clock this forenoon I was with Secretary Morgenthau when he received Dr. Brugmann, the Minister of Switzerland. The Minister stated that he had on previous occasions discussed with Under Secretary Welles of the Department of State the question of possible extension of American control of foreign funds to include Switzerland. On the last occasion, Mr. Welles had recommended that the Minister see Secretary Morgenthau. It was for this purpose that the Minister had called.

Dr. Brugmann made an impassioned plea against the extension of American freeing to Switzerland, a sister democracy, which is hard pressed on all sides. The Minister stated that the Swiss problem is fundamentally an economic one. If, in addition to having most of her foreign trade cut off, Switzerland should now suffer the impounding of approximately one quarter of Swiss national wealth, which is represented by holdings on the American market, this would be an extremely disastrous blow to his country. He said that it would be much more serious than any blows which have yet been inflicted upon his country, including such acts as German bombing, etc. He stressed the effort which Switzerland was making to resist German influence and to maintain the democratic system. He thought that an act of America directed against Switzerland would now greatly discourage such a struggle, would force Switzerland to abandon the gold standard to which she has been faithful through all of the recent crises, and would otherwise injure his country. The Minister realized our interest in controlling German and Italian funds, but made the point that not more than one percent of the holdings in the United States in the name of Swiss companies and individuals consisted of German funds.

The Secretary stated that he had listened, and that the Minister was assured that the interests of Switzerland would be duly considered. He gave, however, no promises.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 31, 1941

TO Files

FROM Mr. Cochran

The retiring Hungarian Minister, Mr. Pelenyi, called on the Secretary at 11:15 this morning to take his leave. Mr. Cochran was present. The Minister took this occasion to thank the Secretary for the courtesies which had been extended the Minister during his term of office in Washington. The Secretary, in turn, expressed his admiration of the position which Hungary had taken in resuming partial service on the war debt due the United States. He was entirely cognizant of the sacrifices which had been entailed and he complimented the policies which had been followed by the Hungarian Government during Pelenyi's term of office. The Minister explained that he had enjoyed a position of honor and confidence in the United States so long as Hungary remained neutral but that when his country recently adhered to the German-Italian axis, he felt that he could no longer represent his country with honor in the United States, and consequently resigned. He left with the Secretary's best wishes.



January 31, 1941
11:35 a.m.

RE BRITISH PURCHASING PROGRAM

Present: Mr. Gaston
Mr. Young
Mr. Buckley
Mr. Phillips
Mr. Purvis
Mr. Ballantyne
Mrs. Klotz

Phillips: Sir Edward Peacock just missed getting here Saturday. He is landing this afternoon.

H.M.Jr: Yes and I think it would be nice to introduce him to the Chairman of the SEC.

Phillips: Yes, I will.

Purvis: I think Sir Frederick could say how much we were thinking about.

Phillips: Well, sir, as you know, we are getting through constantly a stream of what is usually very small orders for machine tools and steel and iron and occasionally a bigger item which has sprung up suddenly which is not in the previous list. As a result of the latter type, we learned at the end of last week, for instance, that on a certain commitment we have Packard which requires us to make certain capital payments for their tools that a further sum is due from

- 2 -

us of somewhere between five and five and a half million dollars which we have got to pay.

Furvis:

That came without warning.

Phillips:

That came without warning. I am just giving you that as an example. As regards the steel and iron and the machine tools, I spent a long time with the men who run those things, and I think I have got them now where really they are putting forward nothing that isn't of the very highest degree of urgency from the point of view of keeping up production in England, things that are absolutely necessary to keep the production in England going. For instance, there is a horizontal boring machine which is the first order of priority on machine tools, and we have to let those through; and the second order is milling machines, and we have to let most of those through. Where it is something that isn't by any stretch, we could say, urgent in the highest degree, we cut it out, but I am quite clear from the figures I have got that there will be this stream of orders coming through and nothing we can do here will stop it. The same thing with iron and steel. We have already had one and we will have another conference this afternoon with a view to cutting out everything which is not absolutely urgent. It is drop forgings in their case and carbon steel is the great requirement which they can't slack down on in any way. Of course, whenever anything is desperately short, something always gets sunk or something of that kind. You may have to jump in and replace it as quickly as possible. Well, we were coming to the conclusion whether you would not be able to give us some authority to cover those things, say for a week or two weeks and looking at what has happened in the past, we thought of a figure of 30 or

- 3 -

35 million dollars.

H.M.Jr: For how long a period?

Phillips: A week.

Purvis: It has been coming in at that other type of thing Sir Frederick has been analyzing. It has been somewhere between 30 and 35 every week of the kind of thing which you can't foresee or which is utterly vital to keep the UK going.

H.M.Jr: You finished?

Phillips: There is one other thing I must add to that, sir. It is a special type of case and there are not very many of them, but when they do come we can't help it. The instance I will give you is Boeing Aircraft. Now, the Boeing Aircraft is a United States type, actually a United States machine, not British type at all. If they are offered to us by the United States Army and our people in England are desperately anxious to take them. They say they must have them. Now, of course, as a Treasury man, I loathe it. If I could put that off for a month, the result is I am not going to find any immediate cash for them. If delivery is made now, we must find cash to satisfy the United States Army. There is a similar case which--

H.M.Jr: Don't you want to come closer? I don't know what is the matter with my hearing today. Those are the 20 Boeings, aren't they?

Purvis: Twenty B-17's. That is right. The ones you got from the Army.

Phillips: Seven million dollars.

- 4 -

- H.M.Jr: Yes.
- Purvis: And then there are 36 light tanks which is not the thing.
- Phillips: No, I think 10 millions would cover those things, at least as far as I know at present.
- H.M.Jr: Thirty-six light tanks, how much do they weigh?
- Purvis: They are worth 25 thousand a piece.
- H.M.Jr: What do they weigh?
- Purvis: They are the 12-ton variety. They are wanted for Egypt and, I believe, some in Greece.
- H.M.Jr: And while we are on it, I asked two days ago or three days ago to have that map for the President.
- Young: Map?
- H.M.Jr: Yes, showing where they were in South Africa.
- Young: You asked me to find out where they went and how long it took to get them there.
- Klots: I don't think I asked him for that, Mr. Morgenthau. I asked for the information.
- Young: I have that other paragraph, which I don't think means anything.
- H.M.Jr: Now, look, can Ballantyne get back here a little bit after two o'clock a map? I want to take it over to Cabinet. Showing what is the name of the port--
- Klots: You have got that.
- H.M.Jr: But I want it on a map.

- 5 -

Furvis: Is that the Takoradi one that we talked about before?

H.M.Jr: Yes.

Furvis: And you want a little--

H.M.Jr: Have you got a map of something like this?

Furvis: We will get one. You want to show the flight from Takoradi to Khartum and back into--

H.M.Jr: Yes. I mean, where it is. It is the Gold Coast. I would like it for the President with a little map showing that they are flying from here to here, with a little memorandum explaining how do you get it up here and down to here. I asked for that.

Young: I have a memorandum which shows how many planes have gone there and what part of Africa, but not what happens to them inside of Africa.

Furvis: He wants to visualize it.

H.M.Jr: He is interested in what kind of a boat do you use, is it from New York--

Furvis: Yes, to Takoradi. That being from New York to Takoradi. I see what you want.

H.M.Jr: He is map minded, and he is interested in ships, what kind of - are they English ships, Swedish ships? How often do they go? What is the name of the line?

Furvis: I see what you want.

H.M.Jr: I mean what line are you using? Is it an existing line or is it an American line? Do you think you can get it to me before two o'clock?

- 6 -

Purvis: Certainly.

H.M.Jr: And if Ballantyne could be here at 10 minutes of two and just put it in my own hand, but what liner are they and how much - some idea of how much merchandise and so forth, and then just a little flight line, they fly from here to here which is so many miles, and they fly from there to over here, which is another place, so many miles, because he refers to it, and he keeps saying it goes to Freetown, which it doesn't.

Purvis: No, that is right. Takoradi is the place.

H.M.Jr: Freetown - what is Freetown?

Phillips: There you are.

H.M.Jr: He keeps saying it goes there and it doesn't go to Freetown, do they?

Purvis: They go to Takoradi is my understanding, specifically. I inquired after we talked last time.

H.M.Jr: Well, I want a map something like this.

Purvis: We will get one.

H.M.Jr: I will give you this one if you want it.

Purvis: We will get one. If somebody steals in your door and takes that off the--

H.M.Jr: I can't give you this one, this is War Department, and he has said repeatedly, Freetown, which I felt was wrong, and I would like to show him it goes to the Gold Coast and then from there upward. You know. Where were we?

Purvis: Thirty-six light tanks.

- 7 -

- Phillips: They have actually been delivered. I believe they are taking two of them next week.
- H.M.Jr: Would those go to Takoradi?
- Purvis: I don't know whether those will go around the Cape, but I imagine she would go around the Cape of--
- H.M.Jr: The kind of things that go to Takoradi, just indicate, and the steamship line that takes them and how often the sailings are and how big the ships are, because he has something in mind on this which is quite important for you.
- Purvis: Yes, quite. We will get something.
- H.M.Jr: I mean, he is - in the room here, he has an idea that there is a possibility - don't breathe it - of American ships possibly coming within three or four hundred miles and then flying off the decks, because it is not - don't send word back on this, but it is not in the zone, and he is playing with the idea of the possibilities of taking an American ship, a merchant ship, cutting off the top, and just letting them take off and fly in, and you can save the packing and considerable time.
- Purvis: Yes.
- H.M.Jr: That is what he has got in his mind, and I want to get that to him because he has had it - I guess I didn't explain it to you.
- Klotz: It is my fault.
- H.M.Jr: With all your accomplishments, Philip, you are not a mind reader.

- 8 -

- Klotz: I didn't understand.
- H.M.Jr: I don't think I explained it to you. Are you qualifying as a mind reader?
- Klotz: No.
- H.M.Jr: I am glad you are coming to the defense of Philip Young because he needs it.
- H.M.Jr: I think a little rest would help him. I leave at 5:40 and Philip Young leaves at 6:05. He just waits to make sure that I am on the plane and-- (Laughter)
- Purvis: If your plane doesn't go, he still goes at 6:05?
- H.M.Jr: He does, with my blessing. He is going at my suggestion, too.
- Purvis: Good.
- H.M.Jr: All right, 36 tanks, and I mean there are those kind of things. Now, do I understand that if you and I agree that you will buy 30 or 35 million, that these other things will be over and above that?
- Phillips: That is right. That is what I was putting to you.
- Purvis: We thought about 10 millions that we could have in the reserve in case those had to be paid for before you came back, if Mr. Gaston could know about that. If we can postpone the payment, you propose to postpone it, don't you, Sir Frederick?
- Phillips: Certainly.
- Purvis: But the danger is, something else might come up.

- 9 -

- H.M.Jr: As I understand, what you are saying to me is 30 or 35 million a week, that you are putting us on notice that the payment for the Boeings, the payment for the tanks, would be over and above that.
- Phillips: That is right.
- H.M.Jr: Now, how do you explain that 20 million of yesterday which Philip Young held up?
- Phillips: Twenty million was the total orders. It wasn't down payments.
- Ballantyne: It was the list we submitted yesterday, Sir Frederick.
- Purvis: Is that the only one that is outstanding?
- Ballantyne: Yes.
- Phillips: The first item is Hudson, five spares. Well, we can't get on without spares, and the machines they are wanted for are actually in England.
- Purvis: I think the Secretary is asking is the 20 million part of what you asked for this week or the past week.
- Phillips: The past week, I am sorry, January 30. I was taking the new week from the first of February.
- H.M.Jr: Just a minute. I will have to do my home work now.
- Young: I have the detailed list here.
- H.M.Jr: Just a minute, Philip. Well, now, have you got - iron and steel, a million; explosives, 47; tanks and equipment, 7; ordnance, 3; British Air Commission - now, there is an item, 7 million

- 10 -

dollars. What is that for?

Phillips: Well, one million three is a new, very urgent, amount from England for self-sealing material for tanks. You know, in case they are pierced by a bullet. And the rest of it is made up of the Hudson spares, five million eight.

H.M.Jr: And the tanks?

Phillips: Under the tanks, I have got down - well, I have got it under ordnance and ammunition. I have got down a very small order, 75 thousand, capital equipment for - just getting hold of a plant and making rifles later on and then a much bigger item of 1 billion 755 thousand. Now, that is of the same kind as the Boeings which I mentioned. It is 4-inch naval guns for arming merchant vessels, many of which are still unarmed, and the guns come from the United States Navy. They are actually guns in existence.

H.M.Jr: Well, here is--

Young: A deteriorated and unserviceable gun.

Phillips: They are all Navy guns for our merchant ships.

H.M.Jr: Here is the point that isn't clear to me. I think we are talking about two separate things. I would like to get it clear. One is the size of the orders in dollars that we are talking about. Do I understand what your proposal is, is that we approve of your placing orders amounting to 30 or 35 million?

Phillips: Yes, down payment therefore a quarter of that.

H.M.Jr: I see.

Phillips: But when I come to those other items, the 10

- 11 -

million reserve, that will be all down payment, because the stuff--

W.S.Jr: The orders are already placed?

Purvis: That is right, it is to take delivery of the Boeing B-17, and we are only bringing it up to you because it is a depletion at this time.

W.S.Jr: No, I think we are talking about two separate things. You are talking about a deal which has been consummated.

Purvis: Yes, a deal that was consummated on paper by an exchange of documents but for which now official orders have to be passed to put them technically in order. That is the difficulty.

W.S.Jr: Well--

Purvis: But it is a deal of many months standing. That is the rate it has been running since we started. That is excluding this last one.

W.S.Jr: Well, I think this is reasonable. This is all right. Now, as I understand it, this thing is to start next week?

Phillips: Yes.

Purvis: Tomorrow.

W.S.Jr: February 1, to be run - to run between 30 and 35 million a week new orders and these other two items which may run over that.

Phillips: That is right.

W.S.Jr: In a particular week.

Purvis: Could we say one other thing, that if another

- 12 -

item of that kind, unexpectedly does put up its head that we could bring it to Mr. Gaston and say this is a specific item of a similar kind as the tanks for the Boeings and explain it.

Gaston: They would really be commitments, Mr. Purvis, wouldn't they?

H.E.Jr: You mean where a letter of intent or something has been given, and then you have to enter a formal contract?

Purvis: Or a release which has been promised by the Army and has come to a head and has to be put through the books technically. It takes time to do that.

H.E.Jr: Well, don't push me too hard now.

Purvis: No, honestly, there is nothing hidden in this. There is no nigger in this one at all. I promise we won't take anything as stupid to Mr. Gaston. We will only take white boys.

Gaston: But not of the dimensions of a hundred millions or anything like that?

Purvis: Oh, no. I don't know that we know of a single one at this point, Mr. Gaston, that we could foreshadow.

H.E.Jr: I am only going to be gone a week.

Purvis: But we have all got the jitters in the way these things come up out of a blue sky. It has frightened us all because we tried hard to list all these things and then we find that either a cable or something that our fellows haven't foreseen comes in, and they have always got a very good case to show they couldn't have foreseen it.

- 13 -

H.M.Jr: What else?

Young: I have two points I would like to raise in connection with that, if I might. One, does this supersede your letter of the other day on the 250 thousand?

Phillips: Well, the second is included in the first. I am not asking for that order under 50 thousand in addition.

H.M.Jr: It is inclusive?

Young: Yes. Secondly, do you want a daily report or a quick report of some kind on the contracts that are placed with this allowance? At the present time we get a report with about a 10-day lag on a weekly basis.

H.M.Jr: Well, talking for myself, I would like it daily.

Phillips: Yes, we can get it from San Francisco.

H.M.Jr: I would like it daily. We have never held you up except yesterday.

Purvis: And all we do is to pass it to Mr. Gaston, who sends you a summary if you want it.

H.M.Jr: Well, pass it to him through Buckley.

Purvis: Yes, I see.

H.M.Jr: Carry on just the same and Buckley will see Mr. Gaston. Is that agreeable to you, Herbert?

Gaston: Yes.

H.M.Jr: I mean pass it through Buckley.

Young: There was one contract the other day on the

- 14 -

previous list we cleared which I didn't pass on, which I took out of it because it had never been cleared through in the first place in accordance with the regular procedure.

- H.M.Jr: What was that?
- Young: Contract for anchors.
- H.M.Jr: Anchors aweigh?
- Young: Anchors aweigh? It is about a hundred and fifty thousand and it slipped through without ever having been cleared by Army and Navy and Defense.
- H.M.Jr: All right. I should think you (Phillips) would want to see it daily, wouldn't you?
- Phillips: Oh, yes, I shall have that list come to me anyhow.
- H.M.Jr: You can send it over to Buckley, and he can pass it on to Gaston. What else?
- Phillips: Well, sir, I am still in the same position that as far as I can see we shall be run down at the end of February to a balance that won't exceed a very few days expenditure.
- H.M.Jr: By when?
- Phillips: The end of February.
- H.M.Jr: That is a long way off.
- Phillips: Well, I don't say we will run out before you come back.
- Gaston: You mean with respect to obligations, Sir Frederick, or actual expenditures?

