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June 5, 1941
9:30 a.m.

GROUP MEETING

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

H.M.Jr: John, unless you emphatically ask me not to, I am going to tell my press conference at ten-thirty that I am very much disappointed in the action that the Ways and Means Committee took and I think that sooner or later as this show goes on they will have to come to the Treasury.

Sullivan: I think the last half of it is all right.

H.M.Jr: What is the matter with the first half?

Sullivan: Well, I mean they are going to take it as a spanking. We are a long way from reporting that bill out. It is possible that something might happen between now and three weeks from now when we report the bill out --
H.M.Jr.: Well, it won't unless I express my displeasure.

(Mrs. Klotz entered the conference.)

Sullivan: That is all right. I think you could say you are disappointed and that you think that eventually we will have to come to it, but I hope you don't do it in terms that make it a personal fight between you and the Committee.

Schwarz: Couldn't you say, Mr. Secretary, you are disappointed and you think that a number of Americans will be disappointed? When it goes on the floor, they might hear from --

H.M.Jr.: Then I can --

Sullivan: I haven't yet heard how many votes we had.

Bell: The paper said five.

Sullivan: I know, but only one paper said that and I don't know if it is true. None of us were there, you know. They had us out and the clerk of the Committee called me on instructions from the Chairman and read me the motion, so afterward I talked with Cooper and he didn't tell me how many votes we had.

H.M.Jr.: Herbert, what do you think? Do you think if I am asked - what would you say?

Gaston: Well, I would say - I think I pretty well agree with John. I think I would say that you are disappointed at the result and as the needs increase we think we will have to come to a plan of that sort. I think it is all right.

Sullivan: Just leave out the bitterly.
H.M.Jr: The who?
Sullivan: I understood you to say you were going to say, "I am bitterly disappointed."
H.M.Jr: No, I didn't say "bitterly." Did I?
Gaston: No, you used some other qualifying word.
H.M.Jr: Deeply.
Sullivan: Well.....
H.M.Jr: Well, John, I can't be milk and toast on this thing.
Sullivan: No, I agree with you there but --
H.M.Jr: I can't always be pulling my punches.
Sullivan: What I am trying to suggest to you is this, sir, that I think you can still express your disappointment without their taking it as a personal public spanking.
H.M.Jr: Well, I am disappointed. I am deeply disappointed. I feel terrible about it.
Sullivan: Well, maybe it was the way you said it that made me think you used the word "bitterly."
H.M.Jr: Well, you know the old story that I tell about the parent that got the letter from his son at boarding school? His wife came in and found him pacing. He said, "This is the last time I am going to stand for this from your son."

She says, "What is the matter, darling?"

He says, "Look at this letter. It says, 'Daddy. Please send me ten dollars as soon as possible.'"
"What is the matter with that? It only says, 'Please, Daddy, send me ten dollars as soon as possible.'" (In different tone of voice.)

You (Klotz) have heard it about ten times, but that expresses it. It is just your little - well, anyway, I will do the best I can not to make it too difficult for you on the Hill.

Sullivan: Thank you. We are starting on income taxes this morning.

H.M.Jr: Good. Who has got something important instead of my going around the room? We will do my check-up first.

Foley was going to do something about Senator White and that organization of yours that reads the record every day and keeps it a great secret.

Foley: It wasn't any secret. I don't know what White said to you, but he didn't say anything very glowing about you.

H.M.Jr: Didn't he?

Foley: No, he didn't. He made a speech for us on the floor, as did several others when the Stabilization Bill was up, but here is the record and there is nothing to bring to your attention.

H.M.Jr: Isn't there?

Foley: No. Here is a letter to Cochran thanking him for what he did on the floor in handling the bill, but I don't even think White deserves a letter.

Bell: He called me up and asked me to read his speech and I said I would and I have got the notation on my desk to read it.
Foley: It is there, and I marked the --

H.M.Jr: Man to man, if I hadn't called you would you have written this letter to Cochran?

Foley: Oh sure. I told Larry Bernard - I told Larry to get up the letter several days before.

H.M.Jr: All right.

Foley: Yes, the letter was prepared.

H.M.Jr: Now, watch me closely, Herbert, when I do this, see. This is from the President - this is from Harold Ickes to the President of the United States.

"My dear Mr. President:

"I wonder if you remembered to give a tip to Henry Morgenthau that you are interested in the election of Lynden Johnson of Texas.

Sincerely,

(signed) Harold Ickes"

"H.M.Jr:

"Do what you can.

(signed) F. D. R."

Foley: You are a softie.

H.M.Jr: Why?

Foley: Well, I would do it.

H.M.Jr: All right. I am a softie.
Foley: Sure.

H.M.Jr: We have never done that kind of thing.

Sullivan: Do you think it would be proper for me to ask Secretary Ickes if an increased tax on gasoline would be helpful to him in handling the problem?

H.M.Jr: In electing Lynden Johnson?

Sullivan: No, he has another problem besides electing Lynden Johnson.

H.M.Jr: Well, it is too subtle for me.

Sullivan: No, Henderson opposed an increase in gasoline.

H.M.Jr: Opposed?

Sullivan: Opposed it, yes.

Now, it appears there is going to be a shortage and it might be helpful to Ickes in handling that shortage if there were an increased tax on gasoline.

H.M.Jr: There is no harm in asking him.

Sullivan: That is what I thought.

H.M.Jr: George, you were to let me know today about whether we could make a survey of banks and insurance companies, how much on invested bonds.

Haas: Oh, I didn’t know that was today. I am working on that.

H.M.Jr: All right, he gets a bad mark.

Haas: I have got something else that is due today, though.

H.M.Jr: What is that?
Haas: That letter on the steel capacity. Miss Chauncey has it. She is going to bring it in with your letters this morning.

H.M.Jr: All right. Thank you.

What are we doing about getting Irving Berlin on the radio?

Foley: Huntington has been working on it. He worked on it all day yesterday and Irving Berlin's lawyer is flying down here this morning and arrangements have been made with CBS and with NBC for them to plug the song not only on the thirteen Texaco programs, but also on their sustaining programs. They like the song very much. They want to be helpful.

ASCAP is going to release the automatic copyright that they have.

H.M.Jr: It is under control?

Foley: Everything is under control.

H.M.Jr: While we are on that, I don't know - there is a letter coming to me to ask Paul Robeson to go on the Texaco hour.

Graves: I didn't know that.

Kuhn: It has been stopped.

H.M.Jr: I don't want to do it. I mean, that is --

Kuhn: Yes.

H.M.Jr: I decided I wouldn't do it.

This thing here of White's --

Klotz: He wants to talk to you about it.
H.M. Jr: Well, Harry, about this list of people that are coming, there is a little mix-up on the date because it seems now that the radio correspondents are going to give a dinner for the President on that night. If he is going to go, all the people we want to have will be there also. I am trying to find out whether the President is going to go, but will you see me today on it, Harry?

White: I will see you today on that.

H.M. Jr: Please.

Now, Dan, the most important thing is in the first place see that Walter Stewart is brought up to date on the English treasury matter, will you, both the six fifty and on the --

Bell: Three fifty, yes, sir.

H.M. Jr: And then for this meeting - I thought I would like to see you people on that at eleven-thirty today.

Bell: All right.

H.M. Jr: Walter, will you bring yourself up to date on that thing, please? And, Ed, I want you to sit in here at eleven o'clock today.

Foley: What is it?

H.M. Jr: Just be here.

Foley: What is it?

H.M. Jr: Well, Morgan Stanley is coming. As long as he is bringing somebody - he is bringing his partner - I want somebody. If it is going to be two to one, I want two to two. If it were one to one, that would be all right; but
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I thought, Dan, at eleven-thirty we ought to go over that thing once more, and I would like the same people. All right?

Thompson: Ray Ballinger is transferring to the Quartermaster General’s office in the War Department as Personnel Director. They have a civilian personnel of eighty-five thousand employees, larger than the Treasury Department. I was amazed to find that out.

H.M.Jr: What else?

Thompson: That is all.

Bell: We had our conference yesterday afternoon. It was over two hours. It was with Dean Acheson on the agreement. I think it was an excellent conference.

Nothing is really set. He has his difficulties in the State Department and he said even Mr. Hull, while he approved it, probably had some doubts about some of the provisions in that agreement.

He agreed that there might well be two agreements, one on the quid pro quo and the other one on the economic provisions.

H.M.Jr: That would be excellent.

Bell: And he agreed to go back and write a memorandum of the various points in the two agreements, or the two points, so that you and Mr. Hull could sit down and talk with the President about matters of policy and then the two staffs can get together and draft the agreement.

H.M.Jr: Who suggested I be put in a vacuum until this gets around?

Bell: I don’t know.
H.M.Jr: It was either White or Viner, I don't know which.

Viner: The opponent sayeth not.

H.M.Jr: People wonder why I am so subdued and never speak or never do anything. Here Viner comes from Chicago and I wanted to go to town on this thing and they are very nice about it, but just say, "You keep out of this and leave it to me," which I did, and now they have got results. It is fine.

Bell: The other thing is that the State Department, Mr. Hull, has sent us a draft of a press release regarding the amounts due from foreign governments on June 15. What they would like to do is to announce to the public that they are not sending notices to certain of the governments and that they are sending notices to Germany and Italy, Hungary, and Rumania.

H.M.Jr: Dan, whatever it is, if it is all right with you it is all right with me.

Bell: I would like to answer that letter and just say that we feel in view of world conditions that there isn't any sense in giving out any notices at all or sending any notices to the governments, merely making public the amounts due from each of the governments.

H.M.Jr: Would you mind, as long as we have a group, the same group that is working with you on this thing, just ask their advice.

Bell: O.K.

H.M.Jr: And whatever that groups agrees on, I will take it.

Bell: All right.

H.M.Jr: Is that all right?
Bell: Fine.

H.M.Jr: You might have them meet a few minutes ahead of eleven-thirty in your room and just put it up to the, but whatever they agree to, I will take it.

Bell: Suits me.

H.M.Jr: Harold?

Graves: I have nothing.

H.M.Jr: Unless you want to do what that certain gentleman asked you to do - you know what I mean, the letter. I mean, if you feel that is something that you want to do, otherwise I am just a hundred percent opposed to it.

Graves: I would like, if I may, to talk with you about that.

H.M.Jr: Really? All right, that is your privilege.

Graves: I don't mean soon, necessarily, but before long.

H.M.Jr: Well, will you arrange it?

Graves: Yes, sir.

H.M.Jr: You are going to have trouble with me.

Graves: Well, I would like to talk it over with you.

H.M.Jr: Sure, that is your privilege.

Graves: I would like to ask whether you signed our letter to this New York gentleman yesterday?

H.M.Jr: New York gentleman?
Graves: Donovan.

H.M.Jr: No. I will have it sent in.

Graves: That is all.

H.M.Jr: Harry?

White: You received a letter from the State Department according to Mr. Collado who called up this morning saying that Colombia wanted to take up the matter of Stabilization Fund.

H.M.Jr: Columbia Broadcasting?

White: No, Colombia, C-o-l-o-m-b-i-a.

The reason he called me was to say the Ambassador was around and raring to go, and he hoped that he would be able to see somebody in the Treasury very soon. The amount they are interested in is not very large.

H.M.Jr: Well, again, as long as there is this group meeting, let them meet ten minutes earlier.

Bell: Wait a minute.

H.M.Jr: I am not interested.

Cochran: The letter came only yesterday.

H.M.Jr: They can meet at eleven-fifteen and settle the thing.

Bell: Eleven-seventeen.

H.M.Jr: All right, Harry, that is taken care of.

Bell: I think we ought to wait until after the Stabilization Fund is extended.
White: You might want to wait until you go into it seriously, but I think somebody ought to see the Ambassador and talk with him.

H.M.Jr: Which Ambassador?

White: Because it is probably a large program, and the Export-Import Bank is doing everything but that, and I think there ought to be some discussions going forward if there are no commitments. They are only asking for two million pesos.

H.M.Jr: As I say, take it up with the Bell group.


H.M.Jr: That is all.

Schwarz: Chick?

H.M.Jr: As soon as it is copied, I will have a draft of the letter from you to Mr. Elmer Twitchell. That is the Phillips character.

Schwarz: Is it funny?

H.M.Jr: I hope. (Laughter) I would like to let Herbert and Harold and Ferdie have a copy.

Schwarz: Make it funny.

H.M.Jr: Viner?

Schwarz: Odegarde?

Odegarde: Several weeks ago you asked for a survey by Gallup on tax reactions.

H.M.Jr: Yes.

Odegarde: I have that here. It hasn't been published.
yet.

H.M.Jr.: Would you just state it for the group?

Odegague: They asked the following questions:

"Do you think Federal Government spending, except for defense, should be reduced at this time? Yes, 66 percent. No, 26 percent."

"Do you think Federal spending should be reduced on farm benefits. Yes, 35 percent. No, 53 percent."

White: What district?

Odegague: This is the nation-wide returns.

"On public works not connected with defense? Yes, 6 percent. No, 27."

"On WPA? Yes. 63. No, 32."

"On CCC? Yes, 41. No. 52."

"On NYA? Yes, 38. No, 45."

"Have you heard or read anything about the new taxes which are being discussed in Washington to pay for the increased cost of defense?"

Seventy percent of the people said, "Yes." Thirty percent hadn't heard of it.

"If 'Yes', how should the Federal Government pay for the increased cost of defense, chiefly by extra taxes or chiefly by borrowing more money? Chiefly by extra taxes, 72 percent. Chiefly by borrowing, 17."

"In order to meet increased costs of defense, would you be willing to pay or have your husband
H.M.Jr: That is awfully good.
Bell: Isn't that interesting?
H.M.Jr: Would you turn it in?
Odegarde: Yes, I will give it to you.
H.M.Jr: Are they going to publish that?
Odegarde: There is a note at the bottom.

"These results are the property of the American Institute of Public Opinion and not to be printed in any form until after released by the Institute."

H.M.Jr: Fine.
Bell: That is interesting on WPA and CCC and farm benefits.
H.M.Jr: Right.
Odegarde: The survey on our bond program is now being made.
H.M.Jr: Grand.
Odegarde: Incidentally, these surveys, Mr. Secretary, cost us nothing.
White: How much are they worth? (Laughter) Some of those answers are diametrically opposed to the deductions one would make on a lot of other bases. That is why I asked. The methods of sampling on many of these problems need to be carefully examined before you place too
much emphasis on their findings.

H.M.Jr: George?

Haas: I have this letter you wanted to see me about.

H.M.Jr: Well, do you want to give him those things?

Haas: I have no objections. Phil Young called me yesterday--

H.M.Jr: Three aircraft. What does he want three for?

Haas: I think what he is asking for is the regular industry report on aircraft and also the British report.

H.M.Jr: Oh, take care of it.

Haas: Phil asked for a copy yesterday, too. He said the copy you sent to Hopkins goes to Lubin.

H.M.Jr: Well, if Cox wants a set and Young wants a set, let each one have a set, a set a piece.

Haas: That is all I have.

H.M.Jr: Roy?

Blough: Nothing this morning.

H.M.Jr: Merle?

Cochran: I spoke to Sir Edward Peacock last night. He and Mr. Jones are going to be in touch - Mr. Bell spoke to Mr. Jones on that loan proposition. I had this letter from Mr. Welles yesterday that Harry spoke of on Colombia.

H.M.Jr: Ed?
Foley: I sent to Harold Ickes the information I had about the overlapping stock holdings in the two aluminum companies, and he sent me back a copy of the letter he wrote to Jesse, which you might be interested in listening to.

H.M. Jr: Go ahead.

Foley: "My dear Jesse:

"When you said at Cabinet meeting recently that you had bought a large tonnage of aluminum from the Canadian Aluminum Company, I asked you whether there was any connection between that company and the Aluminum Company of America. Since you answered in the negative, I am afraid that some of your boys have misinformed you.

"My information is as follows: A. K. Davis, younger brother of Arthur Davis, president of Alcoa, has been president of the Canadian Company since its formation in '28. The holders of eighty-one point fifty-three percent of the common stock of Alcoa hold eighty-three point ninety-three percent of the stock of the Canadian Company.

"From this it would seem to me that they are twin brothers in monopolistic iniquity.

Harold Ickes."

H.M. Jr: Wonderful. (Laughter)

In order to help me, couldn't Foley and White get together with Mrs. Klotz on what she has, to see if there is anything--

Foley: I have these files, and, Mr. Secretary, we have
never made a study of the conservation powers in so far as oil is concerned. We did have papers prepared--

H.M.Jr: Pardon me. Mrs. Klotz says she has the story. If you and White could talk - have you done anything on it, White?

White: We did something on it, but it was a very side issue. She has the main stuff.

Klotz: This has been going on now--

H.M.Jr: Have you got the story?

Klotz: I think so.

H.M.Jr: Did I do anything?

Klotz: Well, there are various angles. I don't know what you--

H.M.Jr: Do you think I had better look at it myself?

Klotz: Oh, definitely.

H.M.Jr: Oh, wait until I get a look at it. I will get to it.

Klotz: Because I know exactly what you had in mind.

H.M.Jr: I will get together - the four of us will get together.

Foley: All right.

H.M.Jr: I did do something on it, though, didn't I?

Klotz: Yes.

H.M.Jr: Go ahead.
Foley: I have a memorandum on the state taxation of the defense activities.

Now, Bob has been illusive and we haven't seen him since you asked us to see him. I have had - I have called up every day and he is either tied up or he is out of town. I don't know whether the creation of the vacancy on the court makes him less interested in his Department or not, but I haven't been able to see him.

Now, we are not far apart, Mr. Secretary. There is no need of carrying on this difference between me and Bob. We are together. The difference is between ourselves and the War Department, and Bob substantially agrees with us, but there hasn't been a clarification of his position and ours.

H.M.Jr: What do you want to do?

Foley: I thought for your information you would like to read this memorandum which shows the two positions (dated June 4).

H.M.Jr: Anything else?

Foley: No.

H.M.Jr: Herbert?

Gaston: Jim Rowe wrote you a letter asking you to mention the matter to the President. I don't see why you should mention this matter to the President.

H.M.Jr: I was handed this letter as I walked in to the President for lunch, and I just saw it was not from the President, so I stuck it in my pocket and I didn't read it.
Gaston: Yes. Well, the facts are that Ed Flynn and he tell me the two Senators, Herring and Gillette, and Wallace, they say, are very anxious to get this old man, eighty years old or more, removed as Collector of Internal Revenue in Iowa so that they can appoint the present State Chairman, Birmingham, in his place, so that they can get a different kind of a state chairman and Flynn spoke to me about it, and he had Rowe call me up about it, and I told Rowe, "It is something they will have to first clear with the President before we can do anything." If the President says, "Yes," he wants that man dismissed, then we can proceed to examine the merits of their candidate.

H.M.Jr: Well, I am not going to get into it today.

Gaston: Yes.

H.M.Jr: All right.

Gaston: I don't see why we should take any - here is a little memorandum of some Secret Service things. You may know about them already.

H.M.Jr: Thank you all.
Questions from Gallup poll.
Interviewing done during middle of May 1941
Questions sent to Dr. Peter Odegard with permission of Dr. Gallup

1. Do you think federal government spending, except for defense, should be reduced at this time?
   
   Yes 66
   No 26
   No 8
   Opinion

2. Do you think federal spending should be reduced:
   
   On farm benefits?
   Yes 35 No 53 No opinion 12
   On public works not connected with defense
   Yes 66 No 27 No opinion 7
   On WPA?
   Yes 63 No 32 No opinion 5
   On the CCC?
   Yes 41 No 52 No opinion 7
   On the NRA?
   Yes 39 No 45 No opinion 17

3. Have you heard or read anything about the new taxes which are being discussed in Washington to pay for the increased cost of defense?
   Yes 70 No 30

   If "Yes": How should the federal government pay for the increased cost of defense - CHIEFLY by extra taxes, or CHIEFLY by borrowing more money?
   
   Chiefly by extra taxes 72
   Chiefly by borrowing 17
   No opinion 11

4. In order to meet the increased cost of defense, would you be willing to pay (or have your husband pay) a tax of about two weeks' salary or income per year, in addition to the taxes you have been paying?
   Yes 59 No 33 No opinion 8

These results are the property of the American Institute of Public Opinion and are not to be printed in any form until after release by the Institute or after obtaining written permission from Dr. Gallup
(Hadley Cantril)
My dear Mr. Cohran,

Upon my return to Washington on Monday, the members of my staff who worked with you on the bill to extend the Stabilization Fund and dollar devaluation powers, told me how admirably you managed the legislation on the floor of the House. Because you were called upon to substitute for Chairman Smoot at the last moment in handling this complex measure the success of your effort becomes even more noteworthy.

Please accept my sincere thanks for a very difficult job well done.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable John J. Cohran,

House of Representatives.

LJB:KH:mp 6/4/41

File to Mr. Thompson
EXTENDING TIME WITHIN WHICH POWERS
RELATING TO STABILIZATION FUND
AND ALTERATION OF THE WEIGHT OF
THE DOLLAR MAY BE EXERCISED

Mr. COCHRAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 4646, to extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 4646, with Mr. RAMSPECK in the chair.

The Clerk read the title of the bill.

Mr. REED of Illinois. Mr. Chairman, I yield 14 minutes to the gentleman from Ohio [Mr. SMITH].

(Mr. SMITH of Ohio asked and was given permission to revise and extend his own remarks in the record.)

Mr. SMITH of Ohio. Mr. Chairman, 2 years ago, as a member of the Coinage, Weights, and Measures Committee, I opposed before that committee and on the floor of the House the continuation of the stabilization fund and also the President’s power to further debase the coin. Since that time my convictions have been strengthened on the need of abolishing these extraordinary and dictatorial powers.

I know of no evidence to substantiate any claim that any of the alleged purposes for which these powers were ostensibly created has been achieved in whole or part. It should now be needless to dilate on this point. On the other hand, the evidence is conclusive that the use of these powers has already caused incalculable damage to our monetary and financial processes. This point it is vital that we consider and discuss most seriously.

See pages 45, 75, 76, 77, 79.
Section 18 of the Gold Reserve Act of 1934 states the only purpose for which the buying of foreign and domestic gold at a permanently fixed premium of $31.83 an ounce is necessary, so far as the present, is to fully meet any gold-payment demand that might have been made upon us. This made the stabilization fund wholly unnecessary. In my opinion, the only thing which created it was concerned.

The truth is that the stabilization fund has been used for other purposes and for other reasons than the stabilization fund itself. Instead of using this fund for the only purpose for which it was presumably designed, it has been used to bolster and support foreign paper currencies, French paper francs, Belgian paper francs, Argentine paper pesos, Brazilian paper cruzeiros, Chinese paper yen, and so forth, to bolster and support the economic stability of those nations.

In purpose, spirit, and letter, the stabilization fund has been operated in complete violation of the law. The real purpose of the stabilization fund has been, in my opinion, to swell the gold reserves of the gold reserves of the United States to the extent that the dollar is competitive with other countries.

In connection with this statement, it is necessary that we consider the operation of the stabilization fund in Latin America. There can be no question that the $750,000,000 made available as loans to the United States of Latin America are in the interests of the stabilization fund and the dollar, and also to bolster and support the economic stability of those countries.

On May 8, 1941, Secretary of the Treasury, Mr. Morgenthau, in his testimony before the Committee on Coinage, Weights, and Measures of the House, stated that the stabilization fund was not intended to be used for the purpose of stabilizing the exchange value of the dollar.

The first agreement made by the United States and six other countries to buy gold at a fixed price of $45 an ounce was an agreement to a steep depreciation of the franc and the premium to support it as a new lower level was the same percentage as the premium to support any of the Treaty of Henry Morgenthau.

Morgenthau's announcement came at a press conference conducted jointly by the President, and the President and his Ambassador Rene de Gaulle, which the French Government will give additional support against its dollar neighbors.

Also note May 8, 1940, Washington Post Associated Press dispatch with a Paris date line it was learned the British Chancellor of the Exchequer, Sir John Simon, is quoted as having said before the House of Commons the following:

Our stabilization fund is a potent weapon of defense in our international economic conflicts. It is a snare and harvest for certain nations in their war efforts, instead of for the purpose that is provided in the statutes, namely, to stabilize the exchange value of the dollar in the interest of our own economy.

But it is not apparent that we have here revealed at last the true answer to the question that has been asked for a long time, namely, why is the Government buying all this gold and paying such a high price for it? Is the Government in a position to carry out these huge gold purchases at the expense of the American taxpayer? Was the stabilization fund set up to be used in buying up all the gold of the world at a price that we cannot afford to pay?

When all these transactions and circumstances are considered together, there is no reason to believe that they are not, Mr. Morgenthau's denial to the contrary notwithstanding, that the stabilization fund had already been used by him when he made the above statement.

Therefore, I believe that the stabilization fund is being used to buy gold at a price that is far in excess of the true value of the dollar, and that the stabilization fund is being used to support the exchange value of the dollar.

In conclusion, let us consider the operation of the stabilization fund in Latin America. There can be no question that the stabilization fund is being used to support the exchange value of the dollar and to bolster and support the economic stability of those countries.

Section 17 of the Gold Reserve Act of 1934 states the only purpose for which the buying of foreign and domestic gold at a permanently fixed premium of $31.83 an ounce is necessary, so far as the present is to fully meet any gold-payment demand that might have been made upon us. This made the stabilization fund wholly unnecessary.

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Mr. WILKIE. You think the rate would go up. That is just my belief.

Mr. MOPENTHA. Yes. I think the rate would go up. That is just my belief.

Certainly the possession by the administration of the stabilization fund of $2,000,000,000 of gold dollars is a most powerful means for holding interest rates down. But not in the way Mr. Mopenhau would have us believe. If I interpret his position correctly, he means to state that the $2,000,000,000 he already has, and the additional $4,000,000,000 he would have if the content of the dollar were reduced to that amount, if the present power of the new dollar could be used by him to finance a part of the deficit instead of having to borrow this amount.

In this connection, it should be noted that an additional amount of about $5,000,000,000 of so-called profits is available to the Treasury through the use of the power of defacing the silver dollar. We would have the content of the silver dollar exercised, Mr. Mopenhau would have in all about $11,000,000,000 of clippings.

If this amount were used to finance the deficit instead of resorting to borrowing, we are supposed to believe, it would go to the money market as to force interest rates down.

In the first place, if the administration undertook to use this political windfall to finance the deficit, it would collide hereafter with the fact that it does not intend to use the powers of defacement to produce inflation. For every dollar of this windfall that is spent to pay Government costs, current to the limit allowed, a dollar of inflation is produced. There is no escape from this.

It is, of course, the strongest and most anomalous position for the administration to take, to say out of one corner of its mouth, "You can trust me fully that I will not produce any inflation if you let me keep the power to deface the dollar," and out of the other corner, "But you must have this power continued so that I can use it in a club over the heads of the people to say to them, buy my bond in the amount I tell you and on my own terms, or I will give you a big dose of inflation.'

The important cause for low interest rates is lack of demand by private industry for loans and new capital, which is dependent upon the more basic cause, the destruction of the standard unit of value and the free contract process.

Some of the other less important factors in holding interest rates at a low level are the large volume of Government borrowing at low interest rates arbitrarily fixed by the Government, forced bank deposits, falsely called loans, in the banking system by the Government bearing rates of interest arbitrarily fixed by the administration.

Therefore, the present low interest rate is mostly a symptom of a gravely diseased monetary process. Nor is the low rate necessarily helpful to the Government. The Treasury is now losing money because of the destruction of the free contract process and it is existing in reduced interest rates. If the standard unit of value were restored so as to again permit the operation of the free contracts process, private industry would go again and unemployment would end, which would in turn render the Government the need of the demand for defacement, while at the same time this would also yield more taxes.

Should anything more than the forlorn hope of profiting produce the American people of the destructive elements of the stabilization fund and the desperate need of its prompt abandonment?

The power to further clip the coin or deface the gold dollar should forthwith be abolished.

Why is the President asking that the power which he now has to further clip the coin be continued?

It is remarkable that this request should be made at the present time, when the whole country is becoming apprehensive of the dangers of inflation, when the Federal Reserve authorities are the dangers and are asking for legislation to cope with them, and when the administration itself openly recognizes the dangers of inflation and proposes to cope with them by instituting the most drastic and far-reaching measures ever adopted in this country, some of which are:

First, a price-control agency with totalitarian powers to be found only in dictator nations.

And to avert inflation the administration has also inaugurated a program to raise a huge amount of money by selling bonds.

At this very time, perhaps more than ever before, supreme confidence is needed in money and Government bonds. Yet here is the Secretary of the Treasury asking Congress to extend the most dangerous power to further clip the coin and destroy the future value of our currency and Government securities.

Consider the experience of some of the nations whose political authorities have had the power to clip their coin—devaluation is a term used to describe the process of reducing the value of their money from what it is really being done.

In Italy there is this power. At a single stroke, in one instance, her politicians clipped three and five-thirtieths billion dollars off the lire—Italian money—and thereby destroyed that much value of the currency and Government securities.

The Russian dictator has the power to clip the coins. In one instance he clipped more than $9,000,000,000 off the ruble—Russian money—and thereby destroyed that much value of the currency and Government securities.

The political authority of France had the power to clip the franc (French money). Three times it used this power. During the World War the franc was so weak that the French politicians clipped three and five-thirtieths billion dollars off the franc. raspard money—and thereby destroyed that much value of the currency and Government securities.

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United States Government authorities have not only granted the President unlimited authority to control currency, but have actually promised him the power to destroy the dollar. The gold-purchase provision in the Gold Reserve Act of 1928, which authorizes the President to sell any gold held by the United States government at any price determined by the Secretary of the Treasury, thereby providing the President with the power to destroy the dollar. The President has already purchased over 100 million dollars worth of gold under this provision. With the power to destroy the dollar at his disposal, the President can now make any financial transaction he desires without regard to the consequences. This would completely change the financial system of the United States and have catastrophic effects on the economy.

The gold-purchase provision in the Gold Reserve Act of 1928 has already been used to purchase over 100 million dollars worth of gold. This has caused a severe depreciation of the dollar and has made it virtually worthless. The President can now use this power to destroy the dollar at will, without any regard for the consequences. This would completely change the financial system of the United States and have catastrophic effects on the economy.

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Mr. Bell. As I look at it, the title in the gold certificate, the gold certificate in the Federal Reserve. If gold were withdrawn, the profit out of the discretion would go to the Government, and the payment could be made in dollars available at that time for the face amount of the certificates held.

Mr. Warren. I am just wondering, with those gold certificates and you say by a stroke of the pen the Federal Reserve has the Treasury to the sum of $6,000,000,000, how that can be done with all this gold certificates.

Mr. Bell. I cannot understand, unless we work through the mechanics of acquiring title to those certificates and reemerge them.

Mr. Bell. A gold certificate calls for $100 in gold. It would just call the $100 of the new value; that is all. It calls for $100 in gold at the new value.

Mr. Warren. That the gold certificates handled by the Federal Reserve are a very important thing if it is just on the value which is committed in a large degree by the President with the power to devalue gold.

Mr. Bell. They can change the books could they not?

Mr. Warren. They could not change their books, but it would change the money.

Mr. Bell. They have $100,000,000 of gold certificates in their possession (about this amount of gold certificates). Mr. White is on the Board of Governors of the Federal Reserve.

Mr. Warren. They could change the books, indeed.

So this is the security back of the dollar—the simple matter of bookkeeping.

By means of the bookkeeping the number of dollars can be increased at the whim and caprice of the President.

But everybody is secure in the possession of his dollars, because no matter how many times the President might halve or quarter the dollar, that you and I possess, or have contracted for, we are always left with the same amount of dollars as we had before they were halved or quartered.

The dollars we have invested in life insurance in social security, in savings accounts, Government bonds, and so forth, are all perfectly secure, because dollars will still be dollars, though each dollar is worth half of what it was worth at the beginning of each full moon. Just a change in the books does the trick.

According to Mr. Bell's proposition it was the policy of the Federal Reserve Board, after the Goldsmiths had, quartered, and made it into mincemeat, so that in 1935 it took 1,700 dollars to buy the same amount of the necessities of life as 1 dollar bought in 1917. Though the people in Soviet Russia starved by the millions it was still the same dollar because the Communist rulers could change their books.

Mr. Bell would have us believe the Italian lira, which he has been more than quartered—at valued at par. He then would say that after the depreciation it took more than half the value of the gold certificate to purchase the same amount of the necessities of life than were required to buy them before the depreciation.

Some mystic act in changing their books, it was the same dollar as when it had its value tampered with. It was the same franc, though a bond for which the franc paper was worth $50 francs had lost less than 50 percent, because they could change their books.

If Mr. Bell is correct, then no one in Germany was hurt when her political leaders had the back of the 70 cu. trillion part of its original content. Although it took a basketful of paper marks to buy a loaf of bread where before 1 mark would buy several loaves, it was still the same mark. Nobody lost, and everybody was secured, because "they could change their books" in Germany, too.

It is highly important that we examine somewhat in detail Mr. Bell's magic formula, for it is the heart and core of every monetary fallacy of the past, and it is precisely the same device that every country has used, which has tinkered with its money to secretly tax its people.

At the present time the gold dollar is defined in the law as being 13.71 grains of gold.

At present, according to law, every silver dollar, and every kind of paper dollar, including the gold certificate dollar, is supposed to have a value equal to the value of 13.71 grains of fine gold. Note I did not say has this value, but is supposed to have this value.

Mr. White says a $100 gold certificate "calls" for $100 in gold when the legal content of the gold dollar is 13.71 fine grains of gold. He says the same $100 gold certificate will still "call" for $100 in gold should the legal content of the gold dollar be reduced to 11.81 fine grains of gold.

There is no question that Mr. Bell wants us to believe that the $100 gold certificate would be the same in value should the content of the gold dollar be reduced to 11.81 grains as it is now when the gold content is 13.71 grains.

What Mr. Bell really asks us to believe is that 11.81 fine grains of gold are equal in value to 13.71 fine grains of gold; that 11.41 grains of gold will do the same amount and kind of work as 13.71 grains. He asks us to believe this because of some kind of change the Secretary of the Treasury can make in the Treasury books.

How is it possible to otherwise construe his testimony than that he is asking us to believe this astounding proposition?

Returning again to the $17,000,000,000 of gold certificates that Mr. White had stated the Federal Reserve Banks had, note carefully again in this connection Mr. Bell's statement:

Mr. Bell's statement:

"The $17,000,000,000 of gold certificates handled by the Federal Reserve Banks are a secure thing if it is just on the value which is the same in amount by the President with the power to devalue gold."

Mr. Bell. They can change their books, could they not?

Mr. Warren. They could not change the books, but it would change the money.

Mr. Bell. They would still have $17,000,000,000 of gold certificates.

But why bother with a little political windfall of saving trillions when it is a jumble and just easy to change the law to make a little change. If Mr. Bell did not have our hundred and thirty-four million, or 5 times that amount and have four hundred billion, or 25 times that amount and have more than a trillion? The fact that these last dollars would become microscopic in the sense would not need to bother us, because gold dollars have now become imaginary things anyway, wholly impermanent to the sense. According to Mr. Bell, a gold dollar is something created on the book of the Treasury by some coven of power, and the same looks divided and subdivided any number of times, and each subdivided part still retain the same quality and perform precisely the same function of work, as the very first lump of gold before any division whatsoever was made.

If there is a trick in Treasury bookkeeping, that can clip the coin a little but the man can do it and can claim to be honest because he is honest but he must not bother about it too much. But why? Upon what ground could the Secretary of the Treasury say this is fantastic and impractical? On ground of principle? Surely he would not wish to be burdened by any formula on any other premise. The Secretary of the Treasury, fiscal agent of the United States Government, would not wish to defend his formula for gold content to the people by diluting and annihilating it with a little slight-of-hand performance in chang-the books.

If it is a principle that some peculiar change can be made on the books of the Treasury that will reduce the legal weight of the gold dollar by 2.1 grains, and at the same time keep the purchasing power of the domestic dollar and value of gold at the same level at the same level as before the reduction, it should be possible to use the same formula for changing the Treasury books to maintain the same purchasing power of gold. If the content of the gold dollar were reduced by 3 grains, 5 grains, 10 grains, to one-tenth grain, or to any fractional part of a grain, the Treasury Secretary would not claim for his Treasury bookkeeping formula any such extreme application as this—for the simple reason that it is not based on any principle, or on anything remotely related to principle. It is true his formula would apply in a much more applicable where the content of the gold dollar is

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Regraded Unclassified
reduced or 1 grain then if it were reduced to o-i millionth part of a grain.

In other words Mr. Morgan and Mr. Bell have no trick by which they can
charge the public as much as is necessary to deceive the gold dollar in any amount
and at the same time maintain the purchasing power of the dollar and all values
and furthermore.

Of course there is a trick in this so-called denomination scheme. It is, how-
however, not a new trick. It is what has been called since before Adam.

It is the trick that has been played by dishonest and corrupt rulers and govern-
ments since history has been replaced by the exchange of commodities through the
use of money. That trick is to lay a secret and deeply hidden tax on the great
masses of people. Being afraid to tax the people outright, the political rulers in
some device way clip our coins. Then they give these clippers back to us either
in payment of present purchases of our goods and services or in payment of
bonds we previously purchased from them.

As herefore pointed out, the Treas-
ury has already used $675,000,000 of clippers to pay off bonds.

Now, what has the whole gold and monetary policy of this administration
done that has been its effect upon our economy?

It has destroyed our standard unit of value. Nothing that their political rulers
could not do could have been more fatal to the happiness and welfare of any
people.

It has destroyed the free and voluntary contract process and replaced it with
political coercion and regimentation. The objective evidence of this is manifest
everywhere. We see it in the disregard to the meritorious condition of new long-term contracts and the
new capital market. Long-term private contracts in the last 10 or 11
years have averaged annually less than 35 million dollars when that they were the 10
preceding years.

We see it in the huge volume of idle funds in the banking system, the like of
which has never been experienced. It should be noted, however, that the vast bulk of the idle funds in the
banking system does not represent real savings or material assets, but represents
the inflation created by the gold-buying policy.

The destruction of the free-contract process is even more manifest in the de-
terioration of old capital, capital already invested in industry. The National
Industrial Conference Board shows there was a shrinkage in net capital in manu-
facturing industry of about $14,000,000,000 during the period from 1930 to 1937.

We see it in the wholesale taking over of
private industry by our political
rulers. We see it in the rapid pro-
gressive regimentation of all groups-
business, labor, and agriculture.

The free-contract process is the well-
spring of human and property rights. It is the source of the highest wages for labor and the fullest employment. It is man’s inalienable right to keep his
produce and to maintain the most equitable distribution of wealth. It is
through and by means of this process

that man’s higher value assets are devel-
oped.

That the contract process is the
foundation of human liberty and civiliza-
tion lies on the record.

The gold policy of this administration, having destroyed the free-contract
process, has ipso facto destroyed all these great sources of human achievement
and happiness.

The debasement of money, in whatever form, always involves the destruc-
tion of the free-contract process. All the great nations of the world who have
given consideration to this important subject have recognized this and the vital
role the free-contract process has played in the development of the individual
and civilization.

All of them have recognized the evil
effects which debasement has had upon
the lives of men—the destruction of pro-
ductive industry, the oppression and
terror, and the deterioration of the morals of the people. But, more par-
adoxically, we recognize that the evil effects of debasement fall more severely upon the poorer and more
industrious classes, that they press less severely upon the rich and the idle.

These effects are all the more
always in the interest of the more dishonest and cunning of the race.

Said the great Mr. Horner in the House of Commons, in his famous speech on the
need of his country returning to specie payment, or the free circulation of gold:

With respect to the word "coin," what is it? Does it mean anything in the same sense as the standard
coin of the King's assurance to his subjects that their property shall be pro-
tected, that the coin shall be of such a weight and value necessary to give to all in their dealings an equal security and an equal par-
chament of justice.

The bullion report of the select committee of the House of Commons, which I
regard as the most profound study ever
made of money, and which I think is so
regarded generally by students of money,
refers to the debasement which was then afflicting Eng-

lacl, says:

By far the most important portion of this effect is apparent to be that which is communicated to the wages of com-
munity labor, the rate of which, it is well known, adapts itself proportionately to the changes which happen in the value of money
than the price of any other species of labor or com-

moniary.

Polakuh Webster, who, as I recall, was a merchant in Philadelphia during colonial
times, who experienced the evil effects of debasement, which was in the form of
inconvertible paper currency known as bills of credit, had this to say of it:

We have suffered more from this cause than from every other cause in calumny, he has
said, and the interests of our country more, and done more injuries than even the arms and
artillery of our enemies.

Daniel Webster was no more sparing in his condemnation of debasement, as
he said:

A disordered currency is one of the greatest politi-
cal misfortunes, one of the virtues
neces-sary for the support of the social system and encourages prosperity instru-
ces in its various social classes, to work industri-
ously, thriftily, and contentedly, thus
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artillery of our enemies.
Mr. COCHRAN. Mr. Chairman, I yield 10 minutes to the gentleman from California.

Mr. VOORHIS of California. Mr. Chairman, I yield 10 minutes to the gentleman from California. I have a question for the gentleman who has spoken this bill, so far as I know, who has yet yielded.

Mr. AUGUST H. ANDERSON. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. Yes, Mr. Chairman.

Mr. AUGUST H. ANDERSON. Mr. Chairman, I yield to the gentleman from California. I yield to the gentleman from California.

Mr. DEWEY. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. Mr. Chairman, I yield to the gentleman from California.

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Mr. AUGUST H. ANDERSON. Mr. Chairman, I yield to the gentleman from California.

Mr. DEWEY. Mr. Chairman, will the gentleman yield?
But gold is important in the settlement of international balances, and unless you are going to go to the barter system, it is going to continue to be important in the settlement of international balances.

[Here the record fails.]

Mr. COCHRAN. Mr. Chairman, I yield the gentleman from California, Mr. VOORHIES, a audible voice.

Mr. VOORHIES of California. Mr. Chairman, I yield the gentleman from California, Mr. VOORHIES.

Mr. William T. Peiffer. Mr. Chairman, will the gentleman yield?

Mr. VOORHIES of California. The gentleman from California, Mr. VOORHIES, I yield to the gentleman from California, Mr. VOORHIES.

Mr. William T. Peiffer. I would like to know whether it is the gentleman’s idea, in following out his line of reasoning, with regard to the bill of removing these powers from the hands of the President and leaving it to the Congress, that the gentleman means to beguile that, that that great grant of power should remain permanently vested in the President and taken away from the Congress.

Mr. VOORHIES of California. My colleague, Mr. VOORHIES of California, I think I made myself clear in the beginning of this speech. Was the gentleman present then?

Mr. William T. Peiffer. Yes.

Mr. VOORHIES of California. Then I shall say it again. My belief is that this Congress should consider a piece of over-all legislation which would set up as an agent of Congress operating under direct mandate of Congress, a monetary agency charged with all of these powers, concentrated in the hands of that agency, and exercising exclusive the right to create money.

That is my position, and I would hope that very many of the advocates of the present bill would support such a proposition. But I am by no means convinced that there is a single appeal to which I cannot answer, because for such legislation regularly ever since I came here.

Mr. William T. Peiffer. Then do I understand that the gentleman favors the present bill?

Mr. VOORHIES of California. My position is that this bill is vastly better than what the American people need at the present time. Once you get the bill into its proper shape, it will not, I think, come up to the American people’s standard of excellence. In other words, it is vastly better if I cannot get all I want, to at least have an official responsible to the American people, and responsible in these powers, rather than leave the power of manipulation in the hands of private financiers.

Gold is to be used at all and undeniably it will be to settle international balances, then the only way in which our domestic currency can be protected against international gold manipulation is by having our gold to be exercised by a representative of the people, responsible to them, and I would add to have ownership of it vested absolutely in the American people.

Mr. Thomas P. Ford. Mr. Chairman, will the gentleman yield for a suggestion?

Mr. VOORHIES of California. I yield to the gentleman, my good colleague from California.

Mr. Thomas P. Ford. Is not the stabilization fund, brought down to boost banks, just a shotgun in the corner?

Mr. VOORHIES of California. I think most of these things are that, yes.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. COCHRAN, Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. VOORHIES of California. I hope I shall not use all of that time. I want to make a couple of observations about some things that have been said on the purchase of gold.

First of all let me say this: We hear a great deal about the downfall of France. I do not know how many Members realize that the fact that the Bank of France was controlled by a board of directors, one-third of whom had to do with the Government of France, and the other two-thirds being private individuals. The Bank of France was responsible and was to a position to be responsible for lending credit to the extent that it could afford it and to conduct the business of France at that time. Mr. Blum, against whom so many charges have been made, proposed a sharp increase in the Central Reserve Bank in California, and if there was anything that happened was a vast export of gold out of France so that it was not possible to get that gold through.

The only thing we have left is a position that is another reason why I am in favor of this bill.

When the Treasury makes gold purchases, as a matter of fact, when that gold comes into the country it comes into some bank some place. According to law, it must be delivered to the Treasury. The Treasury takes the gold, pays the gold with a check on its balance with the Federal Reserve bank of the district in question, then repays its account with the Federal Reserve bank of the district in question, and pays the gold to that Federal Reserve bank gold certificates.

In my view, such payments should be made in United States currency and any gold would that gold ought to actually be in the hands of the American people. If that were true, I think we would be in a clearer position and able to get the gold that we want. But what we are paying for the gold, as I have pointed out already, is not the gold itself. Good as our deposits are certainly equal to that gold, it is simply the gold itself, and we would get the gold used to actually be in the hands of the American people. If that were true, I think the idea is that we are in a position to get the gold and to do it, we could do it by importing more than we export.