- 15 -

- Phillips: Actual cash to meet anything that comes along.
- H.M.Jr: Would you mind repeating that?
- Phillips: Yes. I say no means have yet been found by which we can reach the end of February with any money in hand.
- H.M.Jr: Well, let me put it this way. You can still see your way, though, until the end of February, can't you?
- Phillips: Barring some accident happening.
- Furvis: No accidents until the end of February.
- H.M.Jr: We will have to rely on your fertile mind to think up something.
- Phillips: Yes. And one other point, sir, up until now the sentiment in London has been very good. They have taken all these - I am talking about the financial markets. They have taken all these disclosures which must have come as a shock to them very well, but my latest information is they are getting a little bit jumpy, and his Majesty's Government, therefore, are not seeking to give the opinion that they are too much in the soup. I mean to say, fairly talking very confidently about our financial condition in terms of the market and so on.
- H.M.Jr: You mean you are giving out--
- Phillips: They don't want us to do anything, particularly the contractors, which would give them - presented the opinion that we were really very badly down.
- H.M.Jr: That is in the United States or in England?
- Phillips: Either in England or in the United States.

- 16 -

- H.M.Jr: I still don't get the point.
- Phillips: Well, they don't want us - what they do in England, they manage themselves. But they don't want us, in dealing with individual contractors in the United States, to give the impression that it is a matter of desperate urgency for us to save every dollar, to keep pushing them against the wall and asking for money back and so on.
- H.M.Jr: I see.
- Furvis: As a matter of fact, it defeats itself, too, because the down payment immediately goes up.
- H.M.Jr: Well, let me ask you this question. As far as American contractors are concerned, do you feel any change in their attitude this week?
- Furvis: We have had several rumors into Wall Street which have been far from good. They have been telephoning to the office to know whether it is true, that from March 1, afterward, we shall be unable to pay for anything. This is in spite of the testimony you have given. That we shall be unable to pay for anything from March 1 onwards of any kind. That isn't in accord with the position you have taken.
- H.M.Jr: That doesn't emanate from the Treasury here.
- Furvis: Oh, no, no, no. I think it is a growing impression that we are a little short.
- H.M.Jr: Well, you see - well, I don't know where it comes from, but after all, this is a very tight situation, and I think the best investment that I can make right now for myself and for you is to get a week's holiday. I need it desperately, and certainly you can't see anything that will happen between now and the

- 17 -

tenth of February, can you?

Phillips: I don't see anything, no, sir.

Mr. Gr: I mean you are all right from now until the tenth.

Phillips: Yes, I think so.

Mr. Gr: Then that is one less worry I have to take with me. When I come back, it is like all of these things, I make a suggestion to Purvis here, it may not be any good, go over and see if you can't get them to adopt the 19 hundred and 30 planes and call them United States planes, and when we get back, and I have got a little more energy, and the world doesn't look quite so dark, maybe we can think up something.

Purvis: In the meantime, may I say to you that I telephoned Knudsen after our talk yesterday afternoon and confirmed that he is going to get that certificate for the Lockheed-Nudson, he is quite sure, and asked him whether I might go to see, with his blessing, Mr. Stimson or Mr. McCloy today. He said he would be very happy - the same thing in regard to ordnance. I couldn't see Mr. Stimson this morning because he has Cabinet this afternoon, but we shall follow up just as rapidly as we can into the ordnance list.

Mr. Gr: I think it is one of the most encouraging things that has happened. I don't know anything this week - I mean financially.

Purvis: It has been this week's best show.

Mr. Gr: Don't you think it has been very encouraging?

- 18 -

- Phillips: I think that report, for instance, was extraordinarily good.
- H.M.Jr: Which report.
- Phillips: The House Committee on the bill.
- H.M.Jr: Do you like it?
- Phillips: Yes.
- H.M.Jr: It was written in the Treasury - (Laughter) - in toto. Very indiscreetly, did you like Senator George's speech? That was written here in toto. He left out a few sentences, but didn't add a word. But don't breathe it.
- Purvis: No, no, no.
- H.M.Jr: But that report was written absolutely here, and Foley was telling a very amusing thing. There was one part that Bloom said, "I think this is going a little bit too far." So Foley said, "Well, look, Mr. Chairman, what you are questioning happens to be an opinion of Judge Sutherland of the Supreme Court." (Laughter)
- Purvis: Very good.
- H.M.Jr: I thought it was marvelous. The thing that he was objecting to was an opinion of the Supreme Court. But that thing was written - the thing which we couldn't control, which tickled me, was the vote of 18 to 7. Now, with that vote the thing will just go through the House with flying colors. I think that is an amazing vote.
- Purvis: That really is significant, isn't it?
- H.M.Jr: Oh, yes, because no one had any idea where

- 19 -

Edith Nourse Rogers stood and we had no idea where Dr. Eaton stood. I think with that report the thing will go through flying. It will pass the House next week.

Purvis: We are particularly glad about the way your suggestion has begun to work out in regard to British types because, on the other hand, I must admit I went over yesterday to Mr. Jones' office in connection with the sale of our Tennessee powder contract to him, and it was one of the most depressing things that I have ever experienced.

H.H., Jr.: Was your delay here embarrassing?

Purvis: Oh, no, no. He had sat down one minute before I got there. They had been waiting. But actually it is quite evident, and I pressed him as hard as I felt I could, it is quite evident that the actual mechanics of doing anything in the line of taking over existing plant facilities will be such as probably to be useless prior to February 28. They might get a little about the middle of the month, but I couldn't help feeling yesterday--

Young: Why don't you give us the Tennessee powder plant and get the bill through 30 days sooner?

Purvis: My heavens, we will do it now without consulting Sir Frederick Phillips if you will guarantee to get it through in 30 days.

H.H., Jr.: But for the order on the American type stuff, that is going through all right?

Purvis: Yes, there is only one thing, I think, but there again when the Army and Navy certified in very

- 20 -

good condition - we have, Charles tells me, that there may be a little difficulty in that Mr. Jones is asking them apparently for some commitment that they will take over from him, from the defense plant people, the thing later on. Now, whether they can legally commit themselves in advance of an appropriation, even to the defense plant, we don't know, and that is the only little cloud in the sky at the moment.

A...Jr: Well, I think the thing is in as good shape as I can see it.

Nurvis: Oh, yes, and if we do run into that thing, I thought of simply going to Stimson and Knox and saying, "Now look here, you did a great job of getting this through, but it is now held and it isn't working out for the purpose it was given." I don't think it will come to that.

A...Jr: All right?

Nurvis: Thank you.

Amounts Authorized for British Contracts

January 18 to January 31, 1941

January 18, 1941	300 Curtiss P-40 planes	\$15,000,000
January 22, 1941	Machine Tools	5,853,611
January 24, 1941	Aircraft Products	2,292,204
January 24, 1941	Forgings	445,000
January 25, 1941	Machine Tools, Aircraft Products, etc.	6,287,164
January 28, 1941	Aircraft Products	210,571
January 28, 1941	Machine tools, Marine Equipment, etc.	2,148,195
January 28, 1941	Machine Tools, chemicals, etc.	816,783
January 31, 1941	Ammunition, Motor Vehicles, etc.	<u>5,945,601</u>
	Total	\$38,999,129

T.D.Y.

WILLARD HOTEL, WASHINGTON, D. C.



TELEPHONE REPUBLIC 7860

BRITISH PURCHASING COMMISSION

January 30, 1941

Mr. Phillip Young,
Assistant to the Treasurer
Treasury Department,
Washington, D. C.

Dear Mr. Young:

We attach hereto three copies of the following statement, entitled "APPLICATION FOR PLACEMENT OF ORDERS IN THE UNITED STATES THROUGH THE BRITISH EMPIRE PURCHASING MISSIONS", and dated January 30, 1941:

	<u>Pages</u>	<u>Total Value</u>	<u>Initial Payment</u>
British Purchasing Commission			
Iron and Steel	16-17	\$ 1,036,469.70	\$ 124,017.42
Explosives	17	147,000.00	52,000.00
Motor Vehicles	17	70,048.00	17,500.00
Tanks and Tank Equipment	17	7,006,750.00	-
Ordnance - Equipment	17	3,120,000.00	3,120,000.00
Machine Tools	12&13	1,275,862.98	332,735.48
	18	131,399.50	27,893.00
British Air Commission	8	<u>7,203,930.00</u>	<u>2,922,000.00</u>
Totals		\$19,991,460.18	\$6,596,145.90

We also enclose a letter of Sir Frederick Phillips stating that these contracts have been noted and approved on behalf of the U. K. Treasury.

Yours very truly,

C. T. Ballantyne

encls.



BRITISH PURCHASING COMMISSION

January 30, 1941

The Hon. Henry Morgenthau, Jr.,
Secretary of The Treasury,
Washington, D. C.

Dear Mr. Secretary,

I write to inform you that I have approved and noted all the contracts contained in the following statement, entitled "APPLICATION FOR PLACEMENT OF ORDERS IN THE UNITED STATES THROUGH THE BRITISH EMPIRE PURCHASING MISSIONS", and dated January 30, 1941:-

	<u>Pages</u>	<u>Total Value</u>	<u>Initial Payment</u>
British Purchasing Commission			
Iron And Steel	16-17	\$ 1,036,469.70	\$ 124,017.42
Explosives	17	147,000.00	52,000.00
Motor Vehicles	17	70,048.00	17,500.00
Tanks and Tank Equipment	17	7,006,750.00	-
Ordnance Equipment	17	3,120,000.00	3,120,000.00
Machine Tools	12-13	1,275,862.98	332,735.48
" "	18	131,399.50	27,893.00
British Air Commission	8	<u>7,203,930.00</u>	<u>2,922,000.00</u>
		\$19,991,460.18	\$ 6,596,145.90

Yours very truly,

F Phillips

January 31, 1941
12:13 p.m.

180

H.M.Jr: Hello.

Operator: Secretary Hull is having his press conference.

H.M.Jr: Well, get me General Watson.

Operator: Thank you.

H.M.Jr: Hello.

General Watson: E.M.W. speaking.

H.M.Jr: H.M.Jr. broadcasting.

W: (Laughter) All right.

H.M.Jr: Purvis was just in here and left a couple of minutes ago and I told him to sit tight until he heard from you.

W: All right.

H.M.Jr: Will you take that?

W: Yes. I'll take that.

H.M.Jr: Will you make a little note?

W: Huh?

H.M.Jr: Will you make a little note?

W: I got that. And I won't even - I'm going to spring that on him in a few minutes.

H.M.Jr: Well, I told him that you'd hear direct from him.

W: Now I thought - what I was going to tell you - you're coming to the Cabinet meeting, aren't you?

H.M.Jr: Why not?

W: That's what I meant. I thought maybe - why don't you and Wickard stop by a second and just tell him that together? Do you think that would be good or do you want me to do it?

H.M.Jr: Oh you do it. You're such a big, bold, brave man.

W: All right. Well I don't mind doing it.

H.M.Jr: Listen, how late did the game last last night?
W: Two o'clock.
H.M.Jr: Was I sensible?
W: Yeh, you were. They got me finally.
H.M.Jr: How did the President make out?
W: He came out fairly well.
H.M.Jr: He did.
W: I think he about broke even.
H.M.Jr: I see.
W: They took me a little.
H.M.Jr: It lasted till two?
W: Oh yeh. That's when I got home. I noticed the clock.
H.M.Jr: I see.
W: I went directly home.
H.M.Jr: Well thanks and nobody said anything about my going did they?
W: Not a word. Ross came in then and took your place.
H.M.Jr: Cause I had a splitting headache.
W: Say I thought we both got away with our thing all right, didn't we?
H.M.Jr: Your stunt? Oh I thought yours was grand.
W: Well, look - Frances said - we got to saying - I said, "Well, Mrs. M. and Henry" I said "you can't beat that gal anywhere in the world."
H.M.Jr: Oh.
W: She carries you along like Frances does me.
H.M.Jr: But, you can have that fellow Hall Roosevelt any time you want him.

- 3 -

W: Isn't he - isn't that a pest?

H.M.Jr: Awful.

W: Yeh, that other fellow Prenevil - I didn't think he did so well, did you?

H.M.Jr: No.

W: Who is he?

H.M.Jr: Who?

W: Prenevil or some such name.

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

W: I don't either.

H.M.Jr: You mean the fellah that took off Whitney?

W: Yeh.

H.M.Jr: No, I didn't think he did so well.

W: Who is he? You don't know who he is?

H.M.Jr: I think - as I understand it, he was a telegraph operator on that trip.

W: He was? (Laughter)

H.M.Jr: I think that's what he was. I think he was a telegraph operator.

W: (Laughter) All right. Well, I'm watching that case of yours there. I'm just going to strike him at the best.

H.M.Jr: Well -

W: If you've stopped it, there's no particular hurry.

H.M.Jr: Purvis will do nothing until he hears from you.

W: All right. All right. Then I'll tell him that.

H.M.Jr: And he's going up to Ottawa over the week end.

W: Yeh. Well then there's no point - he won't be back until next week anyhow, will he?

H.M.Jr: That's right.

W: I'll have it all settled by then.

H.M.Jr: Thank you.

W: And that fellah Miller, the man that I should have the data from in case I get stalled -

H.M.Jr: Yeh.

W: Is that right? Who is he?

H.M.Jr: Not Miller. M. L. Wilson.

W: Oh yes.

H.M.Jr: M. L. Wilson.

W: Put it down right now. What is he?

H.M.Jr: Well he was Under Secretary of Agriculture.

W: I remember he was Under Secretary of Agriculture. What is he now, anything?

H.M.Jr: He's over there in the Department.

W: All right.

H.M.Jr: But he comes - the important thing is he comes from Montana.

W: I get it.

H.M.Jr: Where Campbell comes from.

W: I get it.

H.M.Jr: And he knows more about Campbell than anybody else.

W: All right. I got it.

H.M.Jr: You got it?

W: I'm going to make a memo right now.

H.M.Jr: All right. H.M.Jr. signing off.

W: E. M. Watson - E.M.W. signing off too.

H.M.Jr: O.K.

W: All right.

January 31, 1941
4:10 p.m.

RE AID TO GREECE

Present: Mr. Purvis
Mr. Wilson
Sir Henry Self
Mr. Young
Mrs. Klotz
Mr. Gaston
Mr. Murray
Mr. Feis
Mr. Diamantopolous

H.M.Jr: The Greek Minister is outside, and I will tell you gentlemen the story as it is. I reported the Greek Minister was in here this morning. We had offered him 30 of these Navy planes which had been taken off a dive bomber.

Young: Off a carrier.

H.M.Jr: A carrier stored somewhere down in Norfolk, and they are five years old and designed seven years ago, and Mr. Knox offered these to the Greeks. After about two or three weeks, they now come in and say, "No." So the President, after discussion, said that I should tell the Greek Minister that he could take it or leave it, and if he doesn't want it, I should offer them to you. Now, then he also said, which doesn't quite fit in, "If you could do something for them, all right; but in this case and at this time, it is not a mandate, you see."

Purvis: No.

- 2 -

- H.M. Jr: In other words, I am fed up with them. I was a long time ago. I said jokingly I was going to hire an Armenian rug dealer to advise me how to treat with the Greeks. (Laughter) If you know a good Armenian rug dealer, let me know, will you please?
- Purvis: There is a Greek tried to put over a rifle deal with me in New York.
- H.M. Jr: So he is outside. I tried to get this man, but I can't get the State Department to have Mr. Murray hear what I was going to say, so first the President kind of thought maybe we kind of wanted to send them over to Europe, but I said I thought you would most likely send them up to Canada to use them for training purposes. That is what the Navy was going to use them for. The Navy had them scheduled to go to one of their training fields to use for training purposes. I mean, they are a perfectly good plane for training. But I was surprised. I said something to the President, well - and he says if the Greeks don't want them, I want the English to have them.
- Wilson: That is clear.
- H.M. Jr: I wouldn't open the horses' mouths.
- Purvis: No, no, no. I agree, absolutely.
- H.M. Jr: You know what they are. They are very old Grummans.
- Young: They are Grummans.
- H.M. Jr: With what, two 30 caliber guns?
- Young: They have two guns on them, a speed of about 230 miles an hour.

- 3 -

Wilson: We would like them just for the--

Self: But they are very valuable for training purposes.

Furvis: We don't need to open the horses' mouths.

Self: They are two seaters, aren't they?

Young: No, I think they are only one.

W.M.Jr: Well, they would be perfectly good in Canada, wouldn't they?

Wilson: We will find a use for them.

W.M.Jr: I think the President--well, I am going to say to the Greek, "if you don't want them, I am going to offer them right now to the English." I am really fed up with them. I told the President so at Cabinet.

Young: Knox knows about this?

W.M.Jr: Oh, he was there. He said that Admiral Towers did such a good selling job, he unsold the Greeks on it. He knows what happened.

Young: I don't know what this report means.

W.M.Jr: What is that?

Young: From Hopkins, with respect to planes.