I could make a long speech about how that might be made possible and still economically desirable for the American people.

I close by saying that, as I have already suggested, I think we could vastly improve the use to which we put those metals once we had them in our possession, and I think it is long to the American people. I think they should be used as a base for Government credit instead of interest-bearing bonds. When we make out these bonds, people are not getting the result that they are entitled to, because they are not being able to get the result that they are entitled to, and some of these. As a matter of fact, today we have $2,751,000,000 of entirely free silver stockage and gold in the Treasury which can be used for any of these purposes, if necessary. It is a good idea that the American people find themselves in an independent position as they do with regard to real estate and property. We do not want them to be in a more dependent position than they are now. This is no time to remove these powers. It will be no more convenient or helpful to give to a foreign power than it is to a close, foreign power, the welfare of our American people. We do not need to be able to sell our gold to a close, foreign power, the welfare of our American people. We do not need to be able to sell our gold, but it is not any more convenient or helpful to give to a foreign power than it is to give to any other society.
MR. COCHRAN. Mr. Chairman, I would like to make a few remarks in answer to the statement of Mr. Voss in the debate on the recent resolutions of the Senate and the House, which were passed in the last session of the Congress. I believe that the resolutions of the Senate and the House were well founded and fully justified in the interests of the country.

The resolutions deal with the question of the divestiture of certain public lands and the transfer of the revenues derived from these lands to the Federal Treasury. The purpose of the resolutions is to prevent the continued divestiture of the public lands and to ensure that the revenues derived from these lands are invested in the national debt.

I believe that the resolutions are well founded and fully justified in the interests of the country. The public lands are a valuable asset and should be preserved for the benefit of future generations. The transfer of the revenues derived from these lands to the Federal Treasury will ensure that these revenues are used for the benefit of the country and not for the benefit of private individuals or corporations.

Mr. Voss made a number of points in his statement, but I believe that the resolutions of the Senate and the House were well founded and fully justified in the interests of the country. I urge the members of the House to support the resolutions and to ensure that the public lands are preserved for the benefit of future generations.

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Mr. COCHRAN. Mr. Chairman, I yield 10 minutes to the gentleman from California (Mr. Voorhis).

Mr. VOORHIS of California. Mr. Chairman, I yield to the gentleman from California.

Mr. COCHRAN. Mr. Chairman, I yield.

Mr. VOORHIS of California. Mr. Chairman, I yield to the gentleman from California.
But gold is important in the settlement of international balances, and unless you are going to go to the barter system, it is going to continue to be the standard of the settlement of international balances.

Here is the debate:

Mr. COCHRAN. Mr. Chairman, I yield the gentleman from California his time.

Mr. VOORHIS of California. After all, when we come right down to it, the real reason why so much gold has come into the United States is not that the foreign government thought it was important, but that the United States has a larger gold reserve. That is the reason why this bill should be defeated. Should not we, in the United States, think that, that that great grant of power should remain permanently vested in the President and taken away from the Congress?

Mr. VOORHIS of California. I think I made myself clear in the beginning of my speech. Was the gentleman present then?

Mr. WILLIAM T. PHELPS. I was.

Mr. VOORHIS of California. Then I shall say it again. My belief is that this Congress should consider a piece of over-all legislation which would set up as an agent of the Congress operating under direct mandate of the Congress, a monetary agency charged with all of these powers, concentrated in the hands of that agency, and exercising exclusive control over the reserve bank and its instruments of money. That is my position, and I would hope that, not only in the next session of Congress, but in every session of Congress, that very many of the advocates of the present bill would support such a proposition as a means of convincing the American people that the banks have been specially created for such legislation regularly ever since I came here.

Mr. WILLIAM T. PHELPS. Then do I understand that the gentleman favors the present bill?

Mr. VOORHIS of California. My position in this bill was vastly better than what would otherwise result in financial chaos. In other words, it is vastly better, if I cannot get all that I want, to at least have an official responsible to the American people to exercise these powers, rather than leave the power of manipulation in the hands of private financiers.

If gold is to be used as all and undoubtedly it will be to settle international balances, then the only way in which our domestic currency can be protected is for gold to be exercised over by a representative of the people, responsible to them, and I would add the representative of the people most real in the people as a whole.

Mr. THOMAS F. FORD. Mr. Chairman, will the gentleman yield for a suggestion?

Mr. VOORHIS of California. I yield to the gentleman, my good colleague from California.

Mr. THOMAS F. FORD. Is not the stabilization fund, brought down to bar a much, just a sham in the corner?

Mr. VOORHIS of California. I think most of these things are yes, yes.

The CHAIRMAN. The time of the gentleman from California has again expired.

Mr. COCHRAN. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. VOORHIS of California. I hope I shall not use all of that time. I want to make a couple of observations about some of the things that have been said concerning the purchase of gold. First of all let me say this. We hear a great deal about the downfall of gold. I know how many Members of the House realize the fact that the Bank of France was controlled by a board of directors, one-third of whom had to do with the Government of France, and the other two-thirds being private individuals. The Bank of France was responsible, and was in a position to be responsible for reducing credit to the people of France. The public of France at that time, Mr. Blum, against whom so many charges have been made, proposed a sharp increase in the rate of interest, and it is quite possible what happened was a real export of gold out of France so that it was not possible to get that bill through.

When the Treasury takes gold purchases, as a matter of fact, when that gold is coming into the country it comes into some bank some place. According to law, it must be delivered to the Treasury. The Treasury takes the gold, pays for the gold with a check on its balance with the Federal Reserve bank of the district in question, then replenishes its account with the wealth that has been obtained by delivering that Federal Reserve bank gold certificates. In my view, such payments should not be made in gold certificates, but rather in some form other than gold certificates, for I believe that gold ought to actually be in the hands of the American people. If that were true, and the President could have some way of knowing and understanding the whole thing better.

But what we are paying for the gold, as I have pointed out already, is not the best deposit of the American people's power to produce wealth which we send out of the country in greater quantity than we import. As long as we want to do that you will have a situation where gold will flow into the United States. If you want to change that, you might as well understand that, in the long run, the only way we can stop it is by importing more than we export.

I could make a long speech about how that might be made possible and still recognize the American people, but I shall not do it.

I close by saying that, as I have already suggested, I think we could vastly improve the use to which we put these metals once are acquired. We have a responsibility belonging to the American people. We think they should be used as a base for Government credit instead of interest-bearing bonds. I think we need to think thoroughly about some of these matters. As a matter of fact, today we have $3,781,000,000 of entirely free silver seigniorage and gold in the Treasury which can be used for any of these purposes, if necessary. It is a good idea that the American people find themselves in an independent position, not as debtors, but as creditors, with regard to the debts of our Nation being in a position to protect our currency against the devaluation of other foreign currencies. To my mind, these powers should not only be kept in...
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AMERICAN ACTUALLY USED IN THE TREASURY DEPARTMENT, THAT IN SUCH A CASE, THE UNITED STATES BANKERS WOULD TREAT THE UNITED STATES AS IF IT HAS NO OTHER RESOURCES THAN THE RESOURCES CONTAINED IN THE DEPARTMENT. THIS WOULD BE THE CASE, NOT ONLY IN THE UNITED STATES, BUT ALSO IN MANY OTHER COUNTRIES, INCLUDING THOSE WITH THE SAME RESOURCES AS THE UNITED STATES.

I should also like to point out that the United States has always been considered as a country with abundant natural resources. This is due to its vast territories and diverse climate. In addition, the United States has a long history of innovation and entrepreneurship, which has contributed to its economic growth and prosperity.

Furthermore, the United States is known for its high levels of education and technological advancement. This has allowed the country to develop new industries and expand existing ones, creating new opportunities for growth.

In conclusion, the United States is well-positioned to benefit from its abundant natural resources and its strong economy. By utilizing these resources and continuing to innovate, the United States can maintain its status as a global leader and continue to contribute to the world's economic prosperity.

Mr. Chairman, I am sorry. I cannot agree with the position expressed by the gentleman from [State].

Mr. Chairman, I believe that the United States has a strong economy and is well-positioned to benefit from its abundant natural resources. By using these resources and continuing to innovate, we can maintain our status as a global leader and contribute to the world's economic prosperity.

In conclusion, the United States is well-positioned to benefit from its abundant natural resources and its strong economy. By utilizing these resources and continuing to innovate, we can maintain our status as a global leader and contribute to the world's economic prosperity.
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I would like to extend my congratulations to the Federal Reserve Bank of New York on its 100th anniversary. The Bank has played a significant role in the nation's economic growth and stability. It is a testament to the importance of central banking and the vital role it plays in our financial system. I wish the Bank all the best in its future endeavors.

Mr. Chairman, I would like to address the issue of international trade. As the world becomes increasingly interconnected, it is crucial that we work together to create a fair and balanced trading system. The Trans-Pacific Partnership (TPP) is one such agreement that seeks to promote economic growth and open markets for all countries. I urge my colleagues to support the TPP and work towards a more prosperous global economy.

In conclusion, I want to thank my colleagues for their hard work and dedication. Together, we can make a positive impact on the lives of the American people. Thank you.
values, likewise, the threat of confiscatory taxation and the possibility of Government price fixing makes exchange-rate policies and tariff policies extremely hazardous. Thus the poor widow knows not where she may safely invest her mite.

I appeal to you, my fellow members, to give your careful consideration to this subject. Forget about the center aisle and realize and weigh the consequences of your vote. Let us restore the economic stability and the political and constitutional control over the monetary system of our country. And, for one, I assure the country that Congress will exercise these prerogatives and that control fairly and squarely. (Applause.)

Here the vote fell.

Mr. RHODES of Illinois. Mr. Chairman, I yield 30 minutes to the gentleman from Minnesota (Mr. ANDRESEN).

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I am not an expert on money. I am not one of that group of distinguished friends of the gentleman from Missouri (Mr. Cochran), who has received his instructions from his collaborators down at the other avenue. I am not one to approach this problem and the money question from the viewpoint of a lawyer trying to use good, common horse sense in analyzing what should be done for the best interests of our country.

Many of the experts who were in favor of this present monetary scheme have predicted that for 7 years and 14 months no harm will be done. They would not very well do otherwise and maintain their positions, so we cannot but appreciate that they are faced in this opinion when they recommend that Congress continue this authority in the President of the United States for another 2 years. I am sorry to give you that argument, but I am putting it on the same level.

Mr. COWAN: Senator Franklin Delano Roosevelt, the President of the United States, and Mr. Franklin Delano Roosevelt, the public man, and Mr. Franklin Delano Roosevelt, the President, and he wanted sound money in this country. He ran on the famous Democratic platform of 1928 in which the people voted in and out of this chamber and most of the people subscribed to that platform. He wanted sound money. Mr. Roosevelt was elected and took office on March 4, 1933. He and his associates began searching around for ideas to give the people of this country the means by which they could use these ideas. In the search for ideas they discovered there was a noted English economist who had come to the United States and who had certain brilliant ideas about money. His name was John Maynard Keynes, a recognized authority in this subject matter of the money question; and, by the way, he is now in the United States advising the administration on what kind of a tax bill we ought to pass in the Senate, and at that time he thought it would be a good idea if we would adopt a new monetary policy in this country. And he did so, particularly with reference to the purchase of silver goods. For England or the British Empire produces two-thirds of the world's supply of silver. So he had to do with Professor Warren and another noted respected monetary professor of Cornell, who in turn sold the idea to the President of the United States, and that idea was being asked here today to continue until June 30, 1943.

Mr. WHITE. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I am sorry; I cannot give you my decision on this subject. Forget about the center aisle and realize and weigh the consequences of your vote. Let us restore the economic stability and the political and constitutional control over the monetary system of our country. And, for one, I assure the country that Congress will exercise these prerogatives and that control fairly and squarely. (Applause.)

Mr. VORYS of Ohio. Mr. Chairman, I yield to the gentleman from Minnesota.

Mr. VORYS of Ohio. The gentleman uses the phrase, "make a profit off malding gold securities." Mr. AUGUST H. ANDRESEN. By that I mean that if you have 150 million that you sold for $50 an ounce, you determine that those horses are worth $100 an ounce and raised the price to $50. That is, you raise them up. Then you will be in very mind a paper profit on your book of $50 for each horse, and that is about the way this has happened, because we cannot sell the gold to anybody in the world and we are buying all the gold of the world. In fact, we now have 15 and 25 per cent of the supply of gold in the world.

Mr. VORYS of Ohio. I do not understand this monetary theory very well, but when you mark it up, when you give yourself a profit, all you do is inject it into the system. Is it not so? You simply issue more money, and that is right, but let us get to the point that so that if everybody was smart and the work perfectly worked, prices would change accordingly, because there is no place behind the money than there was before.

Mr. AUGUST H. ANDRESEN. I shall go into the details of that in a little while, and I believe that I can explain it in satisfaction of the gentleman.

Mr. JONKMAN. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I shall yield in a few moments. I am going to refer now to the $2,000,000,000 of paper taken in 1934 and used as a stabilization fund. Some of my colleagues have already pointed out that only $200,000,000 of the $2,000,000,000 has been used as a stabilization fund. One billion eight hundred million dollars has been lying dormant. During all this time we have sold billions of dollars of our gold stock to other people, and each year we have lost $40,000,000 of interest on that dollar stock in the stabilization fund held by the Secretary of the Treasury. The Secretary of the Treasury does not propose to use that $1,000,000,000 for any other purpose. He says that $200,000,000 is sufficient capital for all the operations of the fund. The fund ceased to operate at the beginning of World War No. 2, so that there is no reason at all for the stabilization fund in any manner whatsoever. Originally the purpose of the stabilization fund was exchange stabilization to the American dollar. We depreciated our money to meet the British pound and the French franc in 1934—1936, deflation, and our money in America would be on a par with the French franc and the British pound and other currenecies where they had deflated in 1914 and 1939.

Mr. chair, Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. In a moment. Since that time these same countries like England and France and
every other country in the world have had to devalue their currency and their money is now out of line with the American dollar. If we are to be consistent here and make our goods and services competitive, we should have another devaluation in the United States too. After all, when we have another devaluation just as we had the first one, we are saying we are doing in the world dictate the monetary policy of the United States and such action should not be taken.

Mr. MAAS. And does not the gentleman feel that that will prove to be the fact that there will be a devaluation to meet the depreciated currency of the other countries?

Mr. AUGUST H. ANDRESEN. That has already taken place. Take, for instance, the Canadian dollar. There is a 10-cent premium on the American dollar in Canada. An ounce of gold is now worth, as fixed by the President and the Treasury, $20 in the United States and $20.50 in Canada. Why? Because $20 in American money will buy $20.50 worth of Canadian money, and so we have caused a boom in the Canadian currency. Now we want to get the benefit of our monetary policy without a return benefit to the American people. If we want to get even with Canada, we should buy gold at the foreign market, and devalue our currency.

Mr. MAAS. What would happen if we attempted to restore the original price, if the Government ever attempts to do that?

Mr. AUGUST H. ANDRESEN. If we would go back to the original amount of gold in the dollar, which was around 23 cents, the price of gold would be brought back to $20.67 an ounce, as against $20.50 an ounce at the present time. We have $44,000,000 ounces of gold. For every ounce of gold we lose, we lose $844,000,000. So you can figure it out. Take 14.33 cents and multiply that by 44,000,000 ounces and you see that tremendous loss the Treasury would have to take.

Mr. GIFFORD. Will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield. Mr. GIFFORD. Following all the reading I could find from the beginning of this stabilization fund, it was to stabilize the currencies of the world.

Mr. AUGUST H. ANDRESEN. That is right.

Mr. GIFFORD. For the first time at recent hearings we find it is to be used entirely for another purpose. Morgenthau says that this $1,800,000,000 is sort of a nest egg. "When we have to borrow money and pay too high interest, I will buy the bonds with it." It is entirely apart from the original thought and it is held as a nest egg to buy bonds if he has trouble buying from the public and he has had that four times already. Does the public know he has had troubles four times already?

Mr. AUGUST H. ANDRESEN. No. The public knows very little about money or what the Treasury is doing. In fact, most of the Members of Congress, unfortunately, rather feel that the money problem is so complicated that they would rather leave it to experts like the gentleman from Missouri [Mr. COCHRAN].

Mr. PLUMLEY. What do you do with the gentleman from Missouri [Mr. COCHRAN] and those down in the Treasury to dictate just what should be done.

Mr. AUGUST H. ANDRESEN. You say that. That is what the gentleman referred to means—that the dollars held by the American people to the tune of $1,800,000,000. The Secretary of the Budget, in his report to Congress, for the American people, that it was not saving interest, and that some day he was probably going to do something with it. I called it the absolute need for money to pay for our national defense, and I asked him who was to defend this national defense for: if that was not for all the American people, and I suggested to him that we use this $1,800,000,000 to help pay for the national defense of all the American people. He said we would not do that; that he wanted to keep this for a nest egg. Maybe, later, it will come handy some day when we figure that our national debt will reach $100,000,000,000. If it is not there already.

Mr. PLUMLEY. I want to ask you what you say if we are in danger in this country, particularly when we are spending about $50,000,000,000 for national defense to protect all the American people. If we don't have the available money, without continuing to pay interest and raise exorbitant taxes, I strongly favor complete defense for our country. Our budget should be set full value for every dollar spent for this purpose.

Mr. GIFFORD. Did the gentleman hear the gentleman from Texas when he said this means that to him a dollar could save $1,000,000 in a mortgage in 20 years, and connected with this? Can you connect it with this?

Mr. AUGUST H. ANDRESEN. Not at all, because, after all, the agencies of the Federal Government during the past 7 or 8 years have really taken up the function of loaning money to the people on all kinds of need, so that it is impossible for an individual or a bank or an insurance company to go out in the market and compete with the Government.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield. Mr. CURTIS. Will this bill carry a continuation of the authority for the purchase of foreign gold?

Mr. AUGUST H. ANDRESEN. It does, and I am coming to that in just a moment.

Mr. CURTIS. Will the gentleman tell us what the effect of that has been upon the Japanese-Chinese situation, when he reaches that?

Mr. AUGUST H. ANDRESEN. I hope to discuss that in just a moment.

Mr. PLUMLEY. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. Yes; I yield.

Mr. PLUMLEY. I am surprised to find, Mr. Chairman, that on the 7th day of October, 1940, I said in this Congress that a subsequent Congress granted the Secretary of the Budget the right to impose taxes. That is up your alley. "They gave to the President the authority to fix the value of money, a power so great over the lives of men, as never before to have been enjoyed by a complete despot." I said it then, and I say it now.

Mr. AUGUST H. ANDRESEN. I thank the gentleman for his contribution.

Mr. PLUMLEY. Mr. Chairman, will the gentleman yield?
MR. AUGUST H. ANDRESEN. I yield.

Mr. REED of New York. We have also added them $1,000,000,000 recently.

MR. AUGUST H. ANDRESEN. That is on top of this.

MR. JONKMAN. Mr. Chairman, will the gentleman yield?

MR. AUGUST H. ANDRESEN. I yield.

Mr. REED of New York. We hope the gentleman will not force us to sell the supplies we purchased in 1933. The time Finland was making our gallant fight for life.

MR. AUGUST H. ANDRESEN. No. 1 was coming to that.

Russia has produced $1,250,000,000 worth of gold since we inaugurated this policy—$1,250,000,000. Much of it found its way into the United States Treasury. Russia benefited for all of her gold production, because our Treasury fixed and maintained the world price at $35 per ounce.

In every country in the world, including Japan, Germany, Italy, and England, have been parties to selling the United States $18,000,000,000 worth of gold. They have enjoyed our bounty and the profit on their gold. This profit alone amounts to a gift of $6,000,000,000, a gift from the American people.

Our duty is to stop such a program. We should take this power away from the President, and we can take it away from him if we adopt amendments that will be offered here today.

MR. JONKMAN. Will the gentleman yield?

MR. AUGUST H. ANDRESEN. I yield to the gentleman from Michigan.

MR. JONKMAN. Is it not possible that some of these war materials furnished to Japan during the years might have found their way to some of the other Axis powers?

MR. AUGUST H. ANDRESEN. There is no possible way that, because of these materials landed in Japan, the record shows that they are finding their way to Russia, Germany, and even down to Italy, where they are now using these materials against friendly democracies.

Mr. Chairman, for the benefit of my good friends from the South, I want to point out one more thing. I have stated that we purchased between fourteen and fifteen billion dollars of foreign gold, most of which lies buried down here in the ground in Kentucky. Do you know how much the gold is? I am going to tell you how much it is.

All of the real estate, the personal property, the farms, the mines, the railroads, the furnishing of anything else of any value in the following Southern States does not equal the value of the gold that we have purchased from these foreign lands. This Fantastico New Deal monetary scheme.

The total value of everything in these States amounts to $12,947,000,000; yet through our beneficence we have purchased $15,000,000 worth of foreign gold that now lies buried down here in the ground in Kentucky. You can guess as to its real value.

We have given away the equivalent in value of 31 billion dollars in the United States. Who got it? People who were only interested in the United States for what they could get out of her.

Did this program increase prices in the United States? Well, it was just the opposite. It did not. Foreigners sold us $15,000,000,000 worth of gold. They put the money in the banks and bought war materials and American securities with it—so interest in American business. They took the stock back with them and they were now drawing dividends. We have to pay those dividends in gold. You will find, for instance, that most of the American securities these people bought are purchased with that premium money we gave them for their gold, we will probably pay out of American gold as interest and dividends.

We are again playing the Uncle Sam as one of my colleagues stated a short time ago.

If you vote for the amendments that will be offered to the bill, I am sorry if I have not more time to finish my argument. [Applause.]

[Here the gavel fell.]

MR. COCHRAN. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, the gentleman from Minnesota certainly has my sympathy. I realize that he cannot be an expert on topics foreign to him. Naturally, when he gives so much of his time to such a problem, he has little time to spend in studying monetary problems. I appreciate the gentleman's reference to my ability, this subject being so far removed from my mind. But I want to ask the gentleman from Minnesota if it is not true when he has great farm problems in the South, his inability to help the farmers, he is not the farm organizations to find out how they are going to look at the question, and then, when he determines how the great farm organizations feel, if he does not follow the leaders' advice in the interest of the farmers.

I call the gentleman's attention again to the letter the American Farm Bureau wrote to every member of this House—and it has never before been recalled or changed—in which that organization appealed to us in the interest of the farmers, and the merchants, and the people with the lowest possible prices. We have been xerisjnig and hearing grave results if we did not do so.

The gentleman is rather critical in his remarks of me because he said I go up to the floor of the Senate to secure my information on this subject. I contend that when I am seeking information I go to the best available source, and I feel in this instance that the best available source is the Secretary of the Treasury and the Treasury Department. Yes, I go there; yes, I secure my information there; and the information I secured is found in this instance. Follow that advice with me and you cannot go wrong.

The gentleman spoke of Japan. Are we at war with Japan? Does the gentleman want to create a situation that might force Japan to declare war upon us? The gentleman says that we are selling our goods to Japan. So long as we are at peace with Japan, should we not sell our goods to Japan? Does the gentleman demand we stop all trade with Japan?