W.M.Jr: I heard that one was coming through. There has one come through from Hopkins.

Furvis: Harry Hopkins?

W.M.Jr: Yes, on what the English needs are. The President said he was going to have a meeting tomorrow about it, something about long distance Navy bombers was mentioned, and he didn't want to

- 4 -

go into detail before the whole Cabinet.

Young: This is so confidential, I can hardly understand it. It probably means something to you. I don't have any background.

H.M.Jr: Oh, incidentally, the map made an enormous hit. I understand it is your rut.

Self: I think so.

H.M.Jr: A statement would have spoiled it. The President was fascinated with it. He occupied 15 minutes of the Cabinet going over it. It made a great hit.

Wilson: Well, it is of real interest just to see what is happening to these things.

H.M.Jr: Oh, yes, because somebody had given him this information and they seemed to be under the impression that this thing had been going on for sometime and a lot of this, that, and the other, and I thought it was about time to give him the facts. I am going to read this to you. It is marked strictly confidential for the President, Secretary Hull, and myself. This is service from the State Department I am not used to.

"Yesterday morning I had a talk with Kings Haywood" - that is the Minister of Finance?

Wilson: Kingsley Wood.

H.M.Jr: "And he told me that he appreciates the statement of the Secretary of the Treasury that because of lack of funds the British could not order planes. The Chancellor of the Exchequer made it clear to me, however, that they would

- 5 -

order these planes at once."

Wheat: That they would?

Wheat: Yes.

"But he is somewhat puzzled as to the reason he shall give for placing the order for the planes in the light of the statement which the Secretary of the Treasury made."

Wheat: I can piece some of this together.

Wheat: "The Chancellor leaned to the idea that any publicity on the ordering of the planes should come from the British in the United States."

That is you. (Laughter)

Wheat: This is grand.

Wheat: You know, I always - Morgenthau luck - make sure that I got a seat on this plane so that when Mr. Purvis - I mean Sir Frederick Phillips announces this, I want to be in Arizona.

"The Chancellor leaned to the idea that any publicity on the ordering of the planes should come from the British in the United States. I suggest that, in case the matter should become public, a conference be had between Halifax or Purvis and Morgenthau in order to determine an agreed statement, so that there will be no injury to the bill which is now before the Congress. From the Chancellor and his associates I got the impression that the instructions have been given to their people to go ahead, despite difficulties, with the placing of the orders for the planes."

Wheat: Nonsense. We have standing authority to order

- 6 -

certain things when finances are correct, but it is subject to finance always.

Furvis:

I wasn't going to bother you, but there is a confusion in certain cable advices between Phillips and Kingsley Wood, in which there has been a duplication of five hundred million dollars pledged, and I discovered at nine o'clock last night that there had - this mistake had occurred, that Phillips had been going back and forth with the Treasury, and when I stumbled on to it, I was able to see that it was merely a duplication and that what they are asking us to do there is to place orders as a whole - there may be some exceptions - for planes that you cleared through under the 884 millions of United States types of stuff. Now, I unearthed that last night and was sending cables today setting them straight in London. In fact, I have just drafted one. But there was a genuine confusion in Phillips' mind of the situation.

H.M.Jr:

In Phillips' mind?

Furvis:

Yes, on the financial end.

H.M.Jr:

Well, I needn't impress upon you all the blood I have shed here to keep this thing straight.

Furvis:

By the way, I have another thing which I think will relieve you a little.

H.M.Jr:

Is he? I mean, because after all, you have not only got that 875 cleared, we are on our way to clearing the hundred and 75 other English types. You know.

Wilson:

Yes, I know.

H.M.Jr:

Which leaves very little.

- 7

- Purvis: It leaves very little - another thing that will make you feel a little more easy, I had Elliott in. He tells me that these orders which it is stated have been placed since December 19, which were quite important in this steel organization, you remember, are merely specifications against orders placed prior to December the 19th. He is going to send me a little memorandum about it. There has been confusion in reporting as orders something that is merely a specification against a contract placed earlier and that is how - I will deposit with Buckley a little memorandum on it.
- H.M.Jr: Well, how am I going to get the President straight on this? How are we going to get Mr. Stimson straight on this?
- Purvis: We don't know exactly what order is in question there. It doesn't mention the type.
- H.M.Jr: Philip is leaving at six. Don't you think - before they do anything, they will send for you people?
- Young: Oh, yes. It is coming through in the cables, and we are trying to straighten out a misunderstanding by cable. That is item number one. It will all come through. We will protect that. There is no danger of misunderstanding.
- H.M.Jr: Because I mean, with all due modesty, I mean, I think the situation on the Hill, the way it is now, is beautiful as far as the financial aspect and to plunk down a 500 million dollar order and keep it secret is just tommy-rot, and it isn't necessary.
- Wilson: And it is impossible for us to do it.
- Purvis: The Secretary has also cleared some money for

- 8 -

other things while you were away this morning.

H.M. Jr: And most imporant of all, Jesse Jones took me aside and said if he would write me a letter, that he will buy 50 million dollars worth of English contracts, would I be willing to release 50 million dollars worth of new orders for them. And I said I would be very glad to.

Purvis: Good. That is if he writes you a letter--

H.M. Jr: He simply said that he is going to buy 50 million dollars worth of your contracts. Would I in turn release an additional 50 million dollars for you to purchase material with. Well, I said yes quickly, because we are doing it every day.

Purvis: Yes, I was going to say it is covered by the 35 million.

H.M. Jr: Of the 50, you had 20 yesterday, so I mean these gentlemen know what we agreed on this morning.

Purvis: Well, I haven't had a chance to--

H.M. Jr: So I mean, I said yes because I like to encourage Jones, and Jones does not know the whole picture, and I wanted to keep the pressure on him, but Mr. Stimson does know the picture, what is going on each day, but - I mean, not minute to minute, but he knew up to two days ago, but Jones didn't, so all the pressure is on Jones.

Purvis: Well, if he says to me, "I have done that," we will accept it gracefully for whatever it is worth. We will take it in.

H.M. Jr: And it will cheer up Phillips.

- 9 -

- Self: May I just clarify it? I think the plane situation is as clean as it can be. They must be badly confused in London. We have cleared the United States types. We have cleared the British types that we hoped to clear on that basis. All the program is up to date so far as February is concerned.
- Purvis: It is only parts, and I have drafted a cable to London to set by this misunderstanding for you to see this afternoon before it goes off.
- H.M.Jr: Well, I wonder if this meeting that is going to be tomorrow, if there isn't any way for Kingsley Wood to get hold of Hopkins the first thing tomorrow morning so that he could be set straight and set the President straight.
- Purvis: This cable will go most immediately. It will leave tonight and be there the first thing in the morning, and I will send a supplementary cable simply saying that it would be well if it could be made clear to Mr. Hopkins that they now understand the situation.
- (Mr. Diamantopolous and Mr. Murray entered the conference.)
- H.M.Jr: Mr. Minister, the reason I asked you to come, I am leaving this afternoon, and I am trying to do all the things at one time, and I am not doing it very successfully. I reported at Cabinet our conversation with you this morning.
- Diaman: Yes.
- H.M.Jr: Where you told me that your Government did not want the 30 planes.
- Diaman: Yes, sir. I wanted precisely to make to you this position, that was the advice I wired yesterday - a categorical advice of our

- 10 -

officers, the two officers who met yesterday, and I think that this would be the definite opinion of my Government, but I just wanted to tell you this, to give you this position, that it was the advice of the officer--

- H.M.Jr: Mr. Minister--
- Diaman: I am awfully sorry.
- H.M.Jr: So am I, because I understood this morning very, very clearly you said to me you don't want the planes.
- Diaman: Yes, sir; yes, sir. It is what I meant but exactly, when I thought it over again, I thought that I ought to make this rectification to you.
- H.M.Jr: Well, do you (Murray) speak French?
- Murray: Yes.
- H.M.Jr: Maybe you had better tell the Minister this in French.
- Murray: I think he understands you.
- Diaman: I understand you.
- H.M.Jr: I am sorry, because I reported this, and in the interests of Greece we spent a lot of time discussing this and I reported it to the President and the whole Cabinet.
- Diaman: The only thing I can tell you is that the advice of the two experts is categorically in that sense.
- H.M.Jr: But this morning I understood you--
- Diaman: Yes, sir, you are quite right.

- 11 -

- H.M.Jr: Well, this was the answer that I was asked to give you, that we once more offer you these 30 planes because these are the only planes--
- Diaman: The 30 old planes of the Navy?
- H.M.Jr: The 30 Navy planes, because these are the only planes which the Government can spare at this time and if, within a few days, your Government should decide they still don't want them, then I am authorized by the President to give them to the British Government.
- Diaman: Correct, sir.
- H.M.Jr: Should I say it again?
- Diaman: No, sir. I understand.
- H.M.Jr: I once more offer them to you, and if you could, within a few days, let me know whether you do or don't want them. If you don't want them, then we are going to offer them to the British Government.
- Diaman: All right, sir.
- H.M.Jr: I hope there is no misunderstanding.
- Diaman: I apologize, sir.
- H.M.Jr: I am sorry. I ought to be able to speak French. If I could speak French you would not misunderstand me. I think that is the whole story. I just wanted Mr. Murray here so that he could tell Mr. Hull just what it is so Mr. Hull can get it direct.
- Diaman: Yes, sir. Thank you so much.
- I hope that I will have the answer very quick,

- 12 -

and shall I give it to Mr. Murray?

H.M. Jr: I think so. That will probably be the best way.
Thank you.

(Mr. Diamantopolous left the conference.)

Murray: He didn't look at his file apparently. I take
it that is the story.

H.M. Jr: It is always the story. We are amongst friends
here. It is always that. This morning he told
me "No".

Murray: That his Government didn't want them?

H.M. Jr: He came to me and he said, "We don't want the
planes." He made an unqualified statement.
You (Young) were here.

Young: That is right.

H.M. Jr: Unqualified statement. Now, what the President
told me to tell him, but I tried to be a little
diplomatic, was to tell them, "Take it or leave
it."

Murray: These are the Navy planes?

H.M. Jr: Yes.

"And if they don't want them, give them to the
English, and if the English have some way that
they can take care of the Greeks, well and good,
but this time no mandate." But the President
said, "I definitely want the English to have
them, and it is up to them to put them to the
best use that they can." Mr. Hull said no one
in the State Department was to talk about Greek
planes.

- 13 -

- Murray: He said he didn't want to hear another word again. (Laughter)
- H.M.Jr: He brought it up at Cabinet and gave me the chance. I had this thing written out. And then the President said to tell them to take to take it or leave it. I didn't say that.
- Murray: You were very diplomatic.
- H.M.Jr: But he did say this morning that he would go back and look at his files over again.
- Murray: This does not involve P-40's?
- H.M.Jr: Nothing.
- Murray: It is either this or nothing?
- H.M.Jr: The President said to tell them to take it or leave it. So that is that and thank you so much.
(Mr. Murray left the conference.)
- H.M.Jr: What I have done is this, gentlemen. Do I need that rug dealer or don't I need the rug dealer.
(Laughter)
- Furvis: It was as much as I could do to keep from laughing. I am getting my last laugh before you go on the holidays.
- H.M.Jr: What I have done is to send for Herbert Feis. Mrs. Klotz tells me I don't leave until 20 minutes of seven. I want to take 10 minutes to explain to him because this cable came from him, and let's take 10 minutes and explain to him so that he can make notes and tell Mr. Hull tonight what the situation is. I think it is important. Somebody on this side knows what it is all about.

- 14 -

Purvis: Quite.

Wilson: Yes.

H.M.Jr: At ease, gentlemen.

Purvis: Thank you.

May I ask where the holiday is going to be taken?

H.M.Jr: Yes, Arizona. It is right on the Mexican border, the border being a very wiggley wire fence which you can cross over and back as frequently as you want, and as soon as you cross the border, they have a little place there called Sasabe, and you just go back about two hundred years.

Purvis: Oh, I would love that.

H.M.Jr: No electric lights, no water supply, no sewerage disposal--

Purvis: No Greek Ministers.

H.M.Jr: No Greek Ministers, (Laughter) and piece and quiet. You know, that is really delicious, isn't it?

He is so typical Greek.

Purvis: You called your shots before he came in here.

H.M.Jr: You people have the weirdest allies.

Wilson: That is what this war does to a self-respecting person. (Laughter)

Purvis: Beaverbrook will get that one, I'll bet you.

H.M.Jr: I said to Lord Halifax the other day, "I am going to say something you don't have to answer, but

- 15 -

don't you think your chances of winning the war are easier without the French?" Well he kind of gulped a little bit and he said, "Well, there are a lot of people in England that feel that way."

Purvis: He is learning the ambassadorial language already.
(Laughter)

Well, we have one alliance again this time, and that is the Italians.

H.M.Jr: They may still be your ally.

Purvis: They might, yes.

(Mr. Gaston entered the conference)

H.M.Jr: Herbert, read this. This is the latest bombshell just to make me feel good before I leave.

This is Mr. Gaston, Mr. Morris Wilson and Sir Henry Self. Mr. Gaston will be Acting Secretary while I am gone.

Gaston: Well, I have recognized that difficulty already, but there is no indication here of any quantities.

H.M.Jr: Well, the point is, Herbert, I have sent for Herbert Feis, and he is on his way over, and these gentlemen are going to explain that there is a mixup and that the Chancellor of the Exchequer just - I can say this, they can't - just doesn't know what he is talking about. They are all right. The President has got this, and he has called a meeting for tomorrow, you see. You see, Morris Wilson and Sir Henry Self are the air section.

Gaston: Yes. Well, that is the very thing which of course you were engaged in working out.

- 16 -

- Purvis: There has been a complete cross wire between Phillips and the Treasury on the financial side in regard to certain sums which were applicable to aircraft in a previous cable. It has just got into a tangle. I have just come from dictating three cables straightening out the understanding in London, and Sir Frederick is going to send another one tying in with those tonight. I wanted you (Self) to look at them first to make sure that we got them really straight.
- Gaston: Yes.
- Purvis: I struck this thing at nine o'clock last night.
- Gaston: Well, the point is no statements are called for in this situation, I should think.
- H.M.Jr: No. I think what we might do, Herbert, after I get the thing started, they might adjourn to your office and then these three gentlemen - are you leaving town tonight, Arthur?
- Purvis: No.
- H.M.Jr: And explain it to Herbert Feis. I will get the thing started.
- Gaston: All right.
- H.M.Jr: Make sure it is straight and then Feis wants to--
- Gaston: He wants to what?
- H.M.Jr: I want him to get this straight.
(Mr. Feis entered the conference.)
- H.M.Jr: The reason I asked you over, I am leaving tonight

- 17 -

to be gone a week, and I just got your message, and I read it to these people and they say the Chancellor is completely confused, and the President is calling a meeting tomorrow with the War and Navy Departments and I thought you could make notes and get to Mr. Hull what the situation is, because I gather that Hopkins got the thing completely garbled, so if you want to make a few notes, do you see?

Feis:

Gladly. May I read this first?

H.S. Jr.:

Please.



DEPARTMENT OF STATE
WASHINGTON

January 31, 1941.

My dear Mr. Secretary:

I enclose for your information a copy of
paraphrase of telegram No. 361 dated January 31
just received from the American Embassy, London,
transmitting a confidential report from Mr. Hopkins.

Sincerely yours,

Herbert Feis

Herbert Feis
Adviser on International
Economic Affairs

Enclosure:

No. 361 of January 31
from London (2 copies)

The Honorable

Henry Morgenthau, Jr.,
Secretary of the Treasury.

TO THE SECRETARY
OF THE TREASURY

JAN 31 1941

RECEIVED

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London, England

DATE: January 31, 1941, 11 a.m.

NO.: 361

The following is strictly confidential for the President, Secretary Hull, and Secretary Morgenthau, from Mr. Hopkins:

Unusually correct

Yesterday morning I had a talk with Kings Heywood, and he told me that he appreciates the statement of the Secretary of the Treasury that because of lack of funds the British could not order planes. The Chancellor of the Exchequer made it clear to me, however, that they would order these planes at once, but he is somewhat puzzled as to the reason he shall give for placing the order for the planes in the light of the statement which the Secretary of the Treasury made. The Chancellor leaned to the idea that any publicity on the ordering of the planes should come from British in the United States. I suggest that, in case the matter should become public, a conference be had between Halifax or Purvis and Morgenthau in order to determine an agreed statement, so that there will be no injury to the bill which is now before the Congress. From the Chancellor and his associates I got the impression that instructions have been given to their people to go ahead, despite difficulties, with the placing of the orders for the planes.

JOHNSON.

EA:LWW

January 31, 1941

TO: MR. HARRY HOPKINS
LONDON

Your 361 January thirty one. Subject has been brought to the attention of Secretary of the Treasury and members of the British Supply Council. Both agree that your report is based on misunderstanding. The British Supply Council is cabling tonight to Sir Andrew Duncan and Sir Frederick Phillips is cabling to Sir Kingsley Wood. They are suggesting that the substance of these cables be made available to you and it is believed that they will clear up the matter.