I do not know where the gentleman gets his information, but I want to know where he will admit what we are doing to Japan today, to Russia, and finding its way into Germany. I do not know whether that is true or not, and I venture the assertion that he does not know positively that it is.
So far as I am concerned, I am not a bit behind in believing the gentleman who said the information I have given to the House upon this very delicate subject—upon a subject that concerns every man, woman, and child in the State—has been very much misrepresented by the Secretary of the Treasury. The man who reported to me this very day is the man who states that the Secretary of the Treasury told me, and I am told, for what is it of the most essential importance to our financial program as our Navy is to our national defense, that the Government had made good its capital. The Netherlands Bank lost its capital, and the Government found not enough, and the people found not enough. I am told it was not seen at all.

In the course of stating the Bank of France lost several times its capital, and the Government had made good its capital, the Netherlands Bank lost its capital, and the Government found not enough.

In the trouble that followed they could not trust the Bank.

When they are talking about the Bank of France, let me tell you what the Bank of England is. Gold was so scarce as a result of the war, there had been such a strain placed upon gold, the law of supply and demand had made gold so increasingly high in terms of commodities or anything else with which you may measure gold, that its value had gone way past the price we finally legalized, $335 an ounce. It is said, about this, that the law was increased because yesterday, or else was failing, that depression and distress were overtaking this country, this one of the reasons that some monetary legislation of some monetary plan had to be worked out.

Let me tell you something about the operations in gold and how they affected our monetary capital. I have in the past been speaking of the banks in other countries that had very low gold reserves covering their currency. If an exporter in this country found a customer in a country that was particularly in need of something for export because the nation had been suffering from a financial crisis, I could sell my gold and buy exchange, and then buy gold for the physical gold, and the customer would buy the gold at a lower rate of exchange, and the Government would sell gold at a lower rate of exchange.

I could then sell that gold to the Government for a price that was less than the price at which I could buy it.

We have gone back a thousand years in international transactions. We are not confined to the expedient of barter. We are going through the claus to meet today the season of gathering up our cotton and our wheat and bartering them for silver and silver, whereas if we had the proper system of international exchange we would pay cash and eliminate all these exchanges and charges for proliferating the basis of the barrier system, I am going to bring you to a situation that I would call the attention of the Members to that situation, and ask for this legislation.

Let me read a little further. This is Mr. Vandenberg testifying. He was former Assistant Secretary of the Treasury, president of the National City Bank of New York, and chairman of the New York Clearing House. He is talking now about the situation that made the stabilization fund necessary in this country:

"But these same influences of that international capital movement which were much more menacing than those more-or-less normal movements of capital. When England went off the gold standard, a gold bullion of about $100,000,000, as it was appropriated to finance the stabilization fund. That sounds innocuous, but Parliament had a perfect right to do it, unless the money was needed to prevent violent fluctuations of the pound in foreign exchanges. How could we prevent that? Could we maintain our foreign exchanges, by throwing across our capital without any relation to foreign trade? One hundred and forty million dollars, dropped into the foreign exchanges, is enough to cut the pound in half, and it was not known that it was not enough. It was quickly increased by £250,000,000. It was the stabilization fund. To one hundred and forty million dollars, is dropped into the foreign exchanges, to be handled by a gentleman sitting in the chair as the governor of the Bank of England.

It is a movement of capital across borders, that today is as dangerous as an armada of airplanes. It is moved for the purpose of the welfare of English commerce. Now you may say that is also in the welfare of the world. It may or may not be, but certainly was not moved any design for our welfare, and has demonstrated that it is a time that the gold standard must be guarded against.

Quoting further from Mr. Vandenberg:

"It was an account that placed in the hands of the governor of the Bank of England such a large sum of money, that any relation at all to foreign trade movements.

Now, there is another account of non-commercial stocks that were issued to the Bank of England. It is brought to large enough sums, as it was little over a year ago. The issue of the Bank of England, in this case, is redeemable in gold, and do that with any amount of gold for the purpose for which the gold is used. That makes your monetary gold stocks in a way that would threaten or might actually put your financial standard.

Boarders withdraw in the neighborhood of six hundred million of gold a year.

Now, remember that $1,000,000,000 of gold must be multiplied by 10 times that demand on your bank loans. And if you are using your bank loans for this, you are withdrawing from the open market of very large millions of paper, becomes an enormous importation of capital under such a situation. We do not, but if you do not want to set up an impermanent gold standard, you must mandate it against these matters. In accordance with the government policy. That is as dangerous to the financial system state as a charge of useless bullion that can be controlled, if you allow it to attach your monetary gold system. That made the gold fundamental one.

How, the gold standard worked for a century, because that in that case had no such movement of liquid capital. It did not exist. In the movement of liquid capital is the movement of gold. We have not in this country any large speculation in foreign exchange. In Europe that is a favorite occupation. Our speculators do not understand foreign exchange very well, and we have never attempted to form it. Foreign exchange is in France, in Belgium, in Switzerland, in England, and to some extent in England, these
The unprecedented financial and economic strains that are being placed on the country today are due to the unprecedented financial and economic strains that are being placed on the country today. The reason for this is simple: the country is being asked to lend itself to a system of paper money and credit that is not based on a solid foundation of gold and silver. This is a system that is not sound, and it is not going to work.

Mr. Chairman, the answer to this problem is simple: we must go back to a system of sound money, where the value of the dollar is backed by gold and silver. This is the only way to ensure that the value of the dollar will be stable, and that the economy will be strong.

The system of paper money that we have now is not working. It is causing inflation, and it is causing the value of the dollar to fall. The only way to stop this is to go back to a system of sound money.

Thank you.
upon the rank and file of the people for national defense, it seems to me this money that is now lying dormant and is drawing no interest at all and is being used to defend and protect all American citizens.

By not using this fund for the past 7 years and 4 months the Treasury has lost $40,000,000 a year of interest. The tax bills that will come before the House will contain many provisions. The committee is searching among them trying to find additional sources of taxation so as to raise just a few million dollars here and a few million dollars there. By using this money we can at least save $40,000,000 a year and at the same time spend this money so that it will be for the welfare of all the American people.

The purpose of the stabilization fund was to stabilize foreign currencies in their relation to the American dollar. The Government of the United States signed contracts with Great Britain and France to keep the exchange rate of the French franc, the British pound, and the American dollar. The operations under that agreement ceased when the World War II started, and since that time the fund has not functioned in any manner to stabilize the American dollar with respect to foreign currencies. All of these foreign currencies have fluctuated in value in relation to the American dollar. Many of the countries have issued block money where the country that sets the block money in the normal channels of foreign trade and spends such money in the country of origin. There are now no foreign currencies to stabilize.

Secretary Morgenthau said that the main reason he needed the stabilization fund was to have a pool of dollars in China. We are going to help China stabilize its currency and provide them with some foreign exchange so they can purchase goods here in the United States. Another reason was that we were lending about $40,000,000 to the Argentine to help them stabilize their currency and get foreign exchange in the United States.

These two items and any other items that they might want to use can be handled through the $300,000,000 capital stabilization fund which will be left and which Secretary Morgenthau indicated would be sufficient to take care of any of the needs they might have for such a purpose in the Treasury. I may be mistaken in my theory of the use of this money. It seems to me a good investment judgment if we have money that is not doing any interest we should use it rather than pay money and pay interest. If we have to borrow the money it costs us $40,000,000 a year, and if we use the money to spend for national defense.

The CHAIRMAN. The gentleman from Minnesota has expressed the opinion that the money in the stabilization fund be used for national defense.

Mr. WHITE. Mr. Chairman, this is a novel proposition and a novel position, taken by the majority members of the Coinage, Weights, and Measures Committee.
Mr. WHITE. Well, let us protect the American people, preserve our currency and protect our national economy. Let us continue the stabilization fund.

[The gavel falls.]

Mr. Chairman, I move to write out the last three words.

Mr. CHAIRMAN. We are just running for the statement.

Mr. RICH. Yes; you are just running it in the red every minute. I will give you another pick up. Pick up the statement of the United States Treasury and see what condition you have it in. It is simply awful. Every time you mention the Treasury you want to run away; they do not want to hear about what they are doing to it. When I speak of "they," I mean the New Dealers.

Mr. WHITE. We are just running for the statement.

Mr. MASON. Squanderers thirty billion.

Mr. RICH. They have squandered thirty-three billion and they will continue to do it if the President does not do it, because they do not have enough backbone to say to the gentleman in the White House "no." If my people would send me to Congress and I did not have enough backbone to tell the gentleman in the White House that I would not do the things that are wrong, do the things that would wreck this country and put this nation in jeopardy, I would be ashamed of myself.

Mr. RICH. No; I do not yield.

Mr. WHITE. How do you expect to get an answer if you do not yield? Mr. RICH. I want to tell you something. I do not want to hear you any more. [Laughter and applause.]

Mr. WHITE. That is very apparent. Mr. RICH. It is ridiculous, unscientific and embarrassing, the things you say.

Mr. WHITE. I know it is always embarrassing to a Republican to have his record pulled on him. Mr. RICH. You will find that the Republicans have always been able to take care of themselves. If I had to turn into Congress I would not be here; I just would not have the job at that price. [Applause.]

Let us vote for this amendment.

[The Speaker calls for the vote.]

Mr. GIFFORD. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. COCHRAN. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. I yield. Mr. COCHRAN. Mr. Chairman, I find that six gentlemen who desire to do so ask unanimous consent that all debate on this amendment and all amendments thereto close in thirty minutes.

The CHAIRMAN. Is there objection to the consent of the gentleman from Missouri?

There was no objection.
Mr. GIFFORD. Mr. Chairman, I support the amendment offered by the gentleman to use this $1,800,000,000. We note that the Secretary of the Treasury acknowledged that the tax to finance the public debt, which is set up in the bill, may need it for the public fund which it was set up for. He may need it possibly sometime after the war is over, but at the present time $200,000,000 is sufficient. To our amendment, however, he was opposed for the first time in the last 7 years that he wants to buy $200,000,000 in it, if he finds the public does not need it or if he is forced to pay a high rate of interest. I recall that this was denied when the purpose for which this money was to be used had been discussed on the floor of Congress. Many of us suggested it might be used for that purpose.

We should not continue this power, I suggested yesterday that the only way to stop the job was to arrest the shantyman or take his license away from him. And that is what some of us are trying to do. That is the necessity of the moment. When license is given to him, let us point out the roads that he must necessarily travel. These new unlimited therapeutics which have led into this mountainous debt and into a dangerous financial situation must be avoided. Congress should again take the wheel and assume its responsibility. If not, and now be our servant and not our master. Many Presidents seem to like to get into a position where they are the master.

W. H. Wilson, speaking in St. Louis, said:

"Things get very lonely in Washington sometimes. The real voice of the great people sometimes seems faint and distant in that arms race. You have politics until you wish that both parties were shot in their own eyes."

That is the respect President Wilson had for Congress.

Mr. WHITE. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. Mr. Chairman, I do not yield.

Mr. GIFFORD. I propose to read a few historic laws. It was your old masters of finance, great men of the Democratic Party, whose opinions no longer prevail.

The principle of spending money to be paid back within the same state of funding, is but winding power on a large scale.

This was said by Thomas Jefferson.

John C. Calhoun said:

A power has risen up to the Government greater than the people themselves, consisting of many and various powerful interests combined into one mass and held together by the exclusive power of the vast surplus in the hands.

And today we are trying to do something that produces surplus and we find a party in power opposing it, scorning the recommendations of their own competent advisers who have warned us and sistemas recommended that many so-called amended bills be now discontinued. I refer to the Federal Reserve Board.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. In just a moment I shall be pleased to.

I have read you what John C. Calhoun said. Grover Cleveland repeated it in almost the same words.

Thomas E. Dewey said:

"This new power was based on the basis of public expenditures and this new departure takes us into unforeseen and grave fields of civil penalties and coercions and gratuities."

The driver of this automobile has been scuffling free rides and free lunches until the supply has run out, and now he asks you to furnish him with gasoline and oil to go to some place over exactly the same road and scatter morelegse. He is high time the driver was deprived of his license and when it is renewed he should be given direction by the Congress as to the exact road he is to follow in this experimentation of coin clipping and other commodities with the Nation’s money and credit.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. Yes. I yield to the gentleman. Mr. PATMAN. Does the gentleman favor the amendment to put this $1,800,000,000 into circulation?

Mr. GIFFORD. I favor using this to buy bonds now instead of paying interest.

Mr. PATMAN. Does the gentleman favor the amendment or is he opposed to it?

Mr. GIFFORD. As I read the amendment I favor it if this money would be used to buy bonds instead of paying interest.

Mr. PATMAN. I do not believe the gentleman is answering my question.

Mr. GIFFORD. Yes, I am answering it; it is the gentleman who attempts to neglect my answer.

I have many notations here. I have read the hearings, not only the current hearings but hearing back in the other years when these powers were granted and renewed. Still again the President wants to extend this power against the advice of the entire Federal Reserve Board. Well do we now realize that this President of our desperate all kinds of delegated power and once given he will never consent to give them up. It is necessary to take them from him.

(Here the gavel fell.)

The CHAIRMAN. The Chair recognizes the gentleman from Texas (Mr. Payne) for 4 minutes.

LOW INTEREST IN PEOPLE’S FAVOR

Mr. PATMAN. Mr. Chairman, I do not believe that the gentleman who has just spoken can consistently be for this amendment. This amendment would put into circulation $1,800,000,000. One time when I offered a bill to pay the World War veterans much less than $1,800,000,000 it was branded as an inflationary measure. This proposal would put into circulation $1,800,000,000 more that would have been paid to the World War soldiers their so-called bonus certificates. I do not know of any amendment that has ever been offered that is base on inflationary as this particular amendment, and how those who want to avoid inflation can consistently argue in favor of this amendment. I cannot understand.

The payment of $1,800,000,000 into circulation means inflation to the extent of at least $12,000,000,000 under our present system. If you want to inflate the currency, you have $12,000,000,000 and do it immediately, qualify that amendment. I believe that those who should vote for this amendment. I believe in a certain amount of expansion of currency when it is needed, but I do not think you should go over the line any faster than you are doing. I believe that kind of a shock it would be to our economic and financial system to have injected into its economic veins $12,000,000,000 of new money without any looks whatsoever. However, those of you who want $12,000,000,000 pushed into circulation immediately should vote for this particular amendment.

Although I have been branded as an inflationist many times, I am certainly not that kind of an inflationist. I have always opposed the amendment that have opposed me in the past. The truth of the matter is, and the Members of the House might just as well recognize it now, the Federal Reserve System is in the hands of the big bankers of this country. When you hear the voice of the Federal Reserve Board you hear the voice of the biggest bankers in this Nation. They are jealous of the United States Treasury. They want this amendment in here. Why? Because the Treasury if it has this $1,800,000,000 will have some influence over this United States bond market. That is admitted. I am glad of it. It has a good, wholesome influence, it has something to do with interest rates, and I am glad for the Treasury to have it. But if this amendment is abandoned then the Federal Reserve will have succeeded in taking away from the Treasury an enormous power which they, representing the big banks of the country, want for themselves.

Those who favor the big banks against the people should vote for this amendment.

Mr. DEWEY. I am not of the opinion that the amendment is inflationary. I know that they are just as honest in their views as I am, but I am telling you the effect of it: and if you favor high inflation and are against low interest, you should vote for this. I am glad of the amendment.

I oppose this amendment. I will vote against the amendment. I am not willing to deprive the Treasury of it. If I had the confidence in the Federal Reserve Board that some people have I would be willing to strip the Treasury of all that power, but I do not feel that the United States Treasury, which is supposed to represent the people and does represent the people of an enormous power and turn it over to representatives...
of the pay banks, and I am opposed to it. [Applause.]

Hear the gavel fall!

The CHAIRMAN. The Chair recognizes the gentleman from Mississippi [Mr. Rawls] for 4 minutes.

Mr. RANKIN of Mississippi addressed the Committee. His remarks will appear hereafter in the Appendix.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. Smith].

Mr. SMITH of Ohio asked and was given permission to revise and extend his remarks in the Record.

Mr. SMITH of Ohio. Mr. Chairman, the claim that is made here that the Republicans are inconsistent in asking that the $1,800,000,000 stabilization fund that is not being used for that it will produce inflation if it is spent. It is used to pay for current or past bills, is very foolish.

Mr. WHITE. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Ohio. No; I cannot yield. I have said it for the last time now.

Mr. WHITE. Mr. Chairman—

Mr. SMITH of Ohio. Mr. Chairman, I refuse to yield.

The CHAIRMAN. The gentleman from Ohio declines to yield.

Mr. SMITH of Ohio. I am going to ask you this simple question. What are you going to do with the $1,800,000,000 stabilization fund? What is it going to do? What are you going to do with the $1,800,000,000 that has already been spent? What about the $750,000,000 of the so-called profit that has already been paid off bonds? What have you to say about that? What have you to say about the $15,000,000 the Treasury is carrying in its general fund? Talk about inflation.

Mr. WHITE rose.

Mr. SMITH of Ohio. Mr. Chairman, I refuse to yield.

Mr. WHITE. Mr. Chairman, I rise to a question of personal privilege.

The CHAIRMAN. The gentleman from Idaho cannot raise that question while the gentleman from Ohio has the floor. The gentleman refuses to yield and will proceed.

Mr. WHITE. Mr. Chairman, a point of order.

The CHAIRMAN. The gentleman will answer.

Mr. WHITE. The gentleman has addressed a question to me, and I want him to yield so I can answer it.

Mr. SMITH of Ohio. I have not addressed a question to anybody.

The CHAIRMAN. That is not a point of order. The gentleman from Ohio will yield.

Mr. SMITH of Ohio. You talk about inflation. You talk about the danger of inflation. If this $1,800,000,000 should be used to pay off the debt, it would be a danger of inflation. What would you do with the bank deposits of the United States? They have reduced them in value. You have depreciated them in value so that the bank deposits of the United States are worth only 70 cents on the dollar, and you are talking about $1,800,000,000 more producing a dangerous inflation.

Further, the statement was made that this would be paid to the Federal Reserve banks. It would not have to be paid to the Federal Reserve banks. It would go into circulation. The Federal Reserve banks would have nothing whatsoever to do with it.

Here is another thing about inflation. What is being done at the present time by the practice of depositing bonds in the banks? The Treasury simply deposits the bonds in the banks, and people against them. Do you think that the New Deal Party would be the last on earth to talk about the danger of inflation? Do you know that the President of the United States has not the power, if he cares to use it, to set into motion a potential inflation that already exists of about $400,000,000? Then you talk about the danger of inflation. Mr. PATRICK. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Ohio. No; I will not yield at the present time.

So that your argument that this $1,800,000,000 will be used as inflation amounts to this. You have already spent $400,000,000, which Mr. Smoot has already stolen the first apple. What can we expect you to do following that? We expect you, of course, if you have the opportunity, to explain away all of our apples. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. Worley].

Mr. WORLEY. Mr. Chairman, I wish I knew more about the monetary system in America than I do. I wish I could say the bill under consideration is a perfect bill, and I wish I could say that everything the majority party has done toward this particular piece of legislation has been perfect, and I wish I could say that it would be a panacea for all of our economic ills, but, in all fairness and in all candor, I cannot do it, and I do not believe anyone else can.

The amendment which was offered by the gentleman from Minnesota was adopted by the Committee on Coinage, Weights, and Measures by him. Treasury was obtained by the Treasury, the Morgenthau, relative to this particular amendment, and I quote from the hearings of the committee. Mr. Morgenthau's reasons are these:
upon to express his views on the matter.

[Laughter and applause.]

**The CHAIRMAN.** The Chair recognizes the gentleman from Missouri (Mr. Cochran) for 4 minutes.

**Mr. COCHRAN.** Mr. Chairman, I do not belong to either class that the sentiment from South Carolina referred to (Laughter.) I make no pretense of being an authority on money. We have seen outstanding bond issue news, paying 4½ percent. I do not believe we can recall them until 1925. In the meantime we must keep that obligation and pay 4½ percent interest on those bonds until the time arrives when we can recall them.

The Secretary of the Treasury has told us, "Let me have this money and as long as I have the money I am not going to be dictated to by the money interests of this country as to the rate of interest I am going to be required to pay to run your government when I need money."

The Secretary of the Treasury also states that an increase of one-tenth of 1 percent is the average rate of interest on the public debt. Would it not be to the entire interest saving that might result from the use of the stabilization fund of the Reserve Banks a small part of the national debt? With your Secretary of the Treasury making this statement, it seems to me we should follow him and therefore, I hope the amendment will be defeated. Mr. Chairman, I ask for a vote.

**The CHAIRMAN.** The question is on the amendment offered by the gentleman from Mississippi (Mr. Augustus H. Anderson).

The question was taken and on a division demanded by Mr. Augustus H. Anderson there were—ayes 56, noes 118.

So the amendment was rejected.

**The Clerk read as follows:**

Mr. AUGUST H. ANDERSON, Mr. Chairman, I offer an amendment.

**The CLERK read as follows:**

Amendment offered by Mr. Augustus H. Anderson:

On page 2, at the end of line 9, insert: "No contract between the United States and the seller of any commodity at a price in excess of $500 an ounce."

Mr. AUGUST H. ANDERSON, Mr. Chairman, the amendment which I have just offered was proposed in the Committee on Agriculture, Weights, and Measures and was adopted by a majority of that committee a week ago last night, and I believe that the majority of the committee members voted for the action and on the next day this was a special meeting and reinserted it and the amendment

ment was then defeated by a strict party vote, the majority at that time all voting against the amendment.

I am opposing the amendment at this time and in the few minutes I have I want to explain it to you. We have already under the New Deal monetary policy purchased nearly $1,000,000,000 worth of foreign gold at $33 an ounce. Our total gold supply in the Treasury is $2,580,000,000 as of May 23, 1933, days ago. In addition to the gold in the Treasury there is around $1,000,000,000 in earmarked gold in the banks in New York, earmarked and held for foreign countries and individuals. This money will eventually find its way into the United States Treasury and we may well have between $5 and 10 percent of the total world supply of stabilizing gold to the Treasury of our country.

My amendment seeks to peg the price paid for foreign purchase of foreign gold at $33 and $35 an ounce. All other amendments in words, my amendment fixes it so that the Treasury cannot pay more than $33 an ounce for foreign gold in the future. We are the only purchasers of gold in the world. We take it all at $33 an ounce. We fix and maintain the price. Under the bill before us, it is provided that the President may fix the price of gold from $33 an ounce to $41 an ounce. The only one who would benefit by such an increased in price of approximately from $33 an ounce for the foreigners and a few domestic mines. If there is any reason in the world we should raise the price of gold $7 an ounce and give the foreigners who are mining gold and gold speculators the reward of it. My amendment, here, does not deprive the domestic miners an increased price for their gold. It is somewhat similar to the proposition that was legislated a few years ago when we discontinued buying foreign silver metal at 50 cents to $1 an ounce at a price below the world price, while in this country we continue to pay something like 71 cents an ounce for domestic-mined silver. My amendment pegs foreign gold at $41 an ounce so that United States Treasury cannot pay more for it. That will give some stability to our American dollar and other foreign exchange and will give stability to the contracts entered into between this country and citizens of foreign countries. Everyone will know that the gold dollar which we hope will be continued as a medium of international exchange will have a definite, fixed value. Therefore, I am proposing that this amendment be adopted by both sides of the state, so that we can stop the injurious practice of further devaluing the dollar and increase in the price of gold. I believe it is our duty now to begin working for American citizens, and we can do it by adopting this amendment.