DEPARTMENT OF STATE
WASHINGTON

February 1, 1941.

My dear Mr. Secretary:

I enclose for your information two copies of paraphrase of telegram No. 334 of January 31, 1941 sent to the American Embassy, London, transmitting a message for Mr. Hopkins.

Sincerely yours,

*Herbert Feis*Herbert Feis
Adviser on International
Economic Affairs

Enclosure:

No. 334 of January 31
from London

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, London, England

DATE: January 31, 1941, 9 p.m.

NO.: 334

The following telegram is strictly confidential,
for Mr. Hopkins:

Reference is made to telegram of January 31, No. 361
from the Embassy.

The attention of the Secretary of the Treasury and
members of the British Supply Council has been called to
this matter, and both agree that your report is based on
a misunderstanding. Tonight a cable is being sent to
Sir Andrew Duncan by the British Supply Council, and
a cable is being sent to Sir Kingsley Wood by Sir Frederick
Phillips. The suggestion is being put forward by them that
the substance of their cables be made available to you,
and it is believed then the matter will be cleared up.

HULL.

S

EA:LWW

January 31, 1941

MEMORANDUM FOR THE SECRETARY:

Attached is a summary report of the projects which have been worked on in the Division of Tax Research during January, 1941.

RB

Attachment

Monthly Report on Projects in the
Division of Tax Research
January, 1941

I. New projects

1. Tax Revision, 1941

(a) Brief memoranda are in process concerning certain possible revisions of the individual surtax, estate and gift taxes, liquor, wine and beer taxes, soft drinks tax, tax on passenger automobiles and motorcycles, check tax, admissions taxes and stock transfer taxes.

(Mr. Ecker-Racz and staff)*

(b) Individual surtax schedules designed to raise an additional \$250, \$500 and \$1,000 millions annually were prepared together with certain illustrations of their effects on selected amounts of income. Data were also prepared comparing income and other taxes in the United States with those in Great Britain and Canada. (Mr. Shere and staff)

(c) Tables showing amounts and effective rates of Federal and State income tax in the case of taxpayers resident in New York, California,

*Persons listed as working on the different projects do not include those who acted largely or exclusively in a consulting or reviewing capacity. In general, the person, if any, actively in charge of the project is listed first.

- 2 -

Idaho and North Dakota were prepared.

(Mr. Ecker-Racz and staff)

2. Tax-exempt securities

(a) A statement for Mr. Sullivan on the proposal to discontinue the issuance of tax-exempt Federal securities was prepared.

(Mr. Ecker-Racz)

(b) Comments were prepared on a statement by A. J. Tobin in the New York Times of January 6, 1941, respecting the amount of State and local securities held by individuals with incomes of \$5,000 and over. (Miss Coyle)

3. Income tax collected at source

A memorandum analyzing the problems involved in the collection of the individual income tax at source is in process. (Mr. Atlas)

4. Federal excise taxes

A memorandum analyzing possible additional sources of excise tax revenue is in preparation.

(Mr. Campbell)

5. Excess profits tax

An analysis of the problems raised by the carry-over of the excess profits credit under the excess profits tax is in process. (Mr. Ecker-Racz)

- 3 -

6. Amount of surtax net income by bracket

A table showing for 1938 the amount of surtax net income falling within each surtax bracket of the present surtax rate schedule is in process (Miss Hughes)

7. Published corporation tax items and articles

A memorandum commenting on a Wall Street Journal news item of December 28, 1940, dealing with the tax cost of Sears, Roebuck & Company was prepared. (Mr. Atlas)

II. Continuing projects1. Federal sales taxes

A memorandum on a value added and other possible forms of Federal sales taxes is in preparation. (Mr. Farioletti and Mr. Copeland)

2. Excess profits tax

(a) The study of how certain abnormalities in income and invested capital which may cause inequities should be treated under the relief provisions of the excess profits tax was continued. (Mr. Blough, Mr. Shere, and Mr. Campbell)

(b) An analysis of special treatment afforded financial, personal service and public utility

- 4 -

companies, the professions and agriculture under the World War and present excess profits taxes of the United States, Great Britain, and Canada, is in process. (Mr. Mills)

3. Income Tax Study--W.P.A.

The work of the Philadelphia project analyzing income tax returns and statistics relevant to excess profits taxes is in final stages of completion. A study of investment practices as reflected in the estate tax returns is also in process. Portions of the text and tables for these studies were reviewed. (Mr. Blough, Mr. Shere and Miss Coyle)

4. Foreign taxes

(a) Memoranda on the latest changes in Canadian and Australian taxes are in preparation. (Mr. Atlas and Miss Hughes)

(b) In collaboration with the Division of Monetary Research, a study of the Haitian fiscal system is in process. (Miss Wells)

5. Inventory of tax proposals

Compilations of proposals for raising additional revenue and for improving the tax system have been prepared. (Mr. Zorach and Mr. Copeland)

- 5 -

6. Undistributed profits and income taxation

Reports on the following subjects have not been actively prosecuted during the month:

(1) Analysis in the light of issues raised by the undistributed profits tax of the statistics made available from income tax returns and other sources. (Mr. Atlas and Mr. Copeland)

(2) Analysis of the proposal to allow corporations with five or less shareholders to be treated for tax purposes as partnerships. (Mr. Mills)

III. Routine assignments

1. Technical review of forthcoming Treasury publications

(a) The following publications were reviewed during the month:

(1) Press release on Volume II of the Income Tax Study for 1936. (Miss Coyle)

(2) Final galley proof and page proof of the section on tax-exempt securities for the Secretary's Annual Report. (Mr. Mannen)

(3) The estate and gift tax sections of Statistics of Income for 1938, Part I. (Miss Coyle and Mr. Mills)

- 6 -

(b) The following publications are pending review:

(1) Four press releases containing data from corporation and excess profits tax returns for 1938 to be published in Statistics of Income for 1938, Part 2. (Miss Hughes)

(2) Five proposed tabulations of data from partnership returns of income for 1939.
(Miss Coyle and Miss Hughes)

2. Digests and comments on other studies

(a) A digest of a publication entitled "Fundamental Economic Issues in National Defense" by Harold G. Moulton of the Brookings Institution was prepared. (Mr. Mills)

(b) The following studies are pending analysis:

(1) The report "Concentration and Composition of Individual Incomes 1918-1937," prepared by the Temporary National Economic Committee.
(Miss Coyle)

(2) The report "Million Dollar Incomes" by L. H. Parker. (Miss Coyle)

(3) The report "Study of the Delaware State Income Tax Yields" by Walter C. Wilson.
(Miss Coyle)

- 7 -

3. Statistics

(a) In connection with the supervision of the statistical work of the Bureau of Internal Revenue, various proposals for statistical compilations were examined including suggested early tabulations from the corporation income and excess profits tax returns. (Mr. Blough, Mr. Shere and Miss Coyle)

(b) Administrative reports and statistics of the Bureau of Internal Revenue are graphed and commented upon for Mr. Sullivan's information. (Mr. Campbell)

(c) Data relating to different taxes, digests of tax items, and congressional activity on tax items of interest to the Division are currently prepared. (Staff members)

4. Correspondence

The Division handled correspondence pertaining to tax matters. (Staff members)

KD

GRUY

Berlin

Dated January 31, 1941

Rec'd. 3:25 a.m.,
Feb. 1

Secretary of State,
Washington.

344, January 31, noon

My 4482, October 28, 10 a.m.

FOR TREASURY FROM HEATH

According to a statement just released by the Reich Finance Ministry total tax revenues during the last three months of 1940 were six thousand nine hundred eighty seven million marks of which five million five hundred ninety-one million marks were income property and trade taxes (including war surtaxes) and 1,396 million marks consumption taxes and customs. The total tax revenues for this period were thus above those of the corresponding period of 1939 which stood at 6,335 million marks. but below those for the July approximates September quarter which stood at 7,351 million marks. This contrasts with the situation in each of the preceding six years when revenues for the October to December quarter

WERE

-2- 344, January 31, noon, from Berlin.

were the highest of the year. The total revenues for the first nine months of the present fiscal year were 20,405 million marks only about 3.2 billion marks less than the revenues of the entire fiscal year 1939-40. State Secretary Reinhardt's recent forecast of 26 to 27 billion marks total revenues for the fiscal year 1940-41 seems certain of fulfillment.

MORRIS.

HPD

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE January 31, 1941

TO Secretary Morgenthau

FROM Mr. Klaus

FBI reports:

January 31. A large number of Delaware corporations have been formed in the last few weeks by persons who are anticipating that their assets may be frozen; the idea is that the assets will be turned over to the corporations which, presumably, will have nominally American stockholders so that the funds will not be subject to freezing. (This report is oral and further investigation and report will probably follow.)

Kf.

PLAIN

London

Dated January 31, 1941

Rec'd. 2:25 p.m.

Secretary of State;

Washington.

375, Thirty-first.

Embassy's telegram No. 293, January 25; and despatch No. 6660, dated January 28 (forwarded in last pouch).

Two important steps for further mobilization of British manpower have been announced:

(1) Meeting of Privy Council January 29th resulted new royal proclamation requiring registration for military service youths eighteen and nineteen years and age groups thirty-seven to forty inclusive. About one and half million men involved. Nineteen year class will register February 22nd. Other categories each at roughly monthly intervals; the eighteen year olds last. In first two classes safeguarding reservations will continue to apply to those studying to obtain certain scientific and technical qualifications that will fit them for important national work.

University joint recruiting boards will also have power to recommend deferment of calling up of certain other students. Consideration now being given to reservation of all medical and dental students irrespective of the stage reached in their studies.

(2) Production executive of Cabinet held conference January 29th with committee of British Employers' Federation and General Council of Trades Union Congress on man and woman power problems arising in industry from new call-ups for the armed services and for older groups in civil defense organizations.

Main features of memorandum, basis of discussion at conference, had already

- 2 -

been outlined in Mr. Bevin's speech (Embassy's No. 293) and centered principally, according to press reports, on question of industrial registration by age groups, new limitations on reserved classes and curtailment of right of workers to leave or employers to dismiss individuals from work notified as "national".

(A) Drastic revision of schedule of reserved occupations planned. These revisions besides raising the existing ages of reservation in a number of industrial categories essential to war effort (to be preceded by a re-examination of those now reserved in lower age groups) will make reservation from military service depend to an increasing extent upon actual work being done by man for whom reservation is sought and not simply upon his age and registered occupation.

(B) A new category of "protected" work within the schedule of reservations announced, which will probably in first instance apply to munitions, metals and shipbuilding, thus there may be many jobs in, say, engineering trades now reserved which will not fall within the category of "protected" work. Age reservations in protected categories will probably be lower than for unprotected reserved groups.

Not yet settled whether food industries and distribution will have "protected" workers. It is not expected that distinction between protected and unprotected work will apply to agriculture. Uniform age reservations contemplated for farm laborer. Employers will be under obligation to Ministry of Labor to state what particular employees are to be put on list of "protected" work which will be fixed in consultation with supply services.

(C) Mr. Bevin announced joint consultative committee representing Employers Federation and Trades Union Congress have been asked to assist Ministry of Labor in preparation of order for industrial registration and administrative measures pertaining thereto.

These organizations expressed fervent desire to avoid disturbing or undermining the joint industrial machinery now existing in various trades, which

- 3 -

Mr. Bevin promised to do to fullest possible extent.

Minister of Labor termed new arrangement "balanced one" which, while imposing restrictions on labor, would also give it "labor security". Its administration, he said, would apply equally to both employers and workers. This latter principle particularly demanded by Trades Union Congress.

(D) The overhaul of the schedule of reserved occupations will precede compulsory industrial registration with a view to combing out beforehand those who should be released for armed services or transferred to "protected" jobs.

According to TIMES, Mr. Bevin now doubtful that a special industrial register for men necessary as National Service Act 1939 gives access to material facts for men of military age and employment exchange records supply information of irregular occupations which furnish clues to any waste of manpower.

Present intention of Ministry of Labor is that industrial registration scheme for women will precede any similar scheme for men to provide badly wanted indication of reserves of available womanpower. This necessary before much more can be done about manpower except by strict attention to its most effective employment.

Mr. Bevin hinted that as time goes on no man will be allowed to retain a job that can be done by a woman. Before that time comes, however, available female substitutes must be provided and extent of possible substitution can only be assessed from registration returns.

Press state that when industrial registration for woman does take place it will be by age groups probably starting at around 20 years for women and going up as industrial requirements make necessary. There will be appeal machinery. As far as possible Ministry will place women in work near their homes. If moved elsewhere will be paid 5 to 10 shillings travel expense money depending length of journey. Arriving at job they will receive week's living allowance of 24SH. 6D, as "settling in" money as has already been done in case of married men.

- 4 -

Non-essential industries warned to begin to provide women substitutes for all possible tasks and these employers appealed to by Mr. Bevin to give assurances of re-instatement to employees leaving for war work.

(D) Necessary preliminaries to issuance of a compulsory registration order for women will take some time. In meantime, for urgent work such as shipbuilding, there will be immediate special registration for men in this and other selected industries similar to registration some time ago in engineering trades. Industries will also be "requested" to release certain men for other work and men who have left certain trades are likewise being "requested" to return to them.

Mr. Bevin again emphasized that every effort would first be used to achieve results wanted by voluntary means. "Direction" (the current euphemism for compulsion) would be employed, he intimated, as sparingly as possible and only as necessity obliged.

In all principal industries there will also be further examination of what can be done by upgrading, de-skilling and transfers.

(3) Press comments generally favorable. Such criticisms as are made mainly concerned with slowness of present pace of developments in view that time is fast approaching when every man and woman will be needed to take their respective places within a scheme of total mobilization.

Today's TIMES leader which discusses new plans, terms "wastage" (i.e. turnover) of female labor in some munition works as being "notorious", caused, it says, mainly by poor living, transport and welfare conditions. Editorial frankly states:

"Though Minister of Labor, having compulsory powers, might be ready to use them if necessary, it would be almost impossible to overcome a stay-at-home strike by women workers who objected that conditions of employment were unnecessarily irksome."

- 5 -

(4) Copy this telegram requested to Director Selective Service and Treasury. Please advise former that details requested in Department's No. 60, January 8, sent pouch few days ago.

JOHNSON

WSB

COPY:aja

JAN 10 1951
RECEIVED
U.S. DEPARTMENT OF THE TREASURY

JAN 10 1951

RECEIVED
U.S. DEPARTMENT OF THE TREASURY

JM

PLAIN

LONDON

Dated January 31, 1941

Rec'd 2:50 p.m.

Secretary of State,
Washington.

376, January 31.

FOR TREASURY.

1, The British press, this morning in commenting on Sir Edward Peacock's forthcoming visit to the United States in connection with the realization of direct investments, is careful to point out that he is taking with him no clear-out proposals and to emphasize the various complications and difficulties in connection with the subject.

The British Treasury official announcement was made in the following terms: "In the light of material already supplied and contemplated by the United States of America, it may now be freely published that His Majesty's Government have realized and disposed of a very great proportion of their gold holdings and are steadily realizing the American securities owned by their nationals at every opportunity. A more difficult problem is presented by investments such as businesses in the United States and United States companies controlled by companies in this country, whose

JM-2-January 31, 1941, No. 376, from London.

whose shares are not quoted on the stock exchange. The Government are resolved to make the best possible use of these investments and with this end in view they have requested Sir Edward Peacock, who has great experience in such matters, to go over to the United States and examine the possibilities on the spot. Sir Edward Peacock will reach America very shortly.

Financial writers stress the unlikelihood of sales in cases where they are likely to destroy the profit-earning capacity of any undertaking by divorcing it from the English parent concern. Another point invariably mentioned in comments on the subject is the delicate problem of how far British interests which are bought out of the American market will be allowed to retain an interest in United States markets. The instance is cited of the United Drug assets in the United Kingdom sold out some years ago when no such stipulation was made. The following comment in the City column of the DAILY TELEGRAPH is typical:

"Another point which may arise from the discussions is whether, after the sale has been effected, it will be thought incumbent on the British interest thus bought out to keep out of the United States markets. The general feeling in the City is that this will not be insisted on as when United States interests in this country were bought out
in

JM-3-January 31, 1941, No. 376, from London.

in recent years no stipulation of this kind was made."

THE TIMES City column notes that Secretary Morgenthau recently valued British direct and other investments as \$900 million and adds: "but that figure is far from synonymous with the amount of assets available to be made use of at any particular moment. What the proposed visit of Sir Edward Peacock does demonstrate is the willingness of this country to throw everything into the present struggle for the importance of these direct assets is of a quite different order from the holding of British investors in Wall Street and far transcends the nominal monetary value of the capital involved"

Sir Edward Peacock is a director of Barings, the Bank of England, the Canadian Pacific Railway and a member of the Committee of the Hudson's Bay Company.

2. Much interest is being shown in economic discussions in Washington and wide publicity has been given, especially to the question of American exports to Russia, and the possible freezing of Axis assets.