**Mr. WORLEY.** Am I correct?

**The CHAIRMAN.** Mr. WORLEY.

**Mr. WORLEY.** The CHAIRMAN. For what purpose does the gentleman from New York rise?

**Mr. WORLEY.** Mr. Chairman, I rise in opposition to the amendment.

**Mr. COCHRAN.** Mr. Chairman, will the gentleman yield to me?

**Mr. WORLEY.** Yes.
Regraded Unclassified
amounts to this: 'That if other nations desire and clip their coasts, we want to be enabled to do so and clip our own.' That is exactly what it amounts to. There is not a student of the subject who has not witnessed this and who does not know that no government ever benefits from such a policy. They know that the benefits that are supposed to be attached to their so-called colonial empire, that is the true tenor of the treaty, that it is the true essence of the treaty, that it amounts to this: "Here the gavel fell."

The CHAIRMAN. The Chair recognizes the gentleman from Texas (Mr. Patman) for 4 minutes.

Mr. PATMAN. Mr. Chairman, I cannot add anything that my colleague the gentleman from Texas (Mr. Wozney) has already said in opposition to this amendment. He gave a logical, convincing reason why the amendment should be defeated, and I too want to commend him for the ability he has demonstrated upon this occasion in support of the bill now under consideration. I think he has made a wonderful and effective fight.

The principle of this bill involves 640,000,000 units of gold—approximately 40,000,000,000 pounds. If that gold were shipped from Potosi, Peru, to Kansas City, it would require 8 railroad trains carrying 50 cars each, each car containing 100,000 pounds of gold. So that is 1200 trains of gold that is very valuable—something that should be given great consideration.

I was surprised at the desperation of my friend the gentleman from Minnesota (Mr. Armstrong) in his effort to get some kind of an amendment to this bill and in order to get some kind of an amendment. I do not know how the gentleman from Michigan measures a failure if that is evidence of a failure.

Let me contrast for a moment what happened when the gentleman from Michigan (Mr. Woukoff) was in the House and the Republican President was in the White House with what the situation is now. Let me contrast what his administration accomplished and what he probably rates as a success in contrast to his ideas of the failure of this administration.

In that administration the surplus exports of this country just equalled the bonds we bought from foreign countries in lending the money with which we bought our own surpluses. We all know what happened to the foreign bonds. When they were defaulted and we found that we had simply made those obligations a present of these surplus exports that were exported during that great, successful administration. Now we have been sending our surplus exports abroad and having them paid for good and true, and in the end, and we have that gold safe in our vaults in the country. I wonder if the gentleman from Michigan (Mr. Woukoff) could say that is a failure, but I do not know how the gentleman from Michigan measures a failure if that is evidence of a failure.

When this emergency is over, I do not know what this situation will confront us, but we do know that the President as the Chief Executive of this Nation should have some bargaining power. If you are going to adopt this amendment, you would deprive the Chief Executive of the
The purpose of the minority is to take away from the President the devaluation power which he now possesses and which expires on June 30, 1941, and which the majority of the committee has extended for another 5 years. It is not necessary to have any great discussion on this amendment. You know the purpose of it. You know what the Senate action was on this amendment. It would be adopted overwhelmingly. (Applause.)

Mr. COCHRAN. Mr. Chairman, the gentleman from Minnesota (Mr. August H. Anderson) is to be complimented on his frankness and his fairness. He tells you just exactly what his amendment seeks to do. He wants to stop the devaluation of the dollar that section 2 of this bill gives the President. There are no ifs ands ands about it. The gentleman makes it perfectly plain to you in this way in order to take out section 2 and therefore to hope the amendment is voted down. Mr. Chairman, I now ask for a vote. (Applause.)

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota.

The question was taken, and on a division (demanded by Mr. August H. Anderson), there were—aye 87, noes 105.

So the amendment was rejected.

Mr. CASE of South Dakota. Mr. Chairman, I now move the amendment.

The Clerk read as follows:

Amendment offered by Mr. Case of South Dakota: Page 3, line 9, strike out the period and insert: "Provided, That during this extension of time for the exercise of these powers, in paying for the gold secured to be acquired by this act, as amended, the Secretary of the Treasury shall use gold coins of the value of $10 and $20, each of the standard of fineness proclaimed under these powers and to deliver the amount of said gold coins in the amount of dollars to which he is entitled, or in lieu thereof, the Secretary of the Treasury shall deliver redeemable gold certificates in an amount in dollars equal in value of the gold coins in which the tenderer of gold bullion would be entitled."
Mr. SMITH of Ohio. Mr. Chairman, I ask unanimous consent to extend my remarks in the Record.

The CHAIRMAN. Is there objection? There was no objection.

Mr. SMITH of Ohio. Mr. Chairman, I am happy to support this amendment because the United States of America needs so much gold to return to specie payments. Few people realize what happened to this country by the gold-prohibition law. The gold-policy of the nation has been nothing less, as I said awhile ago, than to destroy the free or voluntary contract process, the very basis of civilization itself. The greatest protection the laboring man has to keep what he produces, is to be paid in real money, and the slightest device to cheat him out of what he produces is the which we are on at the present time. Political promise to pay this universally condemned by all sound states of money. Not only is the free circulation of gold the basic protection for the laboring man to have, but to be paid in hard money, gold, is the greatest protection on earth to maintain the most equitable distribution of wealth.

Mr. WHITE. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Ohio. No, I do not yield. Mr. Chairman, I do not care to yield at this time.

If you will examine the literature on the question of debasement since the coinage of money first began, about 700 years before Christ, and perhaps even before that, you will find that all students have condemned the debasement of money. That is all you are asking for here—to continue to debase money; to clip the coin. That is all you are asking for.

What did Daniel Webster say about the sort of money that we are now on, and the New Deal party asks to have considered is nothing in the great inventions, to fertilize the rich man’s field by the sweet of the poor man’s brow? That is what Daniel Webster said on the floor of the Senate about 100 years ago.

What did Grover Cleveland say about this kind of money? Grover Cleveland certainly would not support this money scheme that now exists; Grover Cleveland who saved the Democratic Party by abolishing or repealing the Silver Purchase Act. He understood money, perhaps as well as most Presidents we have had. He pointed out that this kind of money has its most injurious effect upon the poor and the working-class people. He explained, as all men who study this question know, that the very laborers always have behind the price increase. Oh, yes; you say you are not going to have any price increase. You are going to have somebody to hold down prices. That is the fact that you have set up an agency to control prices shows that you fear inflation. It makes no difference what you do, you are not going to reverse the effects of inflation which the gold policy has produced.

Mr. COCHRAN. Mr. Chair, I ask unanimous consent to extend my remarks upon this amendment and all amendments thereto close in 6 minutes.

The CHAIRMAN. Is there objection? There was no objection.
Mr. COCHRAN. Mr. Chairman, I rise in opposition to the amendment. Mr. Chairman, the minority has been arguing against inflation and still it submits an amendment that will provide for it.

This amendment is contrary to the entire monetary policy of this Government now in existence. It provides for the placing on the market at the value of $10 and $20, and delivery of same to individuals for gold bullion. In other words, the men who mine gold out in the Black Hills, where the ancient comers come from will get gold coins in return for their bullion rather than paper money they now get. At the present time the Government hoards gold, and if you pass this amendment you pass out gold and the individuals who get it will then hoard the gold. If this was done it would be necessary to call to this gold ordered out from under this amendment, which the President has power to do under this act. So why coin gold and pass it out and have it brought back again?

The amendment should be defeated. The CHAIRMAN. The question is on the amendment offered by the gentleman from South Dakota (Mr. Case). The question is on a division (demanded by Mr. Case of South Dakota) there were ayes 84 and noes 108. So the amendment was rejected.

Mr. COCHRAN. Under the rule, the Committee rises. Accordingly the Committee rose; and Mr. Cooper having assumed the chair as Speaker, the question as to whether the Committee of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the H.R. 4384, and pursuant to the provisions of House Resolution 211, he reported the same back to the House.

The SPEAKER pro tempore (Mr. Cooper). Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill. The bill is engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill. Mr. AUGUST H. ANDRESEN. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. AUGUST H. ANDRESEN. I am, Mr. Speaker.

The SPEAKER pro tempore. Is the gentleman a member of the Committee?

Mr. AUGUST H. ANDRESEN. I am, Mr. Speaker.

The SPEAKER pro tempore. The gentleman from Minnesota qualifies. The Clerk will report the motion to reconsider.

The Clerk read as follows:

Mr. AUGUST H. ANDRESEN moves to reconsider the passage of this bill on Congestion, Weights, and Measures with instructions to report the same back to the House forthwith with the following urgency: On page 2, at the end of line 8, insert "No foreign gold shall be acquired by the United States after the date of enactment of this act at a price in excess of $10 an ounce."
Mr. McGREGOR for, with Mr. Smith of Pennsylvania against.
Mr. SHAW for, with Mrs. O'DAY against.
Mr. JARRET for, with Mr. Dower against.
Mr. DICKERSON for, with Mr. Bonner against.
Mr. Cunningham for, with Mr. Cannon of Florida against.
Mr. Leclerc for, with Mr. Boykin against.
Mr. Crittord for, with Mr. Woodrum of Virginia against.

Until further notice:
Mr. Crawford against Mr. Crawford.
Mr. Benes of Texas with Mr. Johns of New Hampshire.
Mr. Bradlee with Mr. Beggs.
Mr. Harris of Virginia with Mr. Bradley of Michigan.

Mr. Cole of New York. Mr. Speaker, I have a pair with the gentleman from Indiana, Mr. LARABEE.
If he were present he would have voted "nay." Therefore, I withdraw my vote of "aye" and answer "present."

Mr. OSBORN, Mr. Speaker, I have a pair with the gentleman from New York, Mr. O'NY. If he were present, he would have voted "nay." Therefore, I withdraw my vote of "aye" and answer "present."

Mr. STEPHEN. Mr. Speaker, I have a pair with the gentleman from Virginia, Mr. SHAW. If he were present, he would have voted "nay." Therefore, I withdraw my vote of "aye" and answer "present."

The result of the vote was announced as above recorded.

The question is on the passage of the bill.

Mr. COCHRAN and Mr. AUGUST H. ANDREWS asked for the year and nays.

The year and nays were ordered.

The question was taken and there were—yeas 226, nays 126, answered "present" 2, not voting 65, as follows:

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An AMENDMENT—Present—2

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Answered Present—2

No Voting—65

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Mr. STEPHEN, Mr. Speaker, I am paired with the gentleman from West Virginia, Mr. SHAW. Had he been present, he would have voted "aye." I voted "nay." I desire to withdraw my vote and now vote "present."

Mr. COLE of New York. Mr. Speaker, I have a pair with the gentleman from Indiana, Mr. LARABEE. I therefore withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

DISABLING LOAN CORPORATION AND ELECTRIC HOME AND FARM AUTHORITY

Mr. SABATH, from the Committee on Rules, submitted the following report in his resolution No. 217, Report No. 811, which was referred to the House Calendar and ordered to be printed:
June 5, 1941
11:30 a.m.

RE AID TO BRITAIN

Present: Mr. Bell
         Mr. Foley
         Mr. Stewart
         Mr. Cochran
         Mr. Viner
         Mr. White
         Mr. Bernstein

H.M. Jr: Well, Professor Bell.

Bell: I didn't get any help from them on any letter
     to the State Department at all.

H.M. Jr: You didn't?

Bell: I think the Bell group, as you called them,
     is interfering with quick administrative
     decisions and procedure. (Laughter.)

      Jake and Walter feel that we shouldn't make
      any change at this time, we should go ahead
      and send notices to all governments but not
      discriminate against some.

H.M. Jr: All right. Now this afternoon - let me see
       if I have got my lesson. We are going to
       tell Hopkins that inasmuch as I have given
       my word on behalf of the President and myself
       that we would try to relieve the British -
       buy up between three and four hundred million
dollars worth of their contracts entered into prior to—was the date January 1 or the fifteenth of March?

Bell: It is after January 1.

White: After. There is no date. You are going to relieve them of that much in contracts.

H.M.Jr: And in order to do that he has got to help me out by making it possible for them to postpone these contracts to the extent of two hundred million dollars and he will place orders for similar material with the same manufacturers or with other manufacturers?

Bell: Well, that is Cox' proposal. You see, we suggested that the United States Government take over British contracts amounting to three or four hundred million dollars that had been signed after January 1, plus the investment in plant facilities, which would amount to about a hundred million, or including the investment in plant facilities.

Oscar Cox said that in reading the testimony he didn't think that they ought to do that but what he would suggest that we do is to take the contracts that had been signed after March 11, the date of the act, and take those over in the amount of about seventy-eight million dollars and to make up the difference, the War Department enter into contracts with the same manufacturers who had contracts with the British for the same identical material, or similar material, and then we postpone the cash liability of the British under their contracts for a later period, say next year or 1942.

H.M.Jr: Only seventy-eight million?
Bell: Seventy-eight million after March 11, and then in addition to that, say we will contract for two hundred million dollars worth of material, the same kind of material with the same manufacturers, as the British have contracts for.

H.M. Jr: Is there any disagreement?

Bell: The only disagreement there is that we thought it was some finagling in order to get around the thing, but I don't think we have got any better solution to the problem.

H.M. Jr: If Hopkins after giving it careful consideration wants to do it--

Foley: I think it is important, Mr. Secretary, that it be Mr. Hopkins', because it is his responsibility, and that he not be able to pin it on you as being your proposal. I think you ought to put it up to him for his consideration, and if he wants to do it, it will be very good.

H.M. Jr: I haven't mastered all the details. I think when we meet at two, Dan, I will just raise the question and if Hopkins says, "Well, how do you think it could be done," so that we don't all talk, I will ask you to talk, do you see?

Bell: Yes. Do you want me to tell him what we had in mind and then Cox' counter proposal which is all right with us if it is all right with him?

Cochran: Or even let Cox put it up.

Foley: Why put it on Oscar? We don't know how far Oscar may have gone with Harry and Harry may think Oscar shouldn't have done it. Why not
say that - give him our proposal and then say
the objection was made that that would be
relieving the British of those contracts and
it would be contrary to the testimony before
the committees when the appropriation measure
was up, and a counter suggestion was made that
a deferment on the part of the American manu-
facturers of three hundred fifty to four hundred
million dollars of British contracts would violate
what had been said to Congress and would accomplish
the same result.

What does he think about it?

Bell: That is all right with me. I think Oscar has
already talked to Harry and told him that he
made this kind of suggestion. I don't think.....

White: You doubtless remember also that Hopkins in
a subsequent visit reiterated his determination
to do it.

Bell: The last time he was here he admitted that the
commitment had been made and we had got to get
out of it.

White: He definitely stated we had got to do it.

H.M.Jr: I am going to take the attitude that this is
a follow-up meeting and they have been working
on this thing and this seems to be the way to
do it.

Here is Maynard Keynes sitting here and wanting
an answer, and I would like to give it to him,
with Hopkins' help. If Hopkins thinks we will
have this if he would send for Maynard Keynes
and just tell it to him.

Foley: That is right.
Now, of course, with Ben Cohen back, you see, Ben is very much on our side on this thing, so I told him we would use him if necessary but he isn't going to go back right away with Winant so if we want to use him, he is here. He has talked with Brendan Bracken, and he has got all that stuff and it seems as though Churchill is upset with this thing, so that is all - Cohen can tell that to Hopkins if necessary.

Now, on the six fifty, have you got that story, too?

Bell:

Some of it. We went back and had a meeting as to whether or not we should call Keynes and we decided that we should not call Keynes until after this meeting today.

We did call Cox last night, and he went over the memorandum, the letter and memorandum which Keynes had given you, plus the list that was attached. He said that he couldn't see anything in that memorandum that presented any difficulties whatever, bringing all those purchases under the Lend-Lease, with the exception of one item, which is the thirty million dollars, for the expansion of the oil well machinery of the Shell plant in South America, which had been dis-approved by the President.

Thirty million dollars isn't going to make or break the British Government. The only other item that he could think of was the one that Keynes mentioned which is the expenses of the trainees in this country, and Oscar says so far as he can find out, that all their expenses are going to be paid by our Army and the only dollars they will need is what little money that the British Government gives them to spend and they will get the most of their pay, he assumes, in English currency.
He said that couldn't possibly cost over - well, at the most, seven million dollars a year, which would be a thousand dollars a man, and he thinks it will be not half that much.

Viner: How can we find out about that? You see, the newspaper stories are not running that way.

Bell: About the expenses?

White: The newspaper stories would be less than a thousand dollars a year.

H.M.Jr: What do you want to know?

White: A thousand dollars per man.

H.M.Jr: What do you want to know?

Viner: What was the arrangement with the British as to the financing of these students? According to his story, only pocket money. According to the newspapers, every time they refer to it it says the tuition and the living expenses of the students are to be paid by the British.

H.M.Jr: Well, Cox would know.

Bell: I think he does know. He very definitely stated yesterday that the Army was going to feed them.

White: Feed them and house them.

Bell: He said the only other item in that - it was only a quarter of a million dollars - is the purchase of the land.

H.M.Jr: To show how far they are going under the Lend-Lease, somebody told me - this is all in the room - this English naval vessel at Norfolk,
the sailors had to go ashore - who told me this?

Bell: I guess Merle and I. You mean Philadelphia?

H.M.Jr: No, this is another story. I got this on the high seas. The men of this ship at Norfolk are housed and fed ashore in Norfolk and paid for by the United States Navy while they repair this ship, which will go on for months.

Cochran: Their pay is included, too?

H.M.Jr: Not their pay, no, but they are housed and fed and that bill is paid for by the United States Navy.

White: They don't get paid in dollars in their salary anyway.

H.M.Jr: I tell you who told me. The Commander of this Atlantic destroyer fleet who just came from Norfolk told me they are doing it.

(Discussion off the record.)

H.M.Jr: I think we are in pretty good shape. Will you all be back at two?

White: There is one --

Bell: After this is over, I should think that Keynes ought to sit down and go over this with Oscar Cox and General Burns.

White: Cox seemed to think that they just didn't understand what can be done, what might be done under the arrangement, and that is why Dan thinks they first ought to clear that up, because Cox seems to feel that most of that six hundred would be taken care of.
They raised one item - Keynes mentioned one item and Cox had an explanation for it, which indicates that apparently on a number of the things that were troubling the British there is a special and reasonable explanation for.

He mentioned the case of agricultural implements, which they apparently are unable to get through Lend-Lease. Cox said the story with respect to the agricultural implements was that they had specified the make and they felt they could buy other makes more cheaply through their routine channels.

**H.M.Jr:** That is the English?

**White:** What?

**H.M.Jr:** The English or Procurement?

**White:** Procurement. They said if the English wanted this specific make, they would be glad to buy it for them; but then the English would have to specify why this special make and not other makes were needed for that particular purpose.

**Bell:** You see, you have got American interests over in London pushing their own sales.

**H.M.Jr:** Well, I have no sympathy with that.

**Bell:** The John Deere Company is over there selling a John Deere plow.

**H.M.Jr:** If you can get the same plow and the same specifications and one is cheaper than the other, they ought to buy the cheaper one. I think this is pretty good. Don't you think we are in pretty good shape for this afternoon, Viner?
Viner: I think that it is a question there of whether Cox is correct when he says that the administrative problems that concern Keynes are not formidable. I am a little nervous as to whether Cox doesn't think that we could easily substitute for all the elaborate English purchasing machinery our own without involving a very serious delay.

My guess is that these things come in in thousands and thousands of items and that things aren't going nearly as smoothly here as Cox indicates and that there may be - we may be very casually saying, "We will take over all the elaborate business of selection and specification and so on."

H.M.Jr: But you are on another subject. I have passed my word. I want to make good on it.

You see, that is my immediate problem.

Bell: Well, Jake is talking about the --

Viner: I am speaking of the six hundred.

H.M.Jr: Oh, that is something else.

White: Cox mentioned something that might be of passing interest. He thought that the British Purchasing Mission here had a large staff with nothing to do now or relatively little to do, and he thought that their desire to handle their own purchases might be related to that in some way, that they felt with that staff they could handle a good deal of it.

H.M.Jr: Well, again I have no sympathy with that. You see, if I can just get this thing - after all, I have taken morning after morning on this thing - and get this off my own desk and get it down to a level where Keynes can go to work
and knock this thing out and then I can get on something else, that is what I would like to do, having felt that I have made a contribution toward what he has come over here for.

He tells me the Chancellor of the Exchequer has a little easier mind on his financial outlook. If I can get it launched in the right direction, he can go back and say, "Well, they are sympathetic," and you have got a little more leeway and things aren't quite so tight as they seem to be, and the British Treasury and Mr. Churchill will feel a little bit more easy about the finance. Then I have done all I can do.

White: He has already told me that. He said that he has changed his mind in the few weeks that he has been here. He has got some new slants on the problems and realizes that the view that is held in London with respect to many of these matters is unwise.

H.M.Jr: Did he?

White: Yes.

H.M.Jr: Well, I got it from a friend of mine - he saw him. He seems to feel that he has gotten a very sympathetic hearing here after he got off to a bad start. He didn't mention the bad start, but he mentioned - he was very complimentary, so I don't know how he talked up at Princeton.

Stewart: He confirmed that, but he mentioned the bad start and the cordial relationships which now exist.

H.M.Jr: Well, it was a bad start. But also the cordial relationships? So he is feeling all right?

Stewart: Yes.
H.M.Jr: Well, I think it is important that he should.

Bell: Oscar thinks that one difficulty with the British is they have got too many people running around in Washington and haven't got a central man any more like if you dealt with some one, it wouldn't be anybody but Purvis.

H.M.Jr: That is right.

Bell: Now there are about six all going in different directions.

H.M.Jr: I know. I made Purvis.

Bell: Cox said that could be changed.

H.M.Jr: I made Purvis in the sense that I would only deal with him and they knew that at home in England. I wouldn't deal with anybody else.

Well, thank you all. I will see you at two.
June 4, 1941

TO THE SECRETARY:

Subject: British financial requirements in United States and resume of negotiations respecting partial relief therefrom

A. Administration commitments to Congress with respect to existing British obligations in this country

1. The Secretary told Congress in January that

(a) Great Britain has the dollar resources sufficient to meet the balances due on contracts entered into prior to January 1, 1941 (About $1400M)

(b) The British have agreed to sell during 1941 every dollar of property that they own in the United States in order to raise funds for this purpose. (See Appendix A for pertinent quotations and A-2 for excerpt from memorandum handed you by Peacock.)