3. The Treasury and Ministry of shipping have announced that in view of the widespread use of British sterling bank notes on ships, arrangements have been made to allow the legitimate use to continue. Further, regulations for the use of notes on ships and their import into the United Kingdom

JM-4-January 31, 1941, No. 376, from London.

Kingdom will be put into operation on February 1, when incoming passengers will not be allowed to bring in more than L10 per head of sterling notes, any in excess may be confiscated.

4. Changes are also announced in the restrictions on the taking of money by travelers to Eire. A new order coming into force on Saturday will allow travelers to Eire to take notes or Eire pounds up to any amount. The concession does not apply to sums sent through the mail and existing restrictions on the export to Eire of other currencies, gold, securities, insurance policies remain unchanged.

5. Today's press carries the announcement that the Government will introduce a new vote of credit in the near future, the amount expected being L1000 million. This will be the third in the current financial year, the other two together amounting to L2,000 million.

JOHNSON.

ALC

24

PLAIN

LONDON

Dated January 31, 1941

Rec'd 2:50 p.m.

Secretary of State,
Washington.

376, January 31.
FOR TREASURY.

1. The British press, this morning in commenting on Sir Edward Peacock's forthcoming visit to the United States in connection with the realization of direct investments, is careful to point out that he is taking with him no clear-cut proposals and to emphasize the various complications and difficulties in connection with the subject.

The British Treasury official announcement was made in the following terms: "In the light of material already supplied and contemplated by the United States of America, it may now be freely published that His Majesty's Government have realized and disposed of a very great proportion of their gold holdings and are steadily realizing the American securities owned by their nationals at every opportunity. A more difficult problem is presented by investments such as businesses in the United States and United States companies controlled by companies in this country,

where

-2-

these shares are not quoted on the stock exchange. The Government are resolved to make the best possible use of these investments and with this end in view they have requested Sir Edward Penseck, who has great experience in such matters, to go over to the United States and examine the possibilities on the spot. Sir Edward Penseck will reach America very shortly.

Financial writers stress the unlikelihood of sales in cases where they are likely to destroy the profit-earning capacity of any undertaking by divorcing it from the English parent concern. Another point invariably mentioned in comments on the subject is the delicate problem of how far British interests which are bought out of the American market will be allowed to retain an interest in United States markets. The instance is cited of the United Drug assets in the United Kingdom sold out some years ago when no such stipulation was made. The following comment in the City column of the DAILY TELEGRAPH is typical:

"Another point which may arise from the discussions is whether, after the sale has been effected, it will be thought incumbent on the British interest thus bought out to keep out of the United States markets. The general feeling in the City is that this will not be insisted on as when United States interests in this country were bought out

in

JH-5-January 21, 1941, No. 576, from London.

in recent years no stipulation of this kind was made."

THE TIMES City column notes that Secretary Hergenthal recently valued British direct and other investments as \$900 million and adds: "but that figure is far from synonymous with the amount of assets available to be made use of at any particular moment. What the proposed visit of Sir Edward Peacock does demonstrate is the willingness of this country to throw everything into the present struggle for the importance of these direct assets is of a quite different order from the holding of British investors in Wall Street and far transcends the nominal monetary value of the capital involved".

Sir Edward Peacock is a director of Barclays, the Bank of England, the Canadian Pacific Railway and a member of the Committee of the Hudson's Bay Company.

2. Much interest is being shown in economic discussions in Washington and wide publicity has been given, especially to the question of American exports to Russia, and the possible freezing of Axis assets.

3. The Treasury and Ministry of shipping have announced that in view of the widespread use of British sterling bank notes on ships, arrangements have been made to allow the legitimate use to continue. Further, regulations for the use of notes on ships and their import into the United

75-4-January 31, 1941, No. 276, from London.

Kingdom will be put into operation on February 1, when incoming passengers will not be allowed to bring in more than £10 per head of sterling notes, any in excess may be confiscated.

4. Changes are also announced in the restrictions on the taking of money by travelers to Eire. A new order coming into force on Saturday will allow travelers to Eire to take notes or Eire pounds up to any amount. The concession does not apply to sums sent through the mail and existing restrictions on the export to Eire of other currencies, gold, securities, insurance policies remain unchanged.

5. Today's press carries the announcement that the Government will introduce a new vote of credit in the near future, the amount expected being £1000 million. This will be the third in the current financial year, the other two together amounting to £2,000 million.

JUN 20 1941

1941 FEB 23
RECEIVED
TREASURY DEPARTMENT

1941 FEB 23 11 23

THE SECRETARY
OF THE TREASURY
OFFICE OF THE
TREASURY

CONFIDENTIAL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London, England

DATE: January 31, 1941, 4 p.m.

NO.: 363

FOR TREASURY.

STRICTLY CONFIDENTIAL.

Yesterday Waley remarked, during the course of a conversation, that he had had to withdraw a short time ago from a provision of a draft which had been submitted to the Japanese a clause providing for payments in gold. He had expected that this would be met by a refusal to go on with the negotiations, but this did not happen. Yesterday Waley gave the Japanese another draft, but he does not hazard a guess as to the probable fate of this one.

JOHNSON.

TO THE SECRETARY
 DEPARTMENT OF THE TREASURY
 WASHINGTON, D. C.

64 FEB 1 6 41 PM '41

RECEIVED
 DEPARTMENT OF THE TREASURY

EA:LWW

EH

GRAY

Zurich

Dated January 31, 1941

Rec'd 4:18 p.m.

Secretary of State,
Washington.

77, January 31, 6 p.m.

In a conversation today with Director General Weber of the Swiss National Bank he expressed concern about the persistent rumors of the freezing of Swiss funds in the United States. He pointed out that the bank was currently buying large amounts of dollar notes thrown on the market by anxious Swiss and that the National Bank was doing its share in upholding the gold standard. He asked whether some idea of the policy of our government could not be given the National Bank concerning its attitude toward Switzerland for the bank's confidential information. I refer in this connection to my strictly confidential despatch No. 144 of November 26 requesting similar information and suggest that a telegraphic reply to the questions raised therein would be helpful. Swiss democracy is making a courageous stand to maintain its political independence and any moral support given at this time would fortify its position.

During January last there was a whispering campaign against American securities resulting in heavy sales on local stock exchanges despite good financial yields for which the rumors concerning the freezing of Swiss funds were chiefly responsible.

STEWART

NFL
COFY:aja

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, (Paris) Vichy

DATE: January 31, 1941, 5 p.m.

NO.: 136

The following is strictly confidential:

Reference, telegram of December 28, 4 p.m., No. 1190 from the Embassy. The informant mentioned in this telegram states that he has just received information from a French commercial pilot who has flown part of the Belgian gold to France from Oran, that the Germans have received from the French, at Marseille, 193 cases of gold valued at 150,000,000 French francs. This pilot estimates that approximately 7,850,000,000 French francs of Belgian gold still remain in French North and West Africa.

LEAHY.

EA:LWW

INCOMING CABLEGRAM

Copenhagen, January 31, 1941

Federal Reserve Bank of New York

New York

No. 16

Our 12 As our available balances in United States at present almost exhausted please do your utmost to have our application gold sale accelerated if possible. Alter expected employment of \$1,000,000 to be paid Guaranty Trust Company of New York to 500,000 to purchase of sixes 150,000 of five one-halves 350,000 of four one-halves

Danmarks Nationalbank

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Buenos Aires, Argentina.

DATE: January 31, 7 p.m.

NO: 95

Refers to Department's telegram 33, January 27, 7 p.m.

It is difficult to secure information from responsible officials - due to the cabinet crisis here and resignations of Ministers of Foreign Affairs and Finance - re the Government's policies on a question of this importance. In a talk which the Commercial Attache had with high officials of the Central Bank, it was stated re the possible sale to Spain of Argentine corn and other foodstuffs, that conversations are now being held to that end but no conclusions have been reached.

When questioned as to the rumor of payment for corn sent to Spain being made in blocked sterling, he immediately replied that he had no indication of such a plan and that Argentina would hardly be interested in receiving more blocked sterling as she already had too much. The same official added that the matter of blocked sterling was one which they felt Argentina could not solve alone and that eventually it must be solved through a triangular arrangement in which the United States was directly or indirectly involved.

21:11:13 W 3 52

RECEIVED
SECRET

COPY:aja

January 31, 1941

My dear Senator:

I acknowledge receipt of your letter of January 23, 1941, requesting to be advised of the total costs to the United States for servicing British and other foreign loans, including the cost of interest and other services on the loans made by the people of the United States to their Government.

As you know, the public debt obligations which the Treasury sold during the last war to raise funds for the purpose of making loans to foreign governments were a part of the total public debt of the United States Government and were not kept in a separate category. It is therefore quite difficult to determine the exact cost to the United States because of these loans. About the only method that I know of which will give you an approximate cost is to apply the average rate of interest on the outstanding interest-bearing public debt of the United States as of June 30 of each year to the amount of the indebtedness of foreign governments to the United States as of 1921 and deduct from each year's interest any payments made to the United States by those foreign governments during that year and add the difference back to the principal of the indebtedness, so that by this method the unpaid interest each year is carried over and made a part of the principal in the subsequent year. I have taken the indebtedness of foreign governments to the United States as of June 30, 1921, because the foreign governments, generally speaking, paid interest up to that date on their war debts, and in order to get a common date for all the debts from which to start our computations.

As of that date the outstanding principal amount of the indebtedness of foreign governments to the United States was \$10,140,000,000. By adding to this figure each year an assumed carrying charge based on the average rate on our own interest-bearing debt as of June 30 each year and deducting therefrom any payments made by those governments during such years, we arrive at a total cost on the basis of these computations of approximately \$6,700,000,000 as the carrying cost to the United States for this foreign debt for the period from 1921 to 1940, inclusive.

I have not taken into consideration in this computation any administrative expenses of the Department for the handling of war public debt. The large costs on this account were incurred during the World War when the loans were being made, but during that time

- 2 -

the foreign governments were paying, generally speaking, for most of the period, interest at the rate of 5 per cent, which was in excess of the interest which the Treasury paid on its outstanding indebtedness. I feel, therefore, that the administrative costs of originally raising the funds in the Liberty Loans were in effect covered by these interest payments. The administrative costs since that time have been relatively unimportant as compared with the total cost given you above.

In this connection, there is enclosed for your information a copy of a statement showing the amount of indebtedness of foreign governments to the United States as of January 1, 1941, excluding the indebtedness of Germany on account of the cost of the army of occupation and awards of the Mixed Claims Commission. I am also enclosing a memorandum which will give you a complete summary history of the indebtedness of foreign governments to the United States.

I hope that this gives you the information you desire.

Sincerely yours,

Secretary of the Treasury

Honorable Bennett Champ Clark,

United States Senate.

DWB:WH:ce

C
O
P
YUNITED STATES SENATE
COMMITTEE ON FINANCEWashington, D. C.
January 23, 1941Honorable Henry Morgenthau, Jr.
The Secretary of the Treasury

My dear Mr. Secretary:

If not incompatible with the public interest I should like very much to be advised of the total costs to the United States for servicing British and other foreign loans since the making of these loans. This is to include the cost of interest and other services on the loans made by the people of the United States to the United States Government.

Thanking you for your courtesy, I am

Yours very sincerely,

s/ Bennett Champ Clark.

January 31, 1941.

My dear Mr. Secretary:

In my statement to the Ways and Means Committee Wednesday, January 29th, I expressed the desire of the Treasury to raise money for national defense by methods which strengthen national morale. To accomplish this, we have asked for authority to issue securities which will enable individuals everywhere to contribute through their savings to the national defense.

Such a program will necessitate a fairly extensive effort on our part to bring these securities to the attention of the general public. Many of the information offices now operating in other government departments and agencies have been conspicuously successful in this type of activity. We should like to enlist their cooperation in planning our own program.

I do not want to add unnecessarily to their present burden, but it would be helpful to us if we could call upon members of your information staff from time to time for counsel and assistance not inconsistent with their normal duties. More particularly, we should like their aid in suggesting possible copy for posters, leaflets, and other publicity materials, as well as possible channels for distribution. Their own contact with particular sections of the population makes their experience especially valuable.

Would you be so kind as to indicate to your Director of Information your own willingness to have him assist us in this matter?

Sincerely,

(Signed) H. Stoughton, Jr.

Hon. Cordell Hull,
Secretary of State,
Washington, D. C.

PHO/hkb

Cabinet Jan 31, 1941

THE WHITE HOUSE
WASHINGTON

Cordell:

I am sorry
we missed each
other this morning.

Have you any answer
for me on freezing?

Henry

All I can gather would
really suggest further conferences
while you are away & when
you return

244

OFFICE OF
THE SECRETARY OF AGRICULTURE

1-31-41

Hon. Henry Morgenthau, Jr.
Secretary of the Treasury

In our phone conversation yesterday,
you asked that I send you a copy of
my talk given before the Agricultural
Conference at Purdue University on
January 15. I am glad to send you
a copy and it is attached.

Sincerely,

Claude R. Wickard
Secretary

1-31-41

My dear Mr. Chairman

In accordance with your suggestion and after consultation with the Bureau of the Budget, the Treasury Department has arranged to furnish you monthly with statements relating to receipts, appropriations, expenditures, public debt, contingent liabilities, the balance in general fund, and similar fiscal data as reflected by the Treasury's official accounts.

The publication of such statements in the Congressional Record within a few days after the close of each month, as a regular order of business while the Congress is in session, would provide the Members of Congress with a ready reference to the latest official information concerning the Government's financial affairs. It would also be helpful to them in avoiding the misunderstanding which sometimes arises when data obtained from different sources reflecting different bases are used.

For example, information relating to governmental receipts and expenditures is frequently calculated on different bases. Unexpended balances available under appropriations are sometimes stated on the basis of warrants issued by the Treasury while at other times they are determined on the basis of obligations incurred by spending agencies or on the basis of checks issued by disbursing officers. The available

File to Bartelt

1-31-41

My dear Mr. Chairman:

In accordance with your suggestion and after consultation with the Bureau of the Budget, the Treasury Department has arranged to furnish you monthly with statements relating to receipts, appropriations, expenditures, public debt, contingent liabilities, the balance in general fund, and similar fiscal data as reflected by the Treasury's official accounts.

The publication of such statements in the Congressional Record within a few days after the close of each month, as a regular order of business while the Congress is in session, would provide the Members of Congress with a ready reference to the latest official information concerning the Government's financial affairs. It would also be helpful to them in avoiding the misunderstanding which sometimes arises when data obtained from different sources reflecting different bases are used.

For example, information relating to governmental receipts and expenditures is frequently calculated on different bases. Unexpended balances available under appropriations are sometimes stated on the basis of warrants issued by the Treasury while at other times they are determined on the basis of obligations incurred by spending agencies or on the basis of checks issued by disbursing officers. The available

File to Bartelt

- 2 -

balances under these methods of computation differ to a considerable extent.

The unexpended balances of appropriations are oftentimes confused with the working balance of the General Fund. Appropriations are, in effect, authorizations for the withdrawal of funds from the Treasury. The working balance is in turn the cash in the custody of the Treasurer of the United States which is available for meeting disbursements. The financing of the Treasury is arranged so that the Treasurer maintains a working cash balance sufficient for current requirements, but this balance is usually smaller than the aggregate amount of unexpended balances of appropriations.

The statements enclosed herewith should be regarded only as a beginning. After the joint studies now being conducted by the Treasury Department and the Bureau of the Budget under the Executive Order of August 13, 1940 (No. 8512) have progressed sufficiently, the Department will be in a position to furnish additional information relating to the Government's financial condition and operations. This would include certain types of assets and liabilities not now reflected in the Treasury's accounts. Of particular interest in this connection would be periodic statements of the status of appropriations showing obligations incurred, unobligated balances, and obligations outstanding.

Statement No. I attached is a classified summary of receipts and expenditures. It compares:

- (1) Budget estimates for the fiscal years 1941 and 1942, and actual figures for the fiscal year 1940, and

- 3 -

(2) Actual figures for the first seven months
of each of the fiscal years 1949 and 1951.

The actual figures will be brought up to date from month to month as the year progresses, thereby providing (a) information relating to the receipts and expenditures for the current year and comparison with (b) the same period of the preceding year, and with (c) estimates for the full fiscal year. This will afford a convenient method of enabling members of the Congress to pursue the progress of financial operations of the Government in relation to the budget estimates.

Statement No. II shows how financing the deficit affects the public debt. This statement begins with the net deficit shown in Statement No. I. It indicates the extent to which the net deficit has been met through borrowings and reductions in the Treasury's cash balances. It also shows the debt at the beginning and the close of the period.

Statement No. III sets forth the statutory debt limitation, the amount of the debt outstanding which is subject to the debt limitation and the balance of the borrowing authority, i.e., the amount of additional debt which may be issued pursuant to existing limitations. The borrowing authority is segregated as between the general debt limitation under section 21(a) of the Second Liberty Bond Act as amended, and the national defense limitation under section 21(b) thereof.

Statement No. IV is the analysis of the general fund balance and the changes therein during the period. It sets forth the balances at the beginning and the close of the period classified as to working

- 4 -

balance, increment on gold, and seigniorage. It also shows how the general fund balance was affected by (1) borrowings, (2) assets of receipts or expenditures in the trust accounts, etc., and (3) the net deficit as set forth in Statement No. I.

Statement No. V shows the contingent liabilities of the Government, i. e., the outstanding securities issued by corporations and credit agencies which are guaranteed by the United States as to principal and interest.

Statement No. VI is a summary of the combined statement of assets and liabilities of governmental corporations and credit agencies based upon the latest official reports received by the Treasury. It shows the total assets of such corporations and agencies, the liabilities (including reserves), and their net worth. The liabilities are segregated according to obligations guaranteed by the United States and obligations not so guaranteed. The net worth is also classified as to the amounts of the Government's proprietary interest and of the proprietary interests not owned by the Government.

This Department is glad to cooperate in any plan which will provide the means of keeping the Congress currently informed concerning the finances of the Federal Government.

Very truly yours,

101 H. Morgenthau, Jr.
Secretary of the Treasury.

EFB:mb
1-30-48

Honorable Edward T. Taylor,
Chairman,
House Committee on Appropriations,
Washington, D. C.

244

OFFICE OF
THE SECRETARY OF AGRICULTURE

1-31-41

Hon. Henry Morgenthau, Jr.
Secretary of the Treasury

In our phone conversation yesterday,
you asked that I send you a copy of
my talk given before the Agricultural
Conference at Purdue University on
January 15. I am glad to send you
a copy and it is attached.

Sincerely,

Claude B. Wickard
Secretary

UNITED STATES DEPARTMENT OF AGRICULTURE
Washington, D. C.

For January 15 P.M. Papers :

AGRICULTURAL PREPAREDNESS

An address by Claude R. Wickard, Secretary of Agriculture,
at the Farm and Home Week convocation, Purdue University, Lafayette,
Indiana, at 12:30 p.m.C.T. Wednesday, January 15, 1941.

I come before you people who are my neighbors and fellow farmers to discuss with you the Nation's needs for general, long-range preparedness of agriculture. I am going to discuss this subject from the standpoint of the type of preparedness we need in agriculture to keep on turning out the abundance our Nation has a right to expect from its farm plant. I want also to discuss the type of preparedness we need in order to get -- in return for this abundance -- an American living for our farm men and women and children.

Our dictionary tells us that "preparedness" means, in simple terms, making ready. But, making ready usually isn't a simple task. We are rarely fully prepared; perhaps more often we are wholly unprepared. Our lack of preparedness is frequently due to our inability to judge the future and our disagreement on what action is appropriate to meet the future. Resistance to change, a common human trait, also is frequently to blame for our lack of preparedness.

I think it can be said that there are few situations which we could not be well prepared to meet if we could eliminate these three reasons for unpreparedness. What I am saying is that, with proper knowledge and determination, we can be well prepared to meet the future in war or peace; in industry or in agriculture. My subject and interest confine my remarks today to agriculture.

1410-41

A year or so ago, I read a book called "Landmarks of Economic Thought," describing the theories of Adam Smith, Ricardo, John Stuart Mill, Karl Marx and others. This statement in that book has stuck in my memory: "Rare is the man whose vision is wide and deep enough to compass the drift of the age in which he lives."

Now, of course, that's true. But to fail to seek reasons for basic fundamental changes that are taking place and have taken place, is foolish. There are always certain things we can agree on if we think hard and straight and discuss things with an open mind. I ask you to think hard and straight with me on certain aspects of our farm problem here this afternoon and I hope our discussion may be with an open mind.

I believe that if I were to ask a group of farmers or agricultural leaders or economists (including the Government variety), "What is the reason we are exporting so little wheat or corn or cotton or lard this year?", I would receive a reply in unison: "The War!"

Now, that answer would be accurate on the basis of certain comparisons. But it would be in error if we say that World War No. 2 is the sole cause for our almost complete loss of exports and that as soon as war ends we will have what we think of as "normal" exports. Yet, isn't it true that you and I, and most farm people, are prone to think and even say — "Well, if we could get this war over with, our exports would soon return?" That idea, it seems to me, is a result of poor memory and wishful thinking.

The facts are that the trend of American farm exports has been downward since the turn of the century. Now I don't mean to say that the decline has been constant. You know better than that. It has been by fits and starts. Exports shot up during the World War days. But they had been declining before that for 15 years. Exports fell off like a stone dropped from a tower after the Smoot Hawley Tariff Act of 1930.

- 3 -

But here is the important thing to remember: the long-time trend in our exports is downward. For a long time our national policies have been such as to discourage rather than encourage our farm exports. Also, the rest of the world has lived in fear of war during our generation, and the nations of the Old World have been trying to become self-sufficient for food. Also, new land in this hemisphere and in the Eastern Hemisphere has been broken out for cultivation by the millions of acres in the past 40 years. The outcome is a picture of our exports and of foreign production that you can make by thinking of the letter X.

Start the line of our farm exports at the upper left hand corner of the X. That's the year 1900. The line goes down to the lower right hand corner. That's the year 1940. Forty years of decline. Start the line of amount of farm goods produced in other countries at the lower left hand corner. That's the year 1900. It ends at the upper right hand corner of the X. That's 1940. Forty years of increase in foreign production; forty years of decline in American farm exports.

That's the X in our equation for the future of American agriculture.

How many years did it take us to realize that the last World War speeded up the decline in our exports? I can't answer the question because we still seem to be unable to get universal acceptance even of the fact that the declining trend has been going on — much less unanimity as to the causes.

In the interim between World Wars No. 1 and 2, we took some very far-reaching steps that concealed the declining trend. We loaned billions to Europe to buy our products. We found later what we should have known all the time, that it wasn't a loan — it was a gift; which, after all, is one way of keeping up exports. Also during that period we decided to raise our tariffs which is just as effective in accomplishing the opposite — stopping exports. Then we said, "We won't give foreign countries any more products." We bought their gold, and

1410-41-3

- 4 -

they used some of the dollar exchange thus created to buy agricultural products. But war came and the dollar exchange created by gold purchases was used to buy armaments not farm products. In any case gold purchases could not indefinitely continue to make export markets for farm or other products. We have the largest share of the world's gold supply already. Recently we tried export subsidies on agricultural products. We said "We will use Government funds to deal in a very competitive world market." In some ways, results seemed successful but in others they didn't.

The fact of the matter is that in the past 20 years our only action that offered a real solution to the problem of lost exports for American products was the Reciprocal Trade Agreements program. Now, although we have very carefully tried in operating this program to avoid unduly increasing imports of products that compete with American products, some agricultural leaders still are very stoutly resisting this attempt to restore international trade, and incidentally to bring about a better understanding and greater mutual confidence between us and other nations.

Long before World War No. 2 broke out, some countries were using the barter method of carrying on international trade. But we couldn't get exports by participating in this kind of trade -- even if we wanted to -- unless we were willing to give up our tariffs and our exchange built upon gold.

Anyone who stopped to think could see that most European nations carried on their trade on the basis of political consideration. Likewise European nations went to countries other than the United States for their agricultural products because they could exchange their manufactured products with such countries on a more advantageous basis.

1410-41-4

World War No. 2 climaxed the trend in our export trade that had been going on for four decades. Likewise it brought out into sharp relief the situation that American farm products face in the world export markets today.

For instance, let us look at the world supply and consumption figures of some of our major crops. Let us take wheat and cotton as two examples. The 1940 world production of cotton was 30 million bales. The stocks on hand were about 20 million bales, and the world consumption of cotton this year may be only about 25 million bales. In other words, there are two bales of cotton on hand in the world today for every bale that will probably be used in the current marketing year. The 1940 world production of wheat was 4 billion, 100 million bushels; on hand were 1 billion, 400 million bushels and world consumption this year may not be more than 3 billion, 300 million. That means that there are at least 2 billion bushels of wheat in the world today for which no market exists. And as you know, the situation is likewise critical with regard to lard and tobacco.

These tremendous world-wide farm surpluses are not a result of the war. Tremendous surpluses were on hand before the war broke out. And if the war were to end tomorrow, or next year, they would probably still be there. Consequently, is there any sound reason for thinking that our exports will return in a large and permanent measure when hostilities cease?

If it is improbable that our exports will return to what we think of as "normal" volume, then isn't it in the interest of farmers, and the nation, to lay future plans accordingly? In view of our present large reserves and our ability to step up production rapidly if export outlets should develop, I can't believe that anything is lost by being prepared for a diminished export outlet. In fact, from the standpoint of internal strength and economic well being, there is much to be gained by being prepared for such a situation.

1410-41-5

- 6 -

Of course, we won't be so stupid as to close our eyes to any export possibilities which may open up. In fact, we'll keep a sharp lookout for them and do everything possible to restore old markets and find new ones. But let's be business-like about it and do our thinking about exports in an atmosphere of hard fact, not sentimental hope.

If it is improbable that our exports will return to what we regard as normal, then the producers of wheat and cotton and lard and tobacco must prepare for a buyers' market, so far as world trade is concerned. And when there are huge supplies on the world market, it seems to me the only way to avoid cut-throat competition is to develop international agreements among the producing nations. Such agreements can be worked out, in a world at peace, and several might be in effect right now had not the war intervened.

However, at best, we seem to be under the necessity of being prepared to export in smaller volume in the future.

So then we come to the still more difficult question: "What are the best ways of being prepared?" In answer to that question, some of us will simply reply, "Reduce production". Again, I wish it were as simple to do that as it is to say it.

In the case of at least one commodity -- cotton -- it seems to me we must return to the action described by our term "agricultural adjustment" -- not merely to the idea of reduction. I know a lot of you people who have been in county planning work have come to the conclusion that I have reached and which I have stated to Congressional Committees: "It is not difficult to see what we should do with our land to preserve its fertility, stop erosion, and create better sized and better organized farming units, economically speaking. The trouble comes when we try to place the people who would be driven off the land by such changes in land utilization."

1410-41-6

- 7 -

Suppose you Indiana county program planners faced a problem in a broad area where the farms were too small in size, where there were malignant erosion areas, and where the major cash return to farmers was impaired by lost exports. These are some of the problems before the people of the Cotton Belt. "Well," you say, "this is Indiana and Indiana is not a cotton State." But as I said, you Indiana county planners have run up against a similar problem in your work. It is less acute because our people didn't happen to lose as much of the export market as cotton growers did. But the main reason I am talking to you about cotton adjustment is because you people here and everywhere have to help solve that problem as one of your contributions to preparedness.

The first thing we must realize is that we can't reduce the number of people who live on cotton farms, or wheat farms, or tobacco farms, in the same proportion that we reduce the acreages of these commodities. The fact of the matter is that agricultural population has been increasing because our surplus farm people couldn't find a place in city industries. It is my hope that there can be greatly increased industrial expansion in areas where we have the problem of too many people and too low incomes because of lost markets. I am pleased to see that efforts are being made to locate new munitions plants in such areas. Chester Davis on the National Defense Advisory Commission is working hard to achieve this end.

As farmers and as citizens, we have a responsibility to help the underprivileged in agriculture. Requiring them to raise less cotton or other export crops isn't solving their problem. They must be encouraged and be given the means first of all to raise the things they need for their own tables. We can't afford to let people go without adequate diets. That is one reason why I say we need agricultural adjustment and not just reduction.

1410-41-7

- 8 -

Yes, I know this adjustment is certain to mean increased production of milk, pork and vegetables. Most of this increase will and should be consumed by the family on the farm or in the immediate neighborhood where produced. But, no one can guarantee that a small portion of such home production might not get into the so-called commercial market some time, some place, temporarily. Even so, you and I must always keep in mind that these people who need better living on the farms are victims of circumstances beyond their control, and in a way, of our own short-sightedness. We can't afford to shrug and say they shall always be undernourished and poorly clad.

We commercial farmers must help and encourage our less fortunate fellow farmers wherever they may be located, to grow the things they need for their actual well-being. The next thing we must do somehow is to help them find the opportunity to receive enough cash income from some source to maintain a decent way of living.

Right here I want to make a little confession. Sometimes I am rather ashamed of the position we are so inclined to take on this question of commercial production of crops in various areas. A few weeks ago, I stopped in a store in a small southern town. While there I overheard two farmers discussing the prices and yields of the soy beans they had raised last year. It was evident from their conversation that these farmers were looking upon soy beans as a cash crop. I thought to myself: "Just as I suspected, some of these southern farmers are getting out of cotton and into soy beans." As a matter of fact, I did not ask any questions; or let them know who I was because I thought the situation might become embarrassing for all of us. But I thought about that incident several times since and of the narrowness of the view which I took in saying in my own mind: "These people have no right to produce soy beans and sell them as a means

1410-41-8

- 9 -

of meeting the situation created by the loss of exports for cotton — we people up here in Indiana and Illinois are the only ones who are entitled to the soy bean market."

Then I began to search my memory a little as to when and how we acquired the exclusive right to produce soy beans. I know that my own neighbors, the Fouts Brothers, were pioneers in soy bean production in my neighborhood. They started about the time I began to farm, and soy beans have proved to be a profitable crop. It wasn't long before Henry Ford was sending his trucks down to Fouts Brothers to buy soy bean seed. It did not seem to me then that there was anything wrong about that. I thought it was all right for a Michigan farmer who undoubtedly had a pretty good source of income, to go into soy bean production.

One reason, of course, for increasing soy bean production in Indiana, Illinois, and other places, is that because of the tractor and the truck we had lost our outlet for oats, just as some farmers have lost their markets through changing world conditions. I can now see that unconsciously I was condemning the cotton growers, or more specifically these two cotton farmers in this southern town, for doing just what we had been doing; trying to find a substitute for a crop which had met a drastically curtailed market.

I have had enough experience in agriculture on the farm and off the farm to know that it is going to require a tremendous effort on the part of agricultural leaders everywhere to make what I am calling "agricultural adjustment" to meet the loss of exports and to help long-neglected, under-privileged farm people. First comes the obligation to give farm people the facts so that they can see what must be done and how to do it. The Land Grant College agencies, particularly the Extension Service, must lead in this educational program. Farm

1410-41-9

- 10 -

organizations must join in the educational effort. The A. A. A., land use planning, and all other farm committees must do their share in bringing these problems before all farm people.

All of us are going to run into that common human trait -- the natural resistance to change. It is going to be a little difficult, even embarrassing, for some of us to start advocating production methods which are to some extent in conflict with projects we have been following for a number of years. It's not going to be easy for us farmers to give up our habits and inclinations of many years' standing -- that of increasing our production of staple commercial crops. All of us enjoy turning out farm products. Nothing is more satisfying than using a new, smooth-working tractor to turn over the rich soil during the warm days of the spring. What is more enjoyable than watching a thrifty bunch of pigs eat corn in the clover field? Modern machinery and new methods have made farm work more enjoyable each year. But all too often the joy of producing is followed by the sadness of selling in glutted markets. Then farmers complain bitterly that no one is helping them with their problems. They may even accuse the Federal or State agricultural agencies of teaching or inducing them to do such things as making two blades of grass grow where only one grew before. I want to say that as a farmer I know how easy it is to be thus influenced. As a matter of fact, we farmers have demanded that kind of information!

When I signed the crop report last Friday summarizing the 1940 season, I was told that the yields for all crops in the United States this year were the highest on record. I consider that a real achievement. The Experiment Stations, the Extension Service, and the farmers of the country are to be commended for their part in attaining this record. I am in no way condemning the technological developments which have made farming more efficient and less wearisome. I know

1410-41-10

- 11 -

that these developments, in some instances, have led to over-production on the one hand and to unemployment on the other. But, that is because we have not used the same ingenuity and foresight in putting these technological developments to work as we did in finding them. The trouble lies not in these improvements in production methods -- it lies in our failure to make proper adjustments to meet the results of making the improvements.

These problems of adjustment are the toughest for low-income producers who are in no way responsible for their development. All society has the moral obligation to help these people because it is in one way or another responsible for having helped increase the problems of low-income farm people. Also, from the hard-boiled dollars-and-cents point of view, it must be realized that letting these people go on a dole would be much more expensive than helping them make the necessary adjustments in farming. Likewise we must remember that one indispensable element in national preparedness is a well-fed, well-clothed, and well-housed rural people.

These problems I have been discussing present great difficulties. They are extremely complex and their social implications are simply tremendous. However, there is one phase of the agricultural adjustment problem to which too little attention has been paid and it is a phase that offers real possibilities, in my opinion. Certainly it presents a challenge.

I refer to the field of the underfed and poorly clothed people in cities and on farms. There is an opportunity in our own Nation where we can, unhampered by world relationships and completely unmindful of the war if you please, find an outlet for many of our so-called surpluses. In his recent message before Congress, the President named four kinds of freedom. One of those was freedom from want. With 20 million people living on an average of 5 cents per meal, we

1410-41-11

- 12 -

can hardly say that the American people are free from want now. Tremendous gains have been made in bridging the gap between the wants of this needy group and our highly efficient production methods. But we have made only a step. Now if we will use the same ingenuity in finding new ways of increasing consumption that we have used in developing new methods of production, I sincerely believe that we can erase this want that exists in the midst of plenty. It is the challenge of our times. And in my opinion an attack upon that problem, with courage and imagination, is the most important move to be made in agricultural preparedness.