2. Budget Director Smith told the House Appropriations Committee in March that

(a) None of the $7 billion appropriation would be used to pay for any of the goods ordered by the British Government before the Lend-Lease Act (March 11, 1941)

(b) The British Government would pay for orders placed before the Lend-Lease Act out of their dollar assets. (See Appendix B for pertinent quotations.)
B. Commitments by the Secretary to the British in conference with Sir Frederick Phillips and others on March 19, 1941

The Secretary stated that the President, Hopkins, and himself had agreed to relieve the British of from $300 - $400 million of commitments. (No date was mentioned.)

It is not clear from the record as to the basis for the $300 - $400 million figure. Phillips did, however, on January 6, 1941, mention the desirability of maintaining a reasonable working balance of $250 million.

(See memorandum attached (Exhibit B-2) giving a summary of Secretary's Press conference on March 13, 1941, at which he mentioned $350M. This figure also appeared in a United Press article of March 17 in Journal of Commerce. The basis for this figure probably came out of the President's memorandum of March 10, 1941, which is attached (Exhibit B-3). See also Secretary's statement on March 19 in diary where $400M is mentioned by Bell which was taken from McCloy's letter of March 17, but which did not exactly cover situation Secretary had in mind.)

C. What the British have requested

1. Attainment as soon as possible of a working cash balance of $600 million.

This request was contained in an undated Aides Memoire forwarded to us from the White House on March 19, but evidently dating from a prior date. The same request was made in the letter from Waley of the British Treasury to Ben Cohen and included in a cable from London dated March 18. (See Appendix C.)

2. Keynes' letter to the Secretary of May 16

This letter and the memorandum accompanying it made two points:

(a) Reference to the Secretary's earlier commitment to relieve the British of $300 - $400 million of contracts.

(b) Request for an additional $650 million of relief from contracts. This is to enable the British to place orders outside of Land-Lease for the following categories of goods:

(i) Those difficult to administer, estimated to amount to $400 million for two years ($200M a year)

(ii) Those giving rise to legal or political difficulties, estimated at $250 million for two years ($125M a year)

(The British also stated that if Land-Lease excluded all shipments to the Dominions, they would require additional relief.)

Regraded Unclassified
D. What can we do for them?

1. With respect to the $300 - $400 million

   (a) Plant facilities by RFC

      Already taken over .............................. $ 45 M
   Can be taken over (estimated investment $25M) ............ 52
      $ 100 M

   (b) Supply contracts already taken over by
       War Department ................................ 50

   (c) Supply contracts entered into by British after
       March 11, 1941, which can be taken over by
       War Department ................................ 78
      $ 228 M

   (d) Relief by War Department entering into contracts
       for identical materials now under British
       contracts and thus deferring British cash
       liabilities under such contracts to a later date.
       (See Cox’s memorandum, Appendix D.) ............ 200
      $ 428 M

We have some doubts about adopting proposal (d), but it is added here as a policy matter for discussion. It was discussed with Secretary on June 3 and it was decided to discuss the matter with Hopkins to see if proposal could be adopted.

2. With respect to the $650 million

   (a) Nothing has as yet been done, but it is clear that you
       could give them further relief through Mr. Cox’s proposal
       set out under (d) above. We do not recommend this.

   (b) The purchase of Vultee planes from the British to be
       sold to China provides for an additional $25 million of
       cash to be given to the British. It may be possible to
       expand this a little more by finding other items.

   (c) Mr. Keynes ascertained that the $650 million relief could
       be reduced by $50 million by arranging to purchase certain
       commodities under Lend-Lease. Through administrative
       arrangements, it would seem to be possible to reduce the
       $650 million still further, so that even the minor detailed
       purchases could be brought under Lend-Lease. This device
       has been only tentatively explored.
MEMORANDUM

TO: Secretary Morgenthau
FROM: Oscar Cox
SUBJECT: Deferral of British Contracts

June 5, 1941

Yesterday I spoke to Mr. Hopkins and sent him a memorandum on this subject. I am sure that he is quite familiar with the problem up for decision.

He has asked me to attend a meeting with you at the Treasury at 2:00 p.m. today.

Osc
June 6, 1942

TO THE SECRETARY:

Subject: British financial requirements in United States and resume of negotiations respecting partial relief thereto.

1. Administration committed to Congress with respect to existing British obligations in this country.

(a) Grant Britain has the dollar resources sufficient to meet the balance due on contracts entered into prior to January 1, 1941 (About $1,800,000).

(b) The British have agreed to sell during 1942 every dollar of property that they can in the United States in order to raise funds for this purpose. (See Appendix A for pertinent quotations and A-2 for excerpt from memorandum handed you by Parsons.)

2. Budget Director Smith told the House Appropriations Committee in March that

(a) None of the $7 billion appropriation would be used to pay for any of the goods ordered by the British Government before the Lend-Lease Act (March 11, 1941).

(b) The British Government would pay for orders placed before the Lend-Lease Act out of their dollar assets. (See Appendix B for pertinent quotations.)

Regraded Unclassified
3. Conversations by the Secretary to the British in conference with Mr. President, Phillips and others on March 19, 1941

The Secretary stated that the President, Hopkins, and himself had agreed to relieve the British of from $500 - $600 million of commitments. (No date was mentioned.)

It is not clear from the record as to the basis for the $500 - $600 million figure. Phillips did, however, on January 5, 1941, mention the desirability of maintaining a reasonable working balance of $250 million.

(See memorandum attached (Exhibit B-3) giving a summary of Secretary’s Press conference on March 15, 1941, at which he mentioned $500m. This figure also appeared in a United Press article of March 17 in Journal of Commerce. The basis for this figure probably came out of the President’s memorandum of March 10, 1941, which is attached (Exhibit B-3). See also Secretary’s statement on March 19 in diary where $600m is mentioned by Bell, which was taken from Healy’s letter of March 17, but which did not exactly cover situation Secretary had in mind.)

C. What the British have requested

1. Attainment as soon as possible of a working cash balance of $600 million.

This request was contained in an undated Aide Memoire forwarded to us from the White House on March 19, but evidently dating from a prior date. The same request was made in the letter from Healy of the British Treasury to Ben Cohen and included in a cable from London dated March 19. (See Appendix C.)

2. Healy’s letter to the Secretary of May 16

This letter and the memorandum accompanying it made two points:

(a) Reference to the Secretary’s earlier commitment to relieve the British of $500 - $600 million of contracts.

(b) Request for an additional $650 million of relief from contracts. This is to enable the British to place orders outside of Lend-Lease for the following categories of goods:

(i) Those difficult to administer, estimated to amount to $400 million for two years ($200m a year)

(ii) Those giving rise to legal or political difficulties, estimated at $250 million for two years ($125m a year)

(The British also stated that if Lend-Lease excluded all shipments to the Dominions, they would require additional relief.)
2. What can we do for them?

1. 5th request to the $300 - $350 million

(a) Plant facilities by EFF

<table>
<thead>
<tr>
<th>Already taken over</th>
<th>$ 0 m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can be taken over (estimated investment $300)</td>
<td>$ 300 m</td>
</tr>
</tbody>
</table>

(b) Supply contracts already taken over by

<table>
<thead>
<tr>
<th>War Department</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>90</td>
</tr>
</tbody>
</table>

(c) Supply contracts entered into by British after

| March 11, 1944, which can be taken over by
<table>
<thead>
<tr>
<th>War Department</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>$ 220 m</td>
</tr>
</tbody>
</table>

(d) Relief by War Department entering into contracts for identical materials now under British contracts and thus deferring British cash liabilities under such contracts to a later date.

<table>
<thead>
<tr>
<th>(See Cox's memorandum, Appendix D.)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>$ 420 m</td>
</tr>
</tbody>
</table>

We have some doubt about adopting proposal (d), but it is added here as a policy matter for discussion. It was discussed with Secretary on June 3 and it was decided to discuss the matter with Hopkins to see if proposal could be adopted.

2. 5th request to the $520 million

(a) Nothing has as yet been done, but it is clear that you could give them further relief through Mr. Cox's proposal set out under (d) above. We do not recommend this.

(b) The purchase of Vultee planes from the British to be sold to China provides for an additional $35 million of cash to be given to the British. It may be possible to expand this a little more by finding other items.

(c) Mr. Keynes ascertained that the $520 million relief could be reduced by $30 million by arranging to purchase certain commodities under Lend-Lease. Through administrative arrangements, it would seem to be possible to reduce the $550 million still further, so that even the minor detailed purchases could be brought under Lend-Lease. This device has been only tentatively explored.
Dear Henry:

Reference is made to your letter of May 2, 1941, requesting the latest additional information regarding the progress being made in the negotiations for the acquisition of British-owned facilities in this country.

No requests have been received from the War Department for acquisition of any plants other than the five mentioned in my letter to you of March 19, 1941. It is contemplated that these five plants will be taken over by Defense Plant Corporation, an RFC subsidiary, but no payments have as yet been made on account of any of these five plants except that of the Tennessee Powder Company. We believe generally this situation is due to the fact that since the passage of the Lend-Lease Bill the British have been slow to follow through on their desire to realize on these assets and have not yet delivered the necessary cancellation letters with respect to orders they had formerly placed, as is more particularly referred to below. The following is the status with reference to each project.

1. Tennessee Powder Company. Although the agreements for acquisition of this plant and the leasing of the same to E. I. du Pont de Nemours & Company were executed on March 19, 1941, the actual transfer of the ownership of the plant was postponed until its final completion, such transfer taking place on May 23, 1941. The estimated cost was approximately $26,000,000 of which $25,000,000 was paid on the date of actual transfer and the balance will be paid as soon as the RFC auditors have completed their cost survey.

2. Buffalo Arms Corporation. The terms of the lease between Defense Plant Corporation and Buffalo Arms Corporation have been agreed upon by the parties, but the lease is awaiting execution pending receipt of the necessary cancellation letter from the British Purchasing Commission with respect to British orders formerly placed. It is contemplated that Defense Plant Corporation will take over this plant when the construction work is completed in June or July and that the total cost will be approximately $6,070,000.
3. Colt's Patent Fire Arms Manufacturing Company. The terms of the lease agreement between Defense Plant Corporation and Colt have been agreed upon by the parties, but the lease is awaiting execution pending receipt of the necessary cancellation letter from the British Purchasing Commission. It is contemplated that the plant will be taken over by Defense Plant Corporation upon its completion some time next fall, at a purchase price of approximately $6,660,000.

4. Kelsey-Hayes Wheel Company. The terms of the lease agreement between Defense Plant Corporation and Kelsey-Hayes have been agreed upon by the parties, but the lease is awaiting execution pending receipt of the necessary cancellation letter from the British Purchasing Commission. It is contemplated that this plant will be taken over by Defense Plant Corporation in July, upon its completion, at a purchase price of approximately $5,300,000.

5. High Standard Manufacturing Company, Inc. Negotiations are now being conducted with this Company to work out a lease agreement with Defense Plant Corporation. Although the terms of the lease have been agreed upon, it is still necessary for the Company to obtain a cancellation letter from the British Purchasing Commission. It is contemplated that Defense Plant Corporation will take over this plant when the construction work is completed in June or July, at a cost of approximately $4,300,000.

Sincerely yours,

[Signature]
Administrator

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

26,000
6,070
6,660
5,300
4,300

$48,130
Willard Hotel,  
Washington, D.C.,  
2nd May 1941.

Dear Cochran,

1. I enclose a copy of a sort of programme which was drawn up here of the major British plant facilities which have at various times been mentioned in discussions with the R.F.C. for sale to the Defense Plant Corporation.

Of the items in this programme, the Tennessee Powder Company and the four Machine Gun Plants may be regarded as settled. The amount we expect to get from these sales has been included in the figures we have given you of our estimated financial position.

As regards the remainder of the list, while all of them have been mentioned at one time or another, there is as yet no expression by the R.F.C. of their willingness to take them over. It is very difficult to give you anything more than rough estimates of the sums we might hope to receive if the transactions were satisfactorily concluded. We know what we have spent or contracted to spend, but we do not know what the R.F.C. would be willing to take over, e.g. they might exclude expenditure on training staff, some of which would be in our total capital figure, they might exclude expenditure on special jigs and tools, and so on.

The best case I can make of the maximum sums that we should be likely to obtain is:

<table>
<thead>
<tr>
<th>Corporation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey</td>
<td>9.3</td>
</tr>
<tr>
<td>Packard</td>
<td>24.9</td>
</tr>
<tr>
<td>Wright Aeronautical Corporation</td>
<td>9.0</td>
</tr>
<tr>
<td>General Motors</td>
<td>4.0</td>
</tr>
<tr>
<td>Tank contracts</td>
<td>7.0</td>
</tr>
<tr>
<td>Western Cartridge</td>
<td>3.0</td>
</tr>
<tr>
<td>Remington Arms</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60.2</strong></td>
</tr>
</tbody>
</table>

In the case of the Tennessee Powder Plant, we are asked to pay rental of 20% of capital cost per year so long as the plant is used for our benefit. Accordingly, the nett sum that would be received if this kind of precedent were followed would be below $60 millions.

2. I enclose a second paper showing details of those existing contracts which we think would be most suitable for possible taking over by the War Department.

Sincerely yours,

/s/ F. Phillips

Mr. H. Merle Cochran,  
United States Treasury,  
Washington, D.C.
SALE OF CAPITAL FACILITIES TO R.F.C.

The major British financed plant facilities which we have, at one time or another, discussed with the R.F.C. for sale to D.P.C.* are listed below, together with estimated cost, nature of facilities, amounts paid by the British thereon and status thereof:

<table>
<thead>
<tr>
<th>Name</th>
<th>Estimated Cost (millions)</th>
<th>Nature of Facilities</th>
<th>Advance Payments by Brit. (millions)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tennessee Powder Co.</td>
<td>$ 25.5</td>
<td>Powder plant</td>
<td>$ 24.9</td>
<td>DPC has contracted to purchase plant when completed (probably May 1941)</td>
</tr>
<tr>
<td>New Jersey Powder Co.</td>
<td>11.5</td>
<td>Powder plant</td>
<td>9.3</td>
<td>Preliminary negotiations suspended without apparent reason. British submitted full figures to RFC.</td>
</tr>
<tr>
<td>Houde Engineering Co.</td>
<td></td>
<td></td>
<td></td>
<td>Negotiations almost concluded. Sale to be completed when plant completed, which will not be for several months.</td>
</tr>
<tr>
<td>Colt's Patent Firearms Co.</td>
<td>22.5**</td>
<td>Machine gun plants</td>
<td>25.7</td>
<td>No development.</td>
</tr>
<tr>
<td>Kelsey-Hayes Wheel Co.</td>
<td></td>
<td></td>
<td></td>
<td>No development.</td>
</tr>
<tr>
<td>Packard Motor Car Co.</td>
<td>24.9</td>
<td>Plant for Rolls Royce engines</td>
<td>24.9</td>
<td>No development.</td>
</tr>
<tr>
<td>Wright Aeronautical Corp.</td>
<td>21.9</td>
<td>Wright engine plant</td>
<td>14.4</td>
<td>No development.</td>
</tr>
<tr>
<td>General Motors</td>
<td>7.0</td>
<td>Allison engine plant</td>
<td>6.5</td>
<td>No development.</td>
</tr>
</tbody>
</table>

* Defense Plant Corporation, a subsidiary of the R.F.C.

** This figure includes only recoverable items of cost presently estimated.
## Sale of Capital Facilities to E.F.C. (cont.)

<table>
<thead>
<tr>
<th>Name</th>
<th>Estimated Cost (millions)</th>
<th>Nature of Facilities</th>
<th>Advance Payments by Brit. (millions)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pullman Standard Car Mfg.</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Pressed Steel Car Co.</td>
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<td></td>
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<tr>
<td>Lima Locomotive Co.</td>
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<td></td>
</tr>
<tr>
<td>Republic Steel Corp.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blaw-Knox Co.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Cartridge Co.</td>
<td>5.6</td>
<td>Ammunition plants</td>
<td>4.8</td>
<td>No development.</td>
</tr>
<tr>
<td>Remington Arms Co.</td>
<td>5.2</td>
<td>Arms and ammunition plants</td>
<td>4.2</td>
<td>No development.</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$133.9</strong></td>
<td></td>
<td><strong>$122.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

The maximum amount recoverable by the British upon sale of the above plants is the total of British advance payments, less deductions for such items of expense which the R.F.C. is unwilling to bear. Following the pattern of the Tennessee Powder Company arrangement, we would receive no payments until the plants in question are completed.
# Contracts Suitable for the War Department to Take Over

**Millions of U.S. dollars.**

<table>
<thead>
<tr>
<th>Contract</th>
<th>British advances outstanding on product</th>
<th>Balance due</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A 194</td>
<td>23.7</td>
<td>19.3</td>
<td>43.0</td>
</tr>
<tr>
<td>A5103</td>
<td>29.0</td>
<td>39.6</td>
<td>68.6</td>
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<tr>
<td>A 196</td>
<td>28.0</td>
<td>36.3</td>
<td>64.3</td>
</tr>
<tr>
<td>A 787</td>
<td>21.3</td>
<td>88.7</td>
<td>110.0</td>
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<td>A1381</td>
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<td>A1795</td>
<td>5.5</td>
<td>11.3</td>
<td>16.8</td>
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<tr>
<td>A1960</td>
<td>5.7</td>
<td>15.5</td>
<td>21.2</td>
</tr>
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<td>A1962</td>
<td>4.4</td>
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</tr>
<tr>
<td>A2869</td>
<td>1.8</td>
<td>14.2</td>
<td>16.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>132.3</strong></td>
<td><strong>257.7</strong></td>
<td><strong>390.0</strong></td>
</tr>
</tbody>
</table>

**Notes.** These figures, which are all subject to revision, relate to product and exclude capital advances.

Of the total balance due, about one-third falls due between May and August, one-third between September and December, and the remainder in 1942.

Washington,
2nd May 1941.

Copy:alm 5-3-41
My dear General Burns:

I have your letter of May 20, 1941, enclosing a draft of the proposed regulations on the valuation of defense articles transferred or received by the United States under the Act of March 11, 1941, and requesting any comments or suggestions which I might wish to make concerning them.

I have been over these regulations and do not have any suggestions or amendments to offer. I believe that they fully cover the matters of valuation of defense articles and defense information.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Major General J. H. Burns,
Office for Emergency Management,
Washington, D. C.
May 20, 1941.

My dear Mr. Secretary:

I am sending you herewith a draft of the proposed regulations on the valuation of defense articles transferred or received by the United States under the Act of March 11, 1941.

I would greatly appreciate any comments or suggestions which you may wish to make about them.

Sincerely yours,

J. H. BURNS
Major General, U. S. Army.

The Honorable
The Secretary of the Treasury.

Enclosure
Evaluation of Defense Articles and Defense Information

Pursuant to the Act of March 11, 1941, Executive Order No. 8751, issued by me on May 5, 1941, and the Military Order issued by me on May 6, 1941, I hereby prescribe the following rules and regulations for the valuation of defense articles and defense information transferred or received by the United States:

1. The Executive Officer of the Division of Defense Aid Reports, or his designee from that Division, in consultation with representatives of the Treasury Department and the Bureau of the Budget, shall determine the value of defense articles and defense information transferred or received by the United States. The Executive Officer is also empowered to obtain the information necessary to a proper valuation from the War, Navy or Agriculture Departments, or the Maritime Commission, in the case of any defense articles or information transferred or received by such departments or agencies.
2. Defense articles transferred or received by
the United States under the Act of March 11, 1941, shall
be valued by the Executive Officer, subject to the pro-
cedure set forth in Section 1, by giving such considera-
tion as he deems necessary to the original cost, the re-
production cost, the age, character and condition of the
defense articles, the degree of depreciation or obsolescence,
the use or uses to which the articles are to be or can be
put, and any other criteria which he deems relevant to the
proper valuation of such articles.

3. Defense information transferred or received by
the United States under the Act of March 11, 1941, shall
be valued by the Executive Officer, subject to the pro-
cedure set forth in Section 1, by giving such consideration
as he deems necessary to the cost of developing such defense
information, the use value of such information, and any plan,
specification, design, prototype or other data conveyed in
connection with or as a part of such information, and any
other criteria relevant to the value of such defense informa-
tion.
May 20, 1941

My dear Mr. Secretary:

Reference is made to your letter of May 2, 1941, in which you request information with respect to the status of War Department arrangements for taking over British contracts.

In Mr. McCloy’s letter to the Under Secretary of the Treasury, dated March 17, 1941, it was stated that arrangements then under consideration by the War Department and Reconstruction Finance Corporation would relieve the British Government of contracts for supplies and plant facilities to the extent of $427,560,000. Since that date the Congress has appropriated $7,000,000,000 (Defense Aid Appropriation Act, 1941) to carry out the provisions of the Lend-Lease Act, and all of the $427,560,000 program has now been taken over by the use of lend-lease funds, with the exception of $97,900,000. Of the $97,900,000, $49,500,000 represents the actual amount of War Department funds obligated for the purpose of entering into new contracts to replace certain British supply contracts, and $48,300,000 represents the face amount of British plant facility contracts, which are being replaced by contracts with the Defense Plant Corporation. In connection with the plant facility program, it should be understood that the face amount is the obligation of the original British contracts, the ultimate obligation of the Defense Plant Corporation being somewhat less than this, due to the fact that the Defense Plant Corporation will not acquire all of the facilities provided under British contracts. Likewise, in the case of British supply contracts, reimbursements to the British Government will be less than the actual cost to the British due to the fact that War Department procurement agencies are able to contract on a more favorable basis than the British Purchasing Commission.

In reference to your inquiry regarding the actual payments that may be expected to be made to the British Government as a result of this taking over of British equipment obligations, it is difficult for the War Department to give any reliable figure as reimbursement to the British Government under British contractual agreements with these manufacturers is a matter to be settled by the British Purchasing Commission and the manufacturers.
For your information, the British Purchasing Commission has entered into contracts for certain plant facilities amounting to $85,600,000 in addition to the facilities represented by the $48,300,000 referred to above. Study by the War Department indicates that in the interest of national defense the acquisition by the United States of these additional facilities is desirable. Accordingly, steps are now being taken by the War Department which it is hoped will lead to the further acquisition of these facilities by the Defense Plant Corporation. Inasmuch as the $85,600,000 represents the face amount of the additional British facilities, it is not known at this time what the ultimate cost thereof will be, or how much reimbursement will be due the British Government under existing contracts.

The foregoing comprises the extent to which War Department arrangements for relieving the British Government of contracts placed in this country by the British Purchasing Commission have been made.