I would like to say a word concerning another kind of preparedness before I finish. You and I, and everyone, wish that it would be possible to bring to an end this terrible and devastating European conflict. We all want peace, but we want it to be a real peace. This is no time for wishful thinking.

The people who want to make peace now are almost childlike in their faith that we can cultivate the good will of the tyrannical dictators. I don't believe they recall that these were exactly the tactics used by many people in the countries now under the heel of the dictators. I don't believe they stop to think that it is much better to have our materials used by others on foreign soil to stop this threat to the liberty and happiness of the world than it is to save them for use here in a lone fight, in a last stand. We farmers don't like war. But at the same time we will not subscribe to any short-sighted actions or ideas which will ultimately only further add to our problems of defense. This again is a place for hard, straight thinking.

- - - Y - - -

1410-41-12

Pages 257-267, dated 2/25/41,
placed in Book 375, pages 332-342.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE January 31, 1941

TO Secretary Morgenthau
FROM Mr. Klaus

OWI reports:

January 6. Clark's Tours, leading tourist agency in Guatemala, has apparently been collecting American money in currency and travelers' checks and turning them over to the German or Italian Legation, receiving Guatemalan currency or local checks in exchange.

January 9. A person called Fromer in Havana is offering Mexican citizenship papers at \$500 each. He is believed to control completely the Banco Popular in Havana. Six persons in Havana are believed to have fraudulent Honduran passports.

January 9. The Naval Attache at Guatemala reports that the Nicaraguan new Foreign Exchange Control Commission has been appointed effective January 1, 1941, and includes one Frederico Lopez as president; Lopez is regarded highly by the British Minister.

FBI reports:

January 28. A summary of Soviet government accounts in the Chase Bank shows as of December 18, 1940, \$27,935,622; December 24, 1940, \$26,190,730; and December 31, 1940, \$23,526,858.

January 28. The Minister of Finance at Vichy has been informed that a barter agreement is about to be concluded between Spain and Argentina by which Argentina is to supply 350,000 tons of maize within seven months and Spain is to send iron refinery products for Argentine railways, fifty per cent to be shipped during the first year.

January 29. Edgar Ansel Mower's article in the Chicago Daily News on Ruckwanderer marks disturbed Heineken of Robert Hauts and Company and his agents dealing in Ruckwanderer marks in the Chicago area and convinced Heineken that freezing operations would prevent the transmittal of Ruckwanderer and gift marks. In consequence, therefore, instructions have been received from New York that there are no longer any restrictions on the amount of orders accepted for gift marks to Germany whereas theretofore an individual could transfer to Germany at one time no more than 500 gift marks and no more than 1,000 gift marks in one year.

S.R.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE January 31, 1941

TO Secretary Morgenthau

FROM Mr. Klaus

FBI reports:

January 5. Preliminary investigation of the Bata Shoe Company was begun as result of complaints that the Bata business is used by the German government for subversive purposes in this country. It appears that the Bata plant in Belcamp, Maryland, is situated between the United States Proving Grounds at Aberdeen and the United States Edgewood Arsenal and that the company employs a large number of Czechs who have been permitted by the Nazi government to leave Europe for the United States.

January 7. An investigation in Mexico City of the activities of the Transfer Trust Company, Ltd. (associated with Kollmar and Jakob Goldschmidt in the registration of German bonds in the United States and consisting of Paul Gottlieb and Ernest Gottlieb and others in the A.E.B. American Corporation) indicates that the Gottliebs and their associates are charged with Nazi activities; their local associate Erich Joseph, also known as Erich Joseph Stern, is a baptized Jew who was for 18 years employed by the German Legation and still does secret service work for them on a piece-work basis; Joseph is said to be considered a dangerous character and is known in the Jewish colony in Mexico City as a Nazi spy.

January 24. A preliminary study of the financial activities of six agencies sending food packages to foreign countries and operating as travel agencies and foreign exchange agencies in the New York area. FBI is monitoring the accounts of these companies which include Hans Utsch and Company, 29 Broadway, and its affiliated corporations (New York Overseas Corporation, Forum Management Corporation, Amerop Travel Service, Mitropa Parcel Service, Mideuropean Food Package Service) as well as Fortra, Inc. (tied up with the Hamburg-American and North German Lloyd). Preliminary examination of bank accounts shows Hans Utsch deposited between July and December 1940 over \$500,000 and withdrew substantially the same amount. Mitropa and Mideuropean between December 1939 and December 1940 also showed over \$500,000 of deposits and withdrawals (a large portion of the deposits going into an account in the Credit Suisse for an account in Switzerland in the name of Sponholz, Berlin). Amerop showed between July 1939 and December 1940 about \$1,500,000 of deposits and withdrawals, much of the money going to the account of the Reichsbank with the National City as well as to the Credit Suisse and the Skandinaviska Bank for account of the German parent, Mitteleuropaisches Reisebuero. Another suspected company is Express Exchange, operating in Yorkville, actually owned by one Epstein and showing deposits and withdrawals between July 1939 and December 1940 of between \$800,000 and \$900,000. Fortra shows deposits and withdrawals between November 1939 and December 1940 of \$1,023,412.19 and \$983,436.63 respectively. Most of the withdrawals going by certified checks to various New York banks. FBI concludes tentatively that these companies are acting as clearing houses for various smaller houses and individuals in the same type of business throughout the country.

871

Federal Reserve Bank
of New York

97(e)

270

OFFICE CORRESPONDENCE

To CONFIDENTIAL FILES

From L. W. Knoke

Date January 31, 1941.

Subject: TELEPHONE CONVERSATION WITH
BANK OF ENGLAND.

Mr. Bolton called at 9:30 o'clock a.m. What he wanted to discuss with me, he said, was not very important but it was a matter which was causing them some embarrassment. In compliance with our recent cable asking for authority to charge their account with \$23,000-odd, they had, after some discussion with the Treasury, given us this authority. They had not expected any difficulties about getting the sterling back from the various beneficiaries to whom it had been paid. However, they now find that the only way of getting reimbursement from the beneficiaries will be by getting a vote of credit or a bill through the House of Commons. This, Bolton continued, would be very embarrassing for all concerned. He wanted us to be acquainted with the situation because they were anxious to avoid any unnecessary publicity. They were still pondering over the matter and he was wondering whether we could make any suggestions.

I replied that naturally we fully sympathized with the predicament in which they found themselves and that he should give me some time to think it over and discuss it with my associates. Meanwhile I would point out that our position was equally embarrassing because we had undoubtedly committed a technical violation of the Neutrality Act. Inasmuch as the British Government account was carried by us as fiscal agent of the United States, our Treasury Department was of course interested and we had discussed the matter with them and we both felt in view of the Neutrality Act, etc., that the money should be returned by us to the remitters. I promised I would telephone him in a few days.

I then referred to their repeated request that there be no inter-bank dealings in New York in registered sterling at rates lying between the official rates. This

request, I said, had to the best of my knowledge scrupulously been complied with by New York banks (as far as he was concerned, Bolton said, he was delighted the way things had gone). However, I continued, we had good reason to assume that banks outside of New York were not complying with this British request ("I should imagine that is true," Bolton said). The reason for this, I continued, quite possibly was the fact that banks outside of New York were not quite aware of the British request. Be that as it may the outcome of this situation was that New York banks found themselves at a disadvantage vis-a-vis banks outside of New York by reason of their complying with the British wishes. There was, of course, no way of our verifying the facts but I was wondering whether they in London could check into the matter and correct the situation if it was advisable. Bolton replied that they had always endeavored not to embarrass American banks in any way and avoided any unnecessary friction with them. However he was very grateful for my comments and would see what could be done.

I explained that I did not telephone him all these many months because I had been told by Mr. Butterworth of our Embassy that as a result of scrambling the telephone service was so poor nowadays that it was not worth trying. I was now delighted to find out that I had been all wrong. Bolton replied that the phone service was quite good but the trouble was it was not immune from interruptions, not free from the possibility of leaks and that therefore one had to be very discreet. Everybody was very cheerful in London and in the best of health, he said.

LME:KW

Copy:alm

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 31, 1943

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£58,000
Purchased from commercial concerns	£25,000

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

Sold to commercial concerns	-0-
Purchased from commercial concerns	£8,000

The only noticeable changes among the other currencies consisted of a slight gain in the Swedish krona and continued improvement in the Cuban peso. Closing quotations were:

Canadian dollar	17-1/4% discount
Swiss franc (commercial)	.2324
Swedish krona	.2387
Reichsmark	.4005
Lira	.0505
Portuguese escudo	.0401-1/2
Argentine peso (free)	.3375
Brazilian milreis (free)	.0505
Mexican peso	.2066
Cuban peso	7-7/16% discount
Chinese yuan	.05-9/16

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the B.I.S. shipped \$337,000 in gold from Switzerland via Lisbon to the Federal, to be earmarked for its account.

Today's Bombay gold price was equivalent to \$14.01, a gain of 3¢ over the level of January 28. Silver was 1/16¢ higher at the equivalent of 44.87¢.

In London, a price of 23-1/4d was again fixed for spot and forward silver, equivalent to 42.21¢.

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

We purchased 200,000 ounces of silver from the Bank of Canada under our regular monthly agreement, raising the total bought from that source during January to 475,000 ounces. It is possible that Canada's sales to us fell far short of the monthly limit of 1,200,000 ounces due to that country's own coinage requirements. Such an explanation, it will be recalled, was given by Bank of Canada officials last fall when their monthly sales were below the agreed limit.

During the month of January, we purchased 9,149,600 ounces of silver under the Silver Purchase Act. The sources of these purchases were as follows:

<u>Type of Silver</u>	<u>Ounces</u>
New Production	
1. From various countries	4,934,600
2. From Canada under agreement	475,000
Inventory	3,290,000
From China	450,000
Total	<u>9,149,600</u>

J. M. F.

CONFIDENTIAL

RESTRICTED

G-2/2657-220
No. 305

M.I.D., W.D.
January 31, 1941
12:00 M.

SITUATION REPORTI. Western Theater of War.1. Air Force Operations.

British sources state that German daylight attacks on January 30 were the "heaviest in many weeks." Single German planes bombed London, the Midlands, and East Anglia.

II. Greek Theater of War.

Air: No activity reported.

Ground: Local successful action reported by Greek High Command.

III. Africa and Mediterranean Theaters of War.

1. Air: The German communique stated that German airplanes bombed Suez, at the southern end of the Suez Canal, and Ismailia, a rail terminal midway along the Canal.

2. Ground:

Libya. Capture of Derna was completed on the morning of January 30.

Eritrea. A concentration of British forces is proceeding in the Agordat-Barentu sector.

Ethiopia and Italian Somaliland. Intensive patrolling by the British is reported east of Metemma (Gallabat).

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

RESTRICTED

CONFIDENTIAL

Paraphrase of Code Radiogram
Received at the War Department
at 11:04 A.M. January 31, 1941

London, filed 16:45, January 31, 1941.

1. On Thursday, January 30, planes of the British Coastal Command machine gunned German cargo boats. On that day there were no activities on the part of the Bomber Command but during the preceding night the waterfront area of Wilhelmshaven was bombed by 32 British planes. The damage done could not be observed.

2. During daylight hours of January 30 German planes were over Britain on widespread single-plane attacks against Essex, London, Norfolk, Suffolk, and the Thames Estuary. British planes were up but were unable to intercept the attackers although one German plane crashed. During the preceding night 45 German planes were plotted over Britain and a total of 20 planes were active against England during the day of January 29.

3. An Italian concentration point at Moyale on the Ethiopian-Kenya border was bombed by British planes based in Kenya. Near Marsa in Libya an Italian motor transport concentration was destroyed by Royal Air Force planes from Egypt. One Axis airplane was destroyed in the Greek theater. The town of Aisha in Ethiopia was attacked by British planes from Aden. Italian aircraft on the ground and railroad installations were damaged and 50 Italian motor transport vehicles were completely wrecked by British planes in the Sudan area.

CONFIDENTIAL

CONFIDENTIAL

4. A total of 24 Italian planes were on reconnaissance missions over the Island of Crete, and Heraklion was attacked by Axis bombers. Five Axis bombers attacked a column of British forces in the Kanya area. During the night of January 29-30 the airfield at Bahaf, Egypt, and the Suez Canal were attacked by German bombers. There is no report of damage either to the canal or to military installations.

5. The city of Derna was being evacuated when it was taken over by the British. There was practically no resistance on the part of the Italians except artillery fire. The fall of Derna provides the British troops with plenty of water for drinking purposes. The British are continuing their advance toward Barca and Benghazi.

6. On the morning of December 29 about 130 miles off the west coast of Ireland a 10,000-ton British tanker was damaged and three vessels with a total tonnage of 14,000 tons were sunk when German U-boats attacked an east-bound convoy. German aircraft attacked the same convoy west of Bloody Foreland, Ireland, but the damage done has not yet been reported. During the afternoon of January 29 a German sea raider attacked two British cargo vessels west of Freetown, Sierra Leone.

SCARLON.

Distribution:

Secretary of War
 State Department
 Secretary of Treasury
 Asst. Secretary of War
 Chief of Staff
 War Plans Division
 Office of Naval Intelligence
 Air Corps
 G-3

CONFIDENTIAL

Rec'd from State Department
February 8, 1941 at 10:30 a.m. 277

GRAY

LONDON

January 31, 1941

Rec'd 3:40 p.m.

Secretary of State,

Washington.

367, January 31, 5 p.m.

Embassy's 4205, December 25, 2 p.m.

STRICTLY CONFIDENTIAL

Bringing up to date the British food position described in reference cable Ministry of Food has informed Embassy as follows: There has been some further deterioration since mid-December with arrivals recently tending to fall below 1,000,000 tons monthly partly owing to seasonal reasons. Improvement is hoped for, but not confidently expected.

Deterioration in supplies is relatively most embarrassing with meats and cheese. The weekly meat ration of 1s.2d. including certain items previously unrationed is not satisfactory and Ministry is concerned about future developments. Supplies of cheese which is important in British diet particularly with meat shortage are now only one half of normal and early improvement is hardly possible. Supplies of fats are being maintained but rather precariously and Ministry desires to strengthen reserves possibly in form of lard.

- 2 -

Embassy was further informed it might indicate that the Ministry, foreseeing the possible sudden development of urgent requirements for concentrated foodstuffs, is greatly interested in the physical possibility of obtaining specific products in the United States and in the practical arrangements and procedure which must be envisaged in view of the circumstances confronting the British authorities. The Ministry has mentioned 100,000 tons of tinned meats (for practical reasons mostly pork) 30,000 to 50,000 tons of cheese, 30,000 tons of bacon, 10,000 of lard, and unspecified quantities of soft wheat.

Ministry visualizes five practical problems requiring discussion, viz., dollar exchange, shipping, physical availability of supplies, prices, and procedure. The cash dollar position the Treasury states according to the Ministry will preclude taking delivery of goods if foodstuffs are bought from the United States in appreciable quantities, but Ministry assumes this problem affected by discussions currently under way. Shipping necessary for early shipments can be diverted in extreme emergency, but future position is critical as Department knows. As to supplies and prices the Ministry is desirous of information. The general impression is that open market purchases might well have price repercussions out of all proportion to the quantities involved. Ministry attaches no importance in an emergency to prices per se, but is fearful that payment in the United States of prices necessary to secure these supplies will have repercussions particularly in the dominions and be likely to report the purchase arrangements which have been entered into there and eventually disturb price levels in United Kingdom. Ministry

therefore attaches greatest importance to procedure and has inquired whether there is any possibility that United States Governmental purchasing agencies (defense or otherwise) might act in an intermediary capacity. The Embassy of course has refrained from expressing any opinion on the matter in question, but would welcome comment and instructions.

JOHNSON

January 31, 1941

NOTES ON SHIPMENT OF AIRCRAFT AND MATERIALS
SUPPLIES TO AFRICA.

1. Certain shipments of aircraft have already been made to Africa, viz:
 - 100 Curtiss P-40's
 - 20 Glen Martin 167's
2. These aircraft are destined for utilization on the several North African fronts. The first shipment has been made in a Norwegian vessel - the TAMERLANE - a vessel of 16 knots, 10,000 tons capacity. Special arrangements were made to ensure the safety of the vessel and cargo en route. The whole cargo had to be entrusted to this one vessel, owing to inability to charter other ships. No U. S. ships can be chartered under present legislation.
3. The TAMERLANE is proceeding to Takoradi on the Gold Coast in Africa, where the aircraft will be unloaded and assembled; thence they will proceed by air over a special route developed by England for the express purpose of maintaining air communications in time of war, should transit through the Mediterranean be blocked.
4. This route flows from Takoradi through Lagos and Kano in British Nigeria to Fort Lamy in "free" French Equatorial Africa. From there the route goes through EL-Fasher in Anglo-Egyptian Soudan to Khartoum.
5. Khartoum is the focal point whence diversions can be made for any increased activities against Italian East Africa in combination with R.A.F. forces already stationed in and working from Kenya. Moreover, if necessary, the aircraft could fly through Uganda to Mairobi and on to Mombassa for shipment to any threatened point in India or the Far East. Also aircraft from Khartoum can similarly reinforce British forces in Aden by direct flight across Abyssinia.

6. But normally aircraft arriving at Khartoum will fly up the Nile through Wadi Halfa, through to Cairo and Alexandria, where the main R.A.F. bases are located. From there these aircraft can be employed as operational considerations may dictate, either in the campaign on the Northern coast of Africa or for reinforcements of British forces in Crete, Greece, Malta, Palestine and other areas of the Middle East.
7. The route is indicated upon the attached map. It will be seen that by delivery in this way these aircraft be applied to reinforce air strength in many theatres of war, where British air bases are already well established and all necessary facilities exist for maintenance of air squadrons.
8. The delivery of aircraft in this way will tend to increase as operations may require. There is a supplementary method of delivery by ship around S. Africa and through the Suez Canal, for final delivery at Alexandria, where complete facilities exist for assembly of aircraft preparatory to going into service. Normally, however, this all-sea route will be employed for delivery of equipment, motor transport and other war stores required in support of British war activities in the Mediterranean area.
9. The charter of the Norwegian vessel above mentioned was costly and involved a heavy war risk in consigning so valuable a cargo to one vessel. If other ships could be made available this would constitute a most valuable solution to the whole problem of transporting supplies from America to the very important war theatres in Africa.
10. So far as South Africa itself is concerned, certain shipments of aircraft have been made, viz.

5 civil aircraft and

16 Glenn Martin 167 type.

The civil aircraft are required for maintenance of communications northwards from S. Africa. As with the trans-African air route, so also with the air routes from S. Africa northwards, the

British Commonwealth Governments have developed well organized routes for the maintenance of war communications and the rapid transport of air reinforcements to whatever theatre in Central or Northern Africa may be threatened.

January 31, 1941

NOTES ON SHIPMENT OF AIRCRAFT AND MATERIALS
SUPPLIES TO AFRICA.

1. Certain shipments of aircraft have already been made to Africa, viz:
 - 100 Curtiss P-40's
 - 20 Glenn Martin 167's
2. These aircraft are destined for utilization on the several North African fronts. The first shipment has been made in a Norwegian vessel - the TAMERLANE - a vessel of 16 knots, 10,000 tons capacity. Special arrangements were made to ensure the safety of the vessel and cargo en route. The whole cargo had to be entrusted to this one vessel, owing to inability to charter other ships. No U. S. ships can be chartered under present legislation.
3. The TAMERLANE is proceeding to Takoradi on the Gold Coast in Africa, where the aircraft will be unloaded and assembled; thence they will proceed by air over a special route developed by England for the express purpose of maintaining air communications in time of war, should transit through the Mediterranean be blocked.
4. This route flows from Takoradi through Lagos and Kano in British Nigeria to Fort Lamy in "free" French Equatorial Africa. From there the route goes through El-Fasher in Anglo-Egyptian Sudan to Khartoum.
5. Khartoum is the focal point whence diversions can be made for any increased activities against Italian East Africa in combination with R.A.F. forces already stationed in and working from Kenya. Moreover, if necessary, the aircraft could fly through Uganda to Nairobi and on to Embessa for shipment to any threatened point in India or the Far East. Also aircraft from Khartoum can similarly reinforce British forces in Aden by direct flight across Abyssinia.

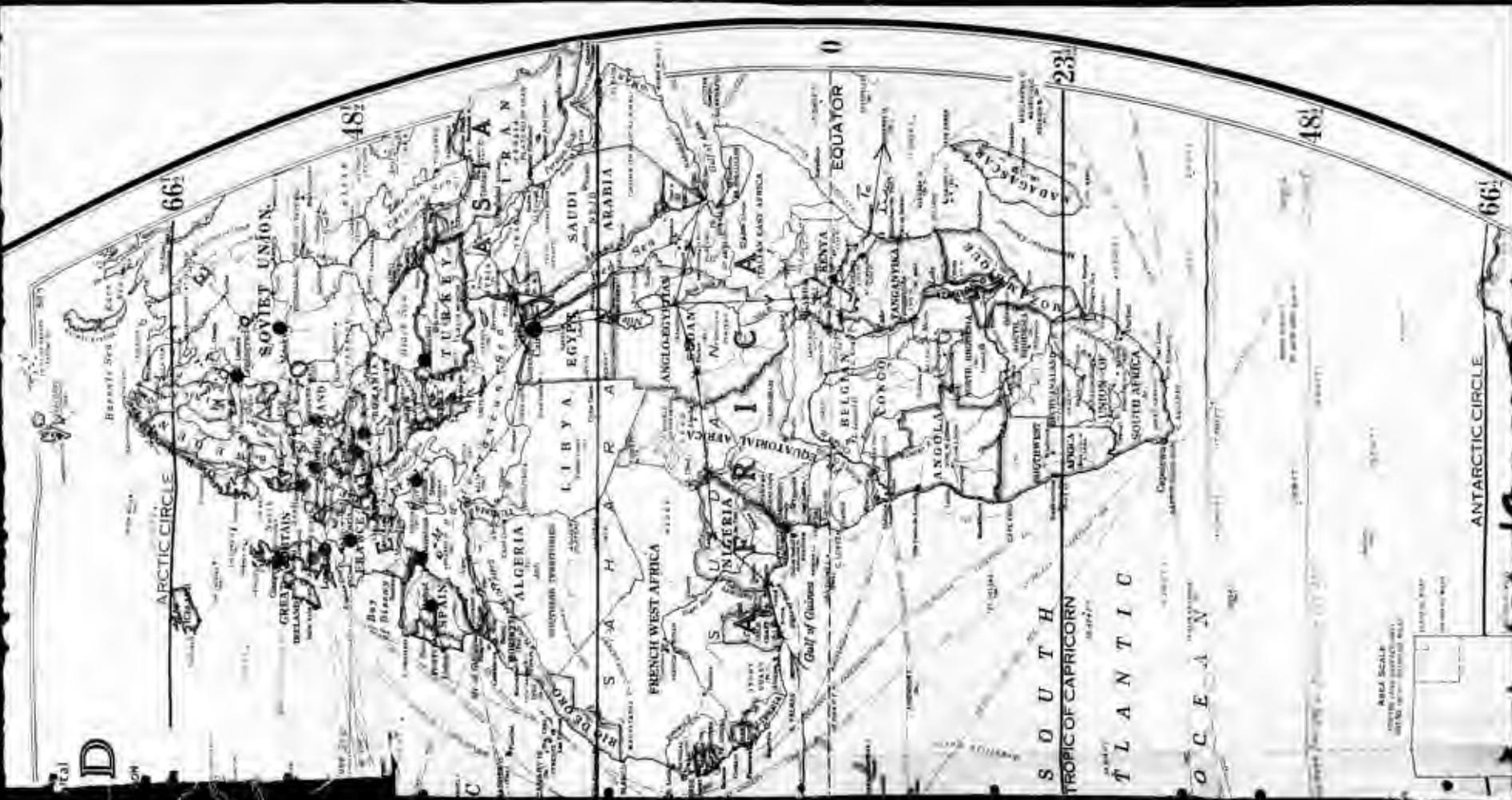
6. But normally aircraft arriving at Khartoum will fly up the Nile through Wadi Halfa, through to Cairo and Alexandria, where the main R.A.F. bases are located. From there these aircraft can be employed as operational considerations may dictate, either in the campaign on the Northern coast of Africa or for reinforcements of British forces in Crete, Greece, Malta, Palestine and other areas of the Middle East.
7. The route is indicated upon the attached map. It will be seen that by delivery in this way these aircraft be applied to reinforce air strength in many theatres of war, where British air bases are already well established and all necessary facilities exist for maintenance of air squadrons.
8. The delivery of aircraft in this way will tend to increase as operations may require. There is a supplementary method of delivery by ship around S. Africa and through the Suez Canal, for final delivery at Alexandria, where complete facilities exist for assembly of aircraft preparatory to going into service. Normally, however, this all-sea route will be employed for delivery of equipment, motor transport and other war stores required in support of British war activities in the Mediterranean area.
9. The charter of the Norwegian vessel above mentioned was costly and involved a heavy war risk in consigning so valuable a cargo to one vessel. If other ships could be made available this would constitute a most valuable solution to the whole problem of transporting supplies from America to the very important war theatres in Africa.
10. So far as South Africa itself is concerned, certain shipments of aircraft have been made, viz.

5 civil aircraft and

16 Glenn Martin 167 type.

The civil aircraft are required for maintenance of communications northwards from S. Africa. As with the trans-African air route, so also with the air routes from S. Africa northwards, the

British Commonwealth Governments have developed well organized routes for the maintenance of war communications and the rapid transport of air reinforcements to whatever theatre in Central or Northern Africa may be threatened.



66°

48°

0

23°

48°

66°

ARCTIC CIRCLE

SOVIET UNION

TURKEY

IRAN

SAUDI ARABIA

EGYPT

LIBYA

ALGERIA

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

ANGLO-MALAYSIAN

ANGLO-INDONESIAN

ARCTIC CIRCLE

GREAT BRITAIN

IRELAND

FRANCE

SPAIN

PORTUGAL

ALGERIA

LIBYA

EGYPT

ANGLO-BURUNDIAN

ANGLO-CONGOLESIAN

ANGLO-NIGERIAN

ANGLO-SOMALI

ANGLO-TANGANYIKAN

ANGLO-ZAMBIAN

ANGLO-ZANZIBARIAN

ANGLO-ZIMBABWEAN

ANGLO-INDIAN

ANGLO-PAKISTANI

ANGLO-BANGLADESHI

MEMORANDUM FOR THE SECRETARY.

January 31, 1941.

The "fan" mail on the subject of Bill #1776 and the Secretary's several appearances on the Hill is almost entirely antagonistic. It does not bear any evidence of an organized campaign -- that is, there are no printed cards, form letters, or individual letters from one particular state or city. The letters and postal cards come from all over the country, and analysis of perhaps 60 of them do not indicate any one section represented more than another.

In general, the letters show violent disbelief in England's "poverty", a desire to see English assets here taken over in return for material sold, and great fear that any type of cooperation will lead us into war. Some characteristic comments, and some fairly unusual ones are quoted herewith.

J. Gerard, Chicago, Ill. "I am one of the millions of unfortunate people who put their money in Government bonds 20 years ago, and was assured by the Government that they would bring 4 per cent interest. Now at the age of 85 my husband is compelled to work again and I, only a few years younger, must do the same. Unless one has a large fortune they cannot live on 2 per cent interest. You should look after the people of this country instead of sending money to England."

Miss Mary E. Armstrong, Atlantic City. "Like thousands of other patient and long-suffering citizens of this country, I should like explained over the radio, or elsewhere, why this country is again asked to pay for another of England's periodic wars. The bitterness and hatred which will ensue when our peaceful populace is taxed for this purpose will know no bounds. Following the last war, and the enormous amount of loot collected by Britain, balancing to a large degree her losses of immediate cash, she did not even offer us a painting out of one of her galleries. She had at the same time added enormously to her possessions. The British Empire has far greater resources than this country. No loyal citizen of this country would ask the people of this nation to contribute to the British for this war (which they, in large measure, caused), without tangible possessions, dollar for dollar, turned over to this country by that Empire."

S. S. Moncrieff, Hotel Mayfair, Los Angeles, Calif. "Your hysterical and hypocritical all-out aid to the British imperialists does not blind us to the monstrous mistakes of F.D.R. and yourself in handling the "gold system". There will be, God willing, no more "blank checks" for you two. And no foreign wars in which to bury your fiscal errors."

- 2 -

Memorandum for the Secretary.

January 31, 1941.

Herman Brand, New York City. "I read very carefully this morning on the Editorial Page of the New York Times your explanation to the House Foreign Affairs Committee, Britain's financial position. If the financial condition of Britain is as critical as you told the committee, would it be amiss to explain to your own and my countrymen why the supposed richest country in the world is in this condition calling for financial help from us. Tell us also if you can how and where is Germany getting the funds to carry on this war without calling for financial help from other countries?"

Fred Foulstich, New York City. "Regardless of your personal feelings, I do not consider it inappropriate at this time to request you to do more worrying over the welfare of the United States than of other nations. I am certain that the Lease-Lend Bill will not do the United States any good, and I am joined in this opinion by a growing number of Americans who were born here and expect to live and die here, rather than be 'plowed under' due to mistakes of a fanatic policy."

Mrs. Warren S. Moore, Miami. "You worry a great deal about Europe. It would be wonderful if you would worry just a little bit about what is tragically called the American Treasury. You say the British are trying to place an order for 2,000 more planes, but have no funds — get the idea. You declare that under the proposed Lease-Lend Bill Mr. Roosevelt could provide munitions of war to nations that cannot pay for them. You do not mention the fact that the United States has no money either; that it is \$50,000,000,000 in debt. England is beaten and you know it, and you could stop the slaughter tomorrow, but no, you think far more of England than you do America, and are willing to sacrifice American manhood, trying to take the American people's minds off of your past eight years of financial blundering — the worst in history. Get your own house in order — you can't even tend or run the U.S. with any sense, but you and Roosevelt want to butt into Europe's business, and are going 3,000 miles out of your way to do it. When I think we have to have 4 more years of you, Roosevelt and the rest of the stumble-bumbles around you, one would like to flee to the South Seas. It's enough to discourage the strongest."

Bernard Wohlfert, Jr., Astoria, Long Island. "Reading the newspapers this evening of your statements made before the Senate Foreign Relations Committee, re U.S. Must Help Fight Axis, is simply ridiculous, un-American and pro-British from my conception of Government as an American World War Veteran, Democrat and partly English descendant."

Miss Emma O. Eschstruth, Philadelphia, Pa. "I am a citizen of the United States, and as such, I want to state vehemently and emphatically that I do

- 3 -

Memorandum for the Secretary.

January 31, 1941.

not want one penny of the money I pay for taxes to be used for the purpose of helping Great Britain in the war SHE declared and is endeavoring to wage."

E. Blumenstine, Harrisburg, Pa. "I am glad you have only 'mentally' charged off the billions England is indebted to us. Keep it alive and the interest computed and some day we may have enough 100% Americans in office in Washington, D. C. to collect as England has always collected from everyone ever indebted to her; plus her collections from those she desired to suppress, like our forefathers. Prior to 1776, India, Africa and many others. England is doomed to be dissolved with her mighty Empire, and any help we give her when she's broke is at our taxpayers' expense - besides we prolong the murdering that now exists in Europe."

Anonymous - "I know you must feel kind of guilty after Tuesday's questioning, 'Foreign Relations Committee', especially when you try to get the public believes that Britain has only one billion, four hundred million in assets here. Look up your Wall Street Journal of about thirty days ago. They tell you there is seven billions in British investments in this country. Keep your feet on the ground. We are not attacked and never will be if you only use common sense and let Europeans fight their own battles as they have done for years."

E. H. Klings, Chicago, Illinois. "Who are we to believe? You said January 28, 1941 - 'After having lived with this several years, I've come to the conclusion that British dollar assets are about exhausted. If Congress doesn't act, Britain will have to stop fighting'. William Leahy, American Ambassador to France said January 28, 1941, as follows: 'My personal opinion is that the British Government can and will prosecute the present war to a successful conclusion'."

Michael Karalus, Kearny, New Jersey. "The opposition of the peoples of the United States to the Roosevelt Administration's course is an opposition with no ifs or buts. You are mistaken if you believe that the matter of whether Britain wins or loses this war has any interest to most of the peoples."

Rae Rosenthal, Cincinnati, Ohio. "Your answers to the Senate Foreign Relations Committee were appalling! Well, the rest of us don't 'charge off' Britain's previous debt! And so the \$65,000,000,000 debt limit would carry us only until 1942? What do we have a Secretary of the Treasury for -- to bankrupt the United States? How about using a little sense?"

- 4 -

Memorandum for the Secretary.

January 31, 1941.

The main phrase upon which a great many of the letterwriters pounce is the statement that the Secretary has mentally written off the British debt. This seems particularly infuriating, and as practically all the mail that has been antagonistic to aid to Britain has mentioned the unpaid debt of the last war, it is evident that this is an especially sore spot in the minds of those who do not approve of the present Administration policy.

Of 60 sample letters, 56 are against the Lease-Lend Bill, and 4 either approve it or the general Administration policy.

New York leads in the antagonistic letters, with Illinois, Pennsylvania, Ohio and New Jersey tying for second place.

A pleasant note amid many sour ones is the following from Mary Parker, Laurel, Maryland. (A clipping giving EMJr's report to Representative Tinkham about his being in the minority is attached.) "Three cheers for a real American - takes gray matter for an answer like that. We don't want a Civil War between the Democrats and Republicans in this country. There are millions who have confidence in our great Democracy, one of us wouldn't help much. Don't let anyone down you; help that great man, our President, to your full knowledge. He is right in everything and needs every one of us. The Mary Parker family is praying for him daily. His Democracy will stand by him."