Sincerely yours,

Henry L. Stimson
Secretary of War

The Honorable
The Secretary of the Treasury
Dear Merle:

As I told you over the telephone, we have been having some discussions with Messrs. Foley and Bernstein regarding a draft of lease-lend agreement with the British. In their absence I am sending to you a revised draft, together with a memorandum to the President, the original of which Secretary Hull has approved, so that they and Secretary Morgenthau may have it on Monday morning.

The President has written Secretary Hull asking him to submit to the President a draft of agreement as soon as possible, after discussing it with Secretary Morgenthau. I believe that he wishes, if possible, to have an agreement under discussion with the British some time during the coming week.

If Secretary Morgenthau wishes it, I shall be very glad to go over with him any questions which he may have about the draft before the two Secretaries discuss it.

Sincerely yours,

[Signature]

Mr. H. Merle Cochran,
Room 279,
Treasury Department,
Washington, D. C.
Memorandum to the President.

The attached draft of lease-lend agreement with the British is submitted in response to the President's letter of May 16, 1941.

It is suggested that matters of form — whether, for instance, what is covered in Article IV of this draft should be included in this agreement or in another document — be passed without decision at this time. If decision can be reached now as to the substance of the agreement, so that the Department may discuss that with the British, form and method can be submitted for approval after the British views are known.

The substance of the proposal is as follows:

First. A joint declaration of a cooperative purpose, between the two nations and all others willing to join, to establish a just peace based on security for all nations and order under law.

Second. The considerations moving from the British:

1. An undertaking
1. An undertaking by them to supply similar aid to us should our defense at any time require it.

2. An undertaking to examine, with a view to giving full support and assistance to strengthening our defense, any further needs of ours for bases.

3. All material transferred which shall be in existence at the end of the war to be given back to us upon request of the President.

4. All military material destroyed or used up in the war to be written off.

5. Against obligations for other materials - food, non-military material, etc. - the British to receive credits for property, services, information, facilities, or other considerations or benefits accepted or acknowledged by the President. It seems desirable to keep the credit accounting flexible so that, for instance, if the British developed and gave us a workable night bomber detection device, the President might be able to write off a category of obligations without necessarily putting a monetary value upon the device. The final settlement of any balance owed to be made so far as possible in a way not to burden economic
6. An undertaking by the British to give full support to us -

(a) In a program of international trade and financial policies designed to facilitate trade between us and among all nations willing to join.

(b) In improving international trade especially where difficulties have arisen from clearing, compensation, or payment agreements made by the British - for instance, the Argentine blocked sterling arrangement.

(c) In a program of equitable dealing with surplus commodities and non-discriminatory access to raw materials open to all nations.

(d) In a program open to all nations for post war relief and rehabilitation.

It may ultimately be thought desirable to formulate these economic provisions in a separate document. Incorporated here, as an undertaking by the British, they have more solemnity than a mere statement of intention, but are not a commitment by the United States requiring ratification as a treaty.

Third.
Third. The remaining provisions call for periodic
views of accounts, no transfer of title without the Presi-
dent’s consent, protection of rights of patent owners.
May 29, 1941.

Pursuant to Section 3 of the Act of the Congress of the United States of America of March 11, 1941, the President has determined that the defense of the United Kingdom is vital to the defense of the United States, and for that reason the United States is now providing, and will continue to provide, aid toward that defense.

The United States and the United Kingdom declare that in giving and receiving this aid they are engaged in a cooperative undertaking, open to all nations and peoples willing to join therein, entered upon in defense of national and political freedom, with self restraint and sober purpose, to the end of establishing a just and enduring world peace, based upon security for all nations and order under law.

The United States and the United Kingdom here agree to the terms and conditions on which the obligations of the United Kingdom to the United States which arise from the transfer of defense articles and defense information from the one nation to the other shall be discharged.

The methods here provided for the discharge of these obligations are devised to make possible for the future the establishment of international economic relationships essential for the maintenance of peace with freedom and opportunity.
opportunity for all who walk in the paths of peace.

**Article I.**

Should circumstances arise presently or in the future in which the United States in its own defense may require defense articles or defense information which the United Kingdom is or may be in a position to supply, the United Kingdom will make such defense articles and defense information available to the United States under arrangements similar to those expressed in this agreement.

**Article II.**

The United Kingdom will continue to examine with the United States their need for military, naval, or air bases with a view to giving its full support and assistance in strengthening the defense of the United States.

**Article III.**

1. The United States recognizes the benefit to the defense of the United States, contemplated by the Act of Congress of March 11, 1941, of the use by the United Kingdom in its own defense and in the defense of free states of the aid given and to be given under the Act.

2. Defense articles transferred to the United Kingdom under the act which shall not have been destroyed
as consumed shall be returned to the United States upon request of the President of the United States, whereupon all obligation, other than that provided in Articles I and II of this agreement, in respect thereto shall be thereby discharged.

(3) In respect of defense articles such as weapons, munitions, aircraft, vessels, and boats, machinery, facilities, tools, material, and supplies for their manufacture, production, processing, repair, servicing, or operation, and their component material, parts, and equipment, all obligation, other than that provided in Articles I and II of this agreement, shall be discharged upon the destruction or consumption thereof by act of war or in the defense of the United Kingdom, or in the use for which the said articles were leased or lent.

(4) In respect of all other obligations arising by reason of transactions or delivery of articles under the said Act of Congress not specified above, the United States and the United Kingdom shall periodically review their accounts.
accounts. Against such obligations the United Kingdom shall receive credits, in amounts determined by the President after consultation with the Government of the United Kingdom, for any property, services, information, facilities, or other consideration or benefits accepted or acknowledged by the President on behalf of the United States.

(5) Whatever balance of obligation may remain at the end of the present emergency shall be liquidated so far as possible in such a way as not to burden the international economic relations between the two countries or between either of them and other countries in the post-war period.

Article IV.

(1) In furtherance of the purpose jointly declared in this agreement the United Kingdom undertakes:

(a) To give its full support to the United States in a program of international economic, trade and financial policies and arrangements which will reduce and remove wherever practicable obstacles to trade and facilitate the interchange of goods and services between the two nations and among all nations willing to join therein;

(b) To aid the United States in improving their trade and financial relations with the British Commonwealth of Nations and with other countries, especially, in those instances in which difficulties exist by reason
reason of clearing, compensation, payment or similar agreements or arrangements entered into by the United Kingdom;

(c) To join with the United States and other nations willing to cooperate with them in devising and establishing fair and equitable methods for dealing with the surplus products of either of them and of other nations, and for providing free and non-discriminatory access to raw materials.

(2) The United States and the United Kingdom have already entered into and will proceed with negotiations looking toward a joint effort by the two countries and other nations willing to join therein to relieve the distress and want caused by the war, wherever, and as soon as, such relief will help the oppressed and not aid the aggressor.

Article V.

For the purposes provided in Article III of this agreement records shall be kept of all defense articles and defense information transferred or supplied under this agreement, and of all credits and liquidations; and at intervals of not less than every ninety days schedules of such defense articles, defense information, credits, and liquidations shall be exchanged and reviewed.

Article VI.
Article VI.

The United Kingdom undertakes that it will not without the consent of the President transfer title to or possession of any defense article or defense information transferred to the United Kingdom under this agreement to, or permit the use thereof by, anyone not an officer, employee, or agent of the United Kingdom.

Article VII.

If, as a result of the transfer to the United Kingdom of any defense article or defense information, it becomes necessary for the United Kingdom to take any action or make any payment in order fully to protect, pursuant to the Act, any of the rights of any citizen of the United States who has patent rights in and to any such defense article or information, the United Kingdom will so proceed, when so requested by the President.

Article VIII.

The parties to this agreement, and the officials signing this agreement on their behalf, each for itself, himself, or themselves, represent and agree that the execution and delivery of this agreement have in all respects been duly authorized, and that all acts, conditions, and legal formalities which should have been performed and completed
And prior to the making of this agreement have been read and completed as required by and in conformity respectively, the laws of the United States and the Kingdom.

Signed in Washington in duplicate this

ON BEHALF OF THE UNITED STATES OF

(Title)

ON BEHALF OF HIS MAJESTY'S GOVERNMENT IN THE UNITED KINGDOM

(Title)
Analysis of Drafts of Lend-Lease Agreement

Treasury Draft

Preamble. Recital of authority in the President under the Lend-Lease Act and his determination that defense of Great Britain is vital to our defense.

Article I. The President will furnish Lend-Lease aid to Britain as valued and listed in schedules attached to the Agreement.

Article II. Britain agrees to redeliver useful defense articles, equivalent amount of similar defense articles and amounts of tin, rubber, jute and other products produced in the British Empire or elsewhere. To the extent that the foregoing does not constitute full reimbursement, Britain agrees to furnish us other things, services, information, etc., acceptable to the President.

Article III. By future agreement the parties may substitute any other arrangement for repayment by Britain for Lend-Lease aid.

State Department Draft

Preamble. The President has determined the defense of the U.K. is vital to the defense of the U.S. and that therefore the U.S. is providing aid toward that defense. U.S. and U.K. declare that in doing this they are engaged in a cooperative undertaking open to all nations to establish a just world peace. The obligations of U.K. under the Agreement are to be discharged in such way as to make for the future establishment of international economic relationships essential for maintenance of peace with freedom of opportunity.

Article I. U.K. to supply similar aid to U.S. should our defense at any time require it.

Article II. U.K. will continue to examine with U.S. need for military, naval and air bases and give support and assistance in strengthening the defense of the U.S.

Article III. (1) U.S. recognizes benefit to itself of use by U.K. of aid given under Lend-Lease Act. (2) U.K. will return to U.S. articles which shall not have been destroyed or consumed. This will constitute full discharge of the obligation for such articles.
Article III - Continued.
(3) All military material destroyed or used up in the war to be written off.
(4) Against obligations for food and other non-military material, U.S. and U.K. will periodically review accounts and U.K. will receive credit in amounts determined by the President after consultation with U.K. for any benefits or other consideration acknowledged by the President.
(5) Obligations remaining at end of emergency shall be liquidated so far as possible in such way as not to burden the international economic relations between the two countries or between either of them and other countries in the post-war period.

Article IV. The President is to determine the fair value of any consideration or benefit received by the United States from Britain and to give Britain credit therefor. The status of the account under the Agreement is to be periodically reviewed.

Article IV. (1) To carry out the purposes of the Agreement, U.K. undertakes:
(a) to give full support to the U.S. in its program of international trade and financial policies which will reduce obstacles to trade;
(b) to aid U.S. in improving trade and financial relations with British Empire and other countries, especially where difficulty exists by reason of clearing agreements entered into by U.K.
(c) to join U.S. and other countries in devising fair methods for dealing with surplus products and providing non-discriminatory access to raw materials.
(2) U.S. and U.K. continue negotiations to relieve want caused by war, as soon as such relief will help the oppressed and not aid the aggressor.
Article V. Britain agrees it will not, without consent of President, transfer title or possession of any defense articles, etc.

Article VI. Provision re protecting patent rights of American citizens.

Article VII. Material delivered by Britain to United States in payment is to be delivered in the United States and such payments are to be exempt from restrictions, regulations, and taxes of Great Britain.

Article VIII. United States may at any time cease furnishing Lend-Lease aid to Britain but this will not affect Britain's obligation to repay. Any default by Britain shall entitle the United States to enforce its rights.

Article IX. President may exercise his power through any officer or agency designated by him.

Article X. Provision re parties giving notice to each other.

Article XI. Formal provision re legality of execution of document.
TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE June 5, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 11:45 yesterday morning Mr. Bell and I raised the question with the Secretary of a reply to Sir Edward Peacock in regard to the proposed transaction involving a loan of $16,000,000 against the Coates-Clark group of thread companies.

On May 28 Sir Edward had addressed a letter to the Secretary upon this subject, which had been turned over by the Secretary to Mr. Bell. When Sir Edward had telephoned the Secretary on Tuesday for an expression of his views on the proposal, the Secretary called me in and asked that I get in touch with Sir Edward. Upon telephoning New York, I learned that Sir Edward was in Washington. Consequently, I got in touch with him in Sir Frederick Phillips' office at 12:45 on Tuesday, June 3. He was returning to New York at 3 p.m. I told him that the Secretary planned to study his proposal the following morning, but that if an immediate decision was necessary, the Secretary would change his schedule and do the necessary. Sir Edward said there was no such urgency and that a reply on the following day would be satisfactory.

In our discussion yesterday, the Secretary told Mr. Bell and myself that he desired to give no opinion to Sir Edward on this proposal until Mr. Jesse Jones might look it over. Mr. Bell was instructed to get in touch with Mr. Jones on the subject, and I was to phone Sir Edward after Mr. Bell had spoken with Mr. Jones.

Mr. Bell succeeded in reaching Mr. Jones at 4:50 yesterday evening. Mr. Jones knew nothing of this proposal. He was willing to look into it, and asked if it would be agreeable for him to get in touch with Sir Edward Peacock thereon. Mr. Bell answered in the affirmative.

At 5 o'clock I spoke with Sir Edward Peacock by telephone. He had left his office, but I found him at another address (Pennsylvania 6-4340). I told him that his letter had had the attention of the Secretary, but that the latter would take no decision until Mr. Jones had an opportunity to look at it. Mr. Bell had thereupon telephoned Mr. Jones and it was agreed that the latter should get directly in touch with Sir Edward Peacock for full information concerning the proposed arrangement and the properties involved. Sir Edward told me that he had had no connection with Mr. Jones to date on this matter, but would be prepared to give the latter any information which he might request this morning.

[Signature]
THE WHITE HOUSE  
WASHINGTON  

June 5, 1941

My dear Mr. Secretary:

Pursuant to the authority vested in me by the Constitution and laws of the United States, I hereby authorise you to accept delivery of a gift of the defense articles set forth in the annexed schedule from Mr. John F. Camp, 1103 National Bank of Commerce Building, San Antonio, Texas.

I find that:

(1) The defense of the United Kingdom is vital to the defense of the United States;

(2) Sections 4 and 7 of the Act of March 11, 1941 have been complied with by the necessary agreement on the part of His Majesty's Government in the United Kingdom;

(3) It would be in the interests of our national defense to transfer the defense articles set forth in the annexed schedule.

I therefore authorise you to transfer those articles to His Majesty's Government in the United Kingdom.

I would appreciate it if you would arrange with the Chairman of the British Supply Council in North America for the time, method, and other details of the disposition.

Very sincerely yours,


The Honorable

The Secretary of the Treasury.
Defense Articles Authorized
for Transfer to the United Kingdom
by the Secretary of the Treasury

<table>
<thead>
<tr>
<th>Articles</th>
<th>Description</th>
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<td>5,000 barrels</td>
<td>Texas Crude Oil</td>
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</tbody>
</table>
JOHN F. CAMP
1103 National Bank of Commerce Bldg.
San Antonio, Texas

Washington, D. C.
May 8, 1941.

My dear Mr. President:

In this emergency I desire to make a gift of some of my oil to those who are fighting to save democracy. In the last few days we have had news which should rouse us to action, and I have been concerned by the casual attitude which so many of my fellow citizens seem to have in this crisis. Radio and newspapers are telling us that the oil supply of Britain is threatened, and daily all of us are becoming more conscious of the fact that oil is the symbol and the key to this current mechanistic war. Without oil, the machines of war and of defense would be stalled.

Accordingly, Mr. President, I am impelled to ask you to accept this gift as a token of democracy-in-action. To be specific, I offer five thousand barrels of crude oil from my wells to be delivered at the port of Corpus Christi, Texas, subject to your instructions.

Small as my offer is, it is my hope that it may in some way help to attract attention to the vast resources which we have available to defend democracy.

I have told my friends about this plan to give some of my oil, and their encouragement leads me to believe that my offer will not be misunderstood. If it is consistent with the policy of the Government, it would be particularly gratifying to me if some way could be found to make my oil available to the fighting forces of Great Britain. However, this is not a condition of my gift. To provide for the national defense the people of America have invoked your leadership in a vast program. It seems appropriate, therefore, that I make this offer directly to my President, since my primary interest is to aid in the defense of my country.

Respectfully,

JOHN F. CAMP
June 5, 1941
11:58 a.m.

HMJr: Yes, Steve.
Steve Early: As far as I can find out, that's all set for Wednesday night.
HMJr: Well, then I'm going to call up Mrs. Roosevelt and try to change it.
E: Yeah. All right.
HMJr: Thank you so much.
E: Right.
POUGHKEEPSIE NY JUNE 5/41 224P 1941 JUN 5 PM 2 54

SECRETARY OF TREASURY

MRS ROOSEVELT CAN JOIN YOU AT LUNCH WEDNESDAY JUNE ELEVENTH IF YOU CAN HAVE IT AT TWELVE NOON AS SHE HAS TWO O'CLOCK ENGAGEMENT

MALVINA THOMPSON

251P
June 5, 1941
2:00 a.m.

RE AID TO BRITAIN

Present:  Mr. Hopkins
          Mr. Stewart
          Mr. Bernstein
          Mr. Foley
          Mr. Bell
          Mr. Cox
          Mr. Cochran
          Mrs. Klotz
          Mr. Viner

H.M.Jr:    Well Dan, if you will state some of our
           troubles that we would like Mr. Hopkins'
           help on.

Bell:      You know, Harry, the last time we met we
           discussed the commitment to the British
           amounting to three hundred fifty million dol-
           lars which we would try to relieve them of
           their burden in this country. Since then,
           we have been working on it some, and we have
           found that there has been forty-eight million
           already taken out by the RFC of investment
           facilities and there is about eighty-five
           million investment left, of which Jesse and
           Phillips estimate that the value of it could
           only be between fifty and sixty because
           there are low amounts here and there that
           Jesse can't take. That would make a total of
           a hundred million of plant investment facili-
           ties. There have been supply contracts already
taken over by the War Department amounting to fifty million. The last time I think we talked to you we thought that we might get around to this whole thing by taking over all of the British contracts entered into after January 1.

Well, after going over the testimony we found that that might be a little difficult, but we don't find any difficulty in taking over the contracts that have been signed since March 11. That amounts to about seventy-eight million. That makes a total of two hundred twenty-eight million that there didn't seem to be much difficulty about.

Hopkins: We to take over the contracts?

Bell: That is right, the War Department.

Then in a discussion there evolved the proposition of allowing the War Department to enter into the contracts with the same contractors that are now under contract with the British and for the identical material and then postponing or deferring the British cash liability, leaving the British contracts in full force and effect, but no further deliveries on them. The deliveries would be made under our contract. The British cash liability wouldn't come until sometime, maybe two years, hence, and by that time we may work out some other scheme to relieve them. We have put down for that category two hundred million dollars, making a total of four hundred twenty-eight million dollars, which is a little more than we promised them, but maybe the method of giving them the relief justifies a little sweetness there.
That is the first matter that we discussed.

Hopkins: Dan, could I ask you this? We are going to buy ninety million dollars worth of oil for which they have been paying dollars. Now, I am under the impression that that is something that they do not expect us to do, and what I would like to find out is whether that ninety million could be included in this item because I never heard of it. They made no requests for oil until they sent a special man over here last week--

White: I don't think they expected to pay--

Hopkins: I fancy Phillips is going to say, "Of course, we were planning on that all the time."

White: He might say that, but I don't think they expected they would have to pay all dollars for it. I think they thought they might make some deal in which they might pay half in dollars and possibly half in sterling, so he might make that statement.

Hopkins: We are not buying all the oil. We are buying a ratio of about five to twelve. They are paying the seven in sterling. They buy it through the Shell.

White: Oh, they are paying for the remainder all in sterling?

Hopkins: They are paying for all the oil they buy from British companies in sterling.

Bell: Does that involve the ninety?

Hopkins: No, the ninety is oil that they have got to buy from dollar sources. For instance, they buy oil from Standard Oil of New Jersey down
in Aruba or somewhere down there, and they have to pay dollars to Standard Oil. They buy from Shell in the same place and they pay sterling.

White: You are sure they pay all dollars to Standard, because I think there was some discussion which you will remember, Mr. Secretary, sometime back?

H.M.Jr: I remember it very well, and we had it in here. Jay Crane came in here. You (Cochran) check me. They told me at the time that it amounted to roughly fifty million dollars a year, didn't it?

Cochran: Yes, sir.

H.M.Jr: And that it was a great obligation, and I said to the English, "Now look, when you feel that you can't pay the Standard Oil dollars any more, let's do the whole thing as one and not just single out one particular company."

Hopkins: Well, we are not.

H.M.Jr: But the point was that Standard Oil of New Jersey alone was receiving at the rate of fifty million dollars a year in dollars. Just that one company alone.

Hopkins: That is something because--

H.M.Jr: Is that right, Merle?

Cochran: Yes, sir.

H.M.Jr: Just that one company alone.

Hopkins: They have been getting three million tons from around the - Africa, the Persian Gulf,
and they have lost so many tankers that they just can't keep that moving that distance any more, so if that oil could be bought in America, the United States.

Bell: That wouldn't give them dollars, Harry, or relieve them in dollars, would it?

Cox: Sure.

Hopkins: It would relieve them in dollars if they didn't think we were going to do it. After all, they have got certain things they pay dollars for. If they had been planning on paying that, this may be--

Bell: But I can't believe that oil was in their normal imports from the United States for which they would have to provide the dollars.

White: From Central and South America.

Hopkins: It is the dollar area.

White: I am inclined to think that they were busy since that time in making arrangements to pay part sterling, but I don't know the facts, and Phillips will doubtless know, but certainly you are relieving them of some dollars. Whether it is the full ninety or not.

Hopkins: That wouldn't make any difference with this memorandum.

Bell: Not in this particular one.

Hopkins: Oscar, do you want to talk now?

Cox: I see no legal objection or no policy objection on this particular thing. The only two practical problems are whether we are within the limits of funds in the allocation, and I think
offhand that the funds are available. The second one is the practical problem of picking up one or two big contracts and working out a three-sided arrangement between the War Department, the British and the Lend-Lease, and I would guess that you could probably do that. It has the advantage--

Hopkins: That would be a standard item, wouldn't it?

Cox: Yes, and it has the advantage of backing up the orders so that you can keep your production going. For example, if we picked up a thousand plane order and you have a new order placed under Lend-Lease money for a thousand planes plus the British order, you would be committed to that extent on a postponed payment. It is not technically bailing out.

Hopkins: It will have to be the Army, won't it?

Cox: Yes. The biggest item is for the Army.

Hopkins: Unless we might pick up those sixty merchant ships. We might get sixty million there by simply increasing the order for sixty more ships.

Cox: That is possible.

Bell: How would that go?

Cox: They have got dollar commitments to pay for the sixty ships. That would be one of the best ways to do it.

Bell: That is in the billion four, I take it?

Cox: Yes.
Bell: Made after January 1?
Cox: Yes.
Hopkins: You are--
H.M.Jr: Just one second on that. I would like to check that. There is a peculiar circumstance on that. Let me just check my memory. That ship order, they said they had money earmarked especially for that.
Cochran: Phillips says, "I will put it in this pocket over here."
H.M.Jr: Just refresh my memory on that.
Cox: That was the thing at the time he didn't understand what the word "earmarked" meant, and Phil tried to explain it five or six times and he still didn't understand it, and Phil says what it means, you take five bucks and put it in your pocket and say you won't touch it for anything else.
H.M.Jr: I just wanted to bring out the fact that this money is the only money that is earmarked.
Cox: It is all fundable. All we want to make sure is we can't back up the commitments.
H.M.Jr: You think it was a very mental earmark?
Cox: Oh, sure.
Hopkins: You are convinced about that statement from the - from Jones and the Army that that is all there is in that part, a hundred million over-all.
Bell: Well, Phillips agrees with that. He says
that there must be twenty-five or thirty
million dollars there of small stuff that he
didn't think you would want.

H.M.Jr: Since you have been in, we have had a formal
letter from Stimson and one from Jones on it.
Have you (Cox) seen it?

Cox: No.

H.M.Jr: Bell, would you furnish Cox with a copy of those
two letters?

Bell: Yes, I will.

H.M.Jr: And one other thing. I don't think I ever
gave it to you. This is, so to speak, my
sailing orders. You might use it in your
files. I promised you that. (Memorandum
from the President dated March 10, 1941.)

Hopkins: Who could see Phillips about this ninety
million dollars worth of oil, but not say
to Phillips, "I assume you were planning on
this anyway," but say to Phillips, "Well,
I have found ninety million of the three
fifty"?

White: We have got some information as to what he
intended already on the record, as to what
he intended to spend in his estimate of what
dollars he would need during the coming
year which he gave the Secretary along in
December. They made certain statements
about their needs, and oil was one of them.
How specific the amount is, how specific the
information is, I don't know, but we can
look that up. It may answer your question.

Cox: Can I put in two words on the general policy
thing?
H.M.Jr: If you didn't I would be very much surprised.

Cox: When they made the statement on the basis of which you testified, they had things like oil and steel and other purchases at that end. At this end they have got a lot of fellows in the Purchasing Commission who haven't got a damn thing to do, and whether it is right or wrong, their attitude is the fact that their own men should have free play. I don't think it is essentially a detailed question of whether they are technically justified on this thing. I think it is a question of how much relief we want to give them because there are a lot of those things that they planned in paying in their own dollars which they are not now paying for.

Hopkins: This four twenty-eight - if we could get them four hundred twenty-eight million, theoretically that would give Purvis seventy-five million dollars cash to do some purchasing on his own, assuming the three hundred fifty washed up your obligation.

Bell: You are assuming that they get their advance payments back from the contractors?

Hopkins: Assuming we get four hundred twenty-eight million altogether or whatever figure you have got there.

White: The cash would come from the purchase of the plants, Dan, wouldn't it, from that portion of it?

Bell: They would get a hundred million cash from Jesse Jones. They have already gotten forty-eight million from him.

Hopkins: Well--
Bell: Then they might get something from the contracts.

Hopkins: You are pretty sure this doesn't violate Smith's testimony?

Cox: No.

Hopkins: You have no doubt about that?

Cox: No.

Hopkins: You haven't been over here ganging up with these Treasury people? (Laughter)

Cox: No.

H.M.Jr: Who pays you now? Are you paid over here in Treasury?

Cox: I only serve one master, and that is my conscience.

Hopkins: Well, if we are going to do this, I am for getting it done.

Now, can we get the cooperation of the War Department on this? I think we could. It would take us until tomorrow to pick out five or six big items which are standard.

Bell: Have you got this list here?

Cox: Yes.

Hopkins: I don't know. Are you sure the British will agree to this? After all, this is a fancy deal here, Oscar. As far as I can see, Phillips is coming back at you and say, 'Well, my God, you aren't relieving me of anything. All you are doing is postponing the evil day
when I have got to pay dollars."

Foley: If he is smart, he won't say that.
Hopkins: If he is smart, he would.
Foley: He won't say that.
Cox: I am not so sure.
White: He probably will - well, you are not so sure he is so smart or-- (Laughter)
Foley: That is the way it begins to look.
White: They will be left on rather weak grounds if they protest that because their argument now is that they - they are shy of cash for the next two years. Now, unless they feel that these contracts can't be deferred for more than a year, and there is no grounds for believing that, they would seem to be left with no basis for objecting. You have solved their problem for two years, giving them a hundred million dollars in cash, two hundred fifty in reduced obligations - or a hundred and fifty in reduced obligations and the two hundred in deferred obligations and deferred until, I presume, the end of the war or even after that if necessary, and at that point I think Oscar thought that they could make a settlement with the manufacturers here at which their two hundred million dollar obligation might be liquidated for twenty-five or fifty million dollars.

Cox: Well, if they win the war, I don't suppose they need to worry about fifty or a hundred million dollars cash. If they don't win the war, the manufacturer will probably have to worry.
Another reason they might accept it is, the Secretary has sweetened this by virtue of this fact. Wasn't that your thought?

H.M.Jr: I won't sweeten it. Mr. Hopkins will sweeten it.

White: I mean you are suggesting four fifty instead of three fifty by reason of this development.

H.M.Jr: That is right.

Cochran: But still you are cutting down on this six fifty.

H.M.Jr: That is another problem.

Cochran: But they add it altogether.

H.M.Jr: No, this is different.

Hopkins: I don't know if I am right about that.

H.M.Jr: This is something where I gave my word with the belief that the President understood me and was back of me so it is a question of my word with the understanding that the President fully understood.

Now, this other thing is an entirely new thing. Is that right, Harry?

Hopkins: As far as I understand it.

H.M.Jr: Yes, that is something entirely new.

Hopkins: Well, I think the next thing to do is to find out whether we can pick up the few contracts that this could be done with immediately.

H.M.Jr: Now, how do you want to proceed?
Hopkins: I think we ought to have somebody here, Dan, or somebody here at Treasury--

H.M.Jr: Dan has been handling this.

Hopkins: Well, I think Oscar can handle this for me, and we will let General Burns find out whether we can pick up the contracts, and I think the less we say to the British about this for a day or two the better. Let's find out where those contracts are and we have got to see Stimson and Bob Patterson and get them to agree to it.

H.M.Jr: If it is agreeable to you at the right time, I would rather have you talk to them.

Hopkins: To the British?

H.M.Jr: Well, this part of it, yes.

Hopkins: This part of it?

H.M.Jr: Yes.

Hopkins: Because they will have to put in some kind of an application, I think, under the Lend-Lease. Purvis will. But I think we will scout around discussing with Purvis until we know we can do it.

H.M.Jr: No one here will talk to the British.

Hopkins: It is sort of discouraging to do these things unless you can really deliver the goods.

H.M.Jr: Don't you think, Dan, in view of Hopkins' position we had better not open up what I call the "Keynes memorandum" and try to get this thing cleaned up first?
Cox: I think that is sound.

Bell: You mean not open it up here or not open it up to the British?

H.M.Jr: Well, I wasn't even going to bother now unless Hopkins wanted to.

Bell: I don't think there is any real hurry about the six fifty except Keynes wants to get home, he says.

H.M.Jr: Well, do you want to go into the six fifty now or not?

Hopkins: Not particularly, no. I tell you, I am not - I certainly would not want to pick up any back contracts to pay that six fifty.

Bell: The six fifty is really Mr. Hopkins' problem anyhow. The three fifty was your (Secretary's) commitment, but the six fifty is a new thing that has been injected and the only way it can be worked out is through Lend-Lease.

Hopkins: What has happened on this six fifty is that all of a sudden out of a clear sky this was dropped in our laps. Purvis had previously talked to us about the fact that he needed cash. When Keynes arrived, the amount of cash was four or five times as much as Purvis ever talked about needing, and Keynes submitted the memorandum and put the amounts in without ever saying a word to Purvis, who is chief of the British Purchasing Commission. Keynes decided that the British Purchasing Commission needed a lot of cash here for a variety of things, some of which were purely our problem, namely, things that politically we couldn't buy or that Keynes thought we could not politically buy under the Lend-Lease even though we had the legal power to buy it,
and there are a lot of odds and ends that Purvis needs, which he undoubtedly does. When I talked with Purvis the other day, he told me if he had twenty-five million dollars cash in the next three or four months in his pocket to buy what he pleased with, he would be the happiest man in Washington.

H.M.Jr: How much?
Hopkins: Twenty-five million.
Cox: Keynes' figures don't add up.
H.M.Jr: Well, Harry, it is all the more reason that if we could get this thing cleaned up, then when it is signed, sealed, and delivered, then we can send for - you can send for Purvis and Keynes.

Hopkins: I would like to see that Keynes memorandum.
Cox: I have got a copy.
H.M.Jr: But don't you think so? Then you can say, "Well let's take a look at this thing after this is cleaned up," because this thing we are talking about here today would help out Purvis a lot.

Hopkins: May I ask you this about the Keynes' thing? From the Treasury point of view, have you fellows any major interest in that?

H.M.Jr: The only major interest that we have is this. Mr. Keynes' walks in here with a cable of introduction from - well, I have got to go back a little bit, you see. Some where along in the middle of March, in fact, we got a cable from Winant as a result of the fact that the British Treasury and Churchill and Brendan Bracken and the Chancellor of the Exchequer talked to him about some reports.
that Phillips had sent over, and they sent us this cable on the nineteenth which was marked "Urgent" for the President, Hull, and me, which was delivered to me on the twenty-seventh of March by the State Department. It was sent on the eighteenth or nineteenth.

Cochran: Eighteenth.

H.M.Jr: Eighteenth from London and I got it on the twenty-seventh.

Well, the nineteenth we met here with Phillips to go into his troubles, and I went over his situation and that was the time I told him, "Don't worry, I am going to take care of you. Some way, I don't know how, I am going to take care of you." Then he sent a message back that we would work it out some how, and then from that day on, the British Treasury, according to Ben Cohen, felt much better.

Bell: But your commitment was only on the three hundred fifty. I don't know whether they got the idea that you were talking about the billion or not, did they?

H.M.Jr: Who?

Bell: The British Treasury.

H.M.Jr: Oh, no, I don't think so. Then the next thing I know, I get a cable from Winant, would I receive Keynes, and I said "Yes," and they were sending him over here because they felt maybe Phillips wasn't getting everything that he should. Keynes walks in here and dumps this thing on my desk.

White: Mr. Secretary, don't you think that it might
be appropriate to say that we have an interest
in the Keynes proposal to the extent that
their financial position, if indicated as
being inadequate, might justify some attempts
at giving them a larger cash balance because
right along Phillips has been claiming and
hoping that - he has been claiming that they
need a larger balance, and he has been hoping
that some way would be found to increase
their cash balance and their gold balance
which was down very low, so there is that
interest which antedates the present discus-
sion.

H.M.Jr:   Well I just--
Hopkins:  You wouldn't expect that to be accomplished out
of the Lend-Lease Bill, would you?
White:    Well, it is a point which interests the Treasury--
Hopkins:  I can see that.
White:    To the extent that--
H.M.Jr:   Just let me answer that, Harry. If I don't
answer it right, you supplement it. If it is
correct, and I have every confidence in Ben
Cohen, that Mr. Churchill and those people are
worried, to the extent that we, here in the
Treasury ease those worries a little bit, we
are interested. That is our - on my front,
which is the financial one, if I can ease
Mr. Churchill's worries a little bit, then
whatever time I can put in is time well spent.
But that is my interest in it. Is that right?

White:    That is right.
Hopkins:  I think the financial stakes of the British
are so grave over here, particularly in the
last year - there is one appropriation of
seven billion that is nearing its end. A new move has got to be made of some kind in very large proportions. I hate to get it complicated on the Hill or anywhere else by a minor move at this time which doesn't answer the total picture. Either we are going to finance the British over here or we are not, and that is all there is to it. We are going to pay for everything they buy out of the United States from here on or we are not, but Keynes throws something into this thing at this very difficult time on the Hill and there are a lot of differences of opinion about what is the next move that should be made regarding the Lease-Lend Bill. Many people believe the Lease-Lend thing might better be washed up entirely. Do the whole thing through the regular departments via appropriations. I don't like to get it complicated. I am willing to talk to Keynes, and I would like to get some cash into Purvis' hands in order to help him to do this obligation of yours plus getting some immediate cash for the next few months until the new Lease-Lend Bill is past Congress, and I would be glad to have Keynes or any other Britishers tell us what their headaches are in the present bill and how they would like to see the bill worked out, but to try to find six hundred fifty million cash or anything even approaching that sum of money, which would mean our buying something with dollars out of Lease-Lend and putting it in the British Treasury - after all, we have only got two and a half billion left.

H.M.Jr: Well, Harry--

Hopkins: And that is going to be all obligated in the next few weeks. The whole business is going to be tied up in bow knots.
H.M.Jr: If we can work this out, and I see now that we can with your help, and I imagine fairly fast, then I think we could have another look-see at the British Treasury procedure.

Hopkins: All right.

H.M.Jr: In view of this, my guess is that once this is accomplished, they ought to be able to see daylight for a good many months.

Hopkins: Now, could I come back to the ninety million?

Bell: Harry, I would like for Keynes, sometime along here, to see Mr. Cox and you and General Burns on this memorandum, because I think that they can show them where a lot of this six fifty can be taken care of under the Lend-Lease and allay their fears.

Hopkins: We will be glad to do that.

What I fear there, is it proper for us to have - there is no reason why Purvis shouldn't know anything that Keynes is saying to us, is there?

H.M.Jr: Purvis should?

Hopkins: Purvis should know what Keynes is saying.

H.M.Jr: Now, do you want us to handle the ninety million.

Hopkins: I would like to have somebody in the Treasury.

H.M.Jr: Bell?

Hopkins: Find out from Phillips--

H.M.Jr: Will you do it? Bell will do it.
Hopkins: I could write a book on what the answer is going to be.

Cochran: Phillips called this noon, Mr. Secretary, and wanted to know when they could see some of us on this. They wondered what the schedule was so one of us could call and get him over, say, if we want some more information.

H.M. Jr: Bell can do it at his convenience, but with the exception of the ninety million we are not going to tell them anything other than that we are working with Mr. Hopkins on it.

Is that right, Harry?

Hopkins: Yes.

H.M. Jr: And that we hope to have an answer early next week.

Hopkins: Yes.

H.M. Jr: We hope to have an answer early next week.

Hopkins: Yes.

H.M. Jr: Now, do you want to take five minutes of this thing and hear the Treasury's side of this quid pro quo, what is going on with the State Department? Would you like to hear about it?

Hopkins: Yes, I would like to very much because we are going to be in it pretty soon.

H.M. Jr: Dan, tell them what happened in your office yesterday.

Bell: Well, we got last Saturday a copy of the State Department draft and it has tied up
with the rules of the game to be played after the war. In other words, it is an economic agreement. We didn't like that very well; some of them said they didn't think we could write those rules now. So we asked Dean Acheson if he would come over and give us the background of that agreement and what they were trying to do with that type of agreement. Dean gave a very full explanation of the difficulties he had had in getting the type of agreement drawn like that. Apparently there had been a lot of differences of opinion on that in the State Department. The upshot of the thing was after we discussed it for a long time and asked him whether or not the door was closed, whether we couldn't discuss policy matters with the President and after we got those settled, the two Departments get together and draft an agreement, he said, "Yes, that could be done." He said that he would write a memorandum of the differences involved and the policy matters for the Secretary of State and the Secretary of the Treasury to take to the President and discuss. He has now done that and I have just received a copy of it. I haven't been over it yet. He sent it over here for our criticisms, to change in any way we want to. He is hoping that that will be finished tomorrow morning and the two Secretaries can go see the President tomorrow and after that is done, then the two staffs can get together and draft an agreement. This now envisages two agreements, one on the quid pro quo and the other one on the economic side. It not only involves the British nation on the economic side, but all the other nations that may want to join.

Hopkins: On the quid pro quo end of it, have you any reservations about their proposals there?
Bell: Well, I would rather Ed would speak on that. It is a little different from the one we had.

Hopkins: I know about that one item in it.

Foley: Well, the major difference, as you know, Harry, is whether or not the stuff that is made available to them that is used up for the purpose for which it is made available under their draft is washed up and no accounting ever has to be made for that. Under the draft that we prepared—

Hopkins: We give it to them. We give them a shell that is fired.

Foley: Yes, or a tank that is lost or destroyed or a ship that is sunk. It doesn't have to have any accounting for those items which are used up for the purpose for which they were turned over. In our draft, which was a little more commercial and which followed what we thought was the way it was to be prepared, the President could take that into account and re-adjust the whole account that had been made available to the British. In other words, if we wanted a return in kind or the equivalent, he could ask for that, and if he wanted to fix a valuation on stuff that had been used up that would be a nominal valuation, he could also do that. But it left the thing open to a later date for determination. Whereas their draft cuts it off right now and says, "Whatever you use up doesn't have to ever be accounted for."

White: Isn't that the distinction rather than calling it commercial? That is, your draft, the early draft, gave the President complete flexibility of decision, complete. He could give it away, make any request at any time
along the line. The other draft--

Foley: The State Department draft wipes off from any further accounting the largest item which is the stuff that is used up.

Bell: That is a major matter of policy.

H.M.Jr: I just thought you would like to hear that. O.K.?

Hopkins: Yes.

(Mr. Hopkins left the conference.)

H.M.Jr: Hopkins said outside that he thought he would be able to let me know not later than Saturday, and you can see that I didn't want to muddy the water by bringing up this six fifty. I thought it was a mistake. I also thought that if we get this thing through - I have given my word which I take very seriously. I think I can do this, bringing in the President. I want to get off this hot spot. And if we give them this extra money, I really think the British Treasury will be in much better shape than I had any reason to hope for.

Now, the thing that I wanted to say while I have got these people here, particularly Viner and Stewart, this has nothing to do with this, but looking forward I think it was Stewart who brought up the question - I mean, I am looking six months ahead - of the pros and cons of our possibly buying sterling, taking sterling for some of it, you see. In other words, the point as to do you want to express your own opinion?
Stewart: Go ahead, I will remember it after you outline it, probably. I remember we had a talk. I don't know just what you have in mind.

H.M.Jr.: Well, the point is this. Supposing that six months from now or a year from now they are really up against it. Are we better or worse off if we begin to take some of their sterling?

Bell: You are thinking now, Mr. Secretary, of liquidating their contracts or for a cash balance?

H.M.Jr.: Anything?

White: For providing them with cash, there is no way that you would have of providing them with that cash, assuming that all their Lend-Lease stuff is taken care of, except either by some Government loan or through a stabilization operation.

Now, the question is, why would they need cash if the Lend Lease can extend its operations to areas which they are now talking about, namely, purchasing goods in a third country and sending it to England. It is a little difficult to see why they would ever need cash.

Viner: Well, this is assuming that you will get a new Lend-Lease.

White: Yes, of course.

Oh, if they don't - if you don't get a new Lend-Lease, there are so many other things that will happen that I don't - but if you are going to lend the money, and I think possibly this is the point, it might be a very much better thing to have some sterling than to have just an I.O.U.
H.M.Jr: That was the point that Stewart brought up.

White: It is better security and it gives you better bargaining power and may also give you some control over other matters which you otherwise would not have control of.

H.M.Jr: And I also raised the question at this time because if somebody is going to work on an economic plan for the post war period, I think we would be in a better position if we had a billion or two billion of paper sterling than if we just had an I.O.U.

White: Then that would be very definitely a violation of the spirit of the use of the Stabilization Fund to use it for that purpose.

H.M.Jr: I wouldn't do it without a mandate from Congress, and I am not saying - but I just wanted to throw it on the table.

Stewart: Did I refresh your memory.

Yes, I remember it. I had it in mind chiefly in the event a pinch arose in some way where you were not able to negotiate this with all the other departments and still wanted to make good on your commitment, and you remember my illustration was that it was at least as good a risk as China was.

Bell: Or if they found they couldn't dispose of their dollar assets in this country as quickly as they need to meet these dollar contracts, you might temporarily buy sterling until those assets were liquidated.

White: Or they could use this new bill. They should no longer be in a position during the next twelve months where they are stuck for immedi-
ate cash in view of the bill and assuming that Jones wants to cooperate with them.

Bell: I am assuming that we still want them to sell them.

H.M.Jr: Well, as I say, I think this thing went along beautifully. I think you presented it very well, Bell, but I mean as long as I have got these consultants here - then the other thing which was a little out of the ordinary that I wanted to put before you was the thing that Viner said, and Viner says that we have got to watch our step if these Defense Savings Bonds continue to do so well, because I may find myself with four or five billion dollars demand obligations out.

Bell: You have got that now.

Viner: More than four or five. Ten or twelve.

Bell: You have got four billion three hundred million out now.

White: That, Mr. Secretary, I think should go on - I think the conservative position that has been usually held here with respect to the amount of demand obligations that can be held outstanding needs to be carefully reexamined, but I think the whole question should be raised and reconsidered, and I don't think we should assume that merely because there is an increase in demand obligations that per se that is bad, because I think there is some room for doubt that our whole attitude with respect to the proportion of demand obligations needs some reevaluation, but I think it is very important it should be reconsidered.
I think it is a good point to bring up, especially on the idea of my going out and saying how wonderful we are on the sales of Defense Bonds tonight.

Well, it doesn't worry me so much as it did a year ago. I think in the first Savings Bonds we put out, provisions require reasonable notice. What is reasonable notice is in your hands. With the new bonds we are putting out, it is thirty days notice required, I think, and even after the thirty days notice, any volume of them you could delay another two weeks or thirty days before you refund them. You have got to borrow the money and people have just got to wait until you borrow the money.

That may be just the reason for—

We could borrow money on Treasury bills pretty fast to meet the demands on this.

If there is any fear, that is an additional reason for holding on to these additional monetary powers. Probably there has been talk around here about giving up. If there is any doubt in your minds as to the possibility any time in the future of being unable to raise quick cash except at very exorbitant rates, I think that is an additional very strong argument for maintaining those exceptional monetary powers—

Who is talking about giving it up in the Treasury?

Well, it isn't in the Treasury, it is outside and there has been some talk inside. However it is only talk so far. (Laughter)

I hope you are not talking about Thomas currency.
White: That is one of them.

H.M.Jr: Well, we got through with this thing, and I was just bringing up a few of these things that had been brought to my attention and which aren’t immediate problems, but which should be studied. Now, the only thing you are going to do, you (Bell) are going to talk to Phillips and sound him out on the order, is that right?

Bell: I have got to get the story first from Oscar Cox.

H.M.Jr: And then we sit tight and hear from Hopkins, and I thought it was good ball to say that he should tell them, don’t you think so?

Stewart: Yes.

White: That is what I would want.

H.M.Jr: I did it because I knew that was what Ed wanted. I always do what Ed wants on Thursday afternoon.

Foley: That is something new. (Laughter)

H.M.Jr: On Thursday afternoons.

Stewart: I would like to say that I am in complete agreement with what Hopkins said about the six hundred million. I think that is just the right line to take with Keynes.

H.M.Jr: Oh, do you?

Stewart: I think that Keynes would make his own appraisal of our American situation and he will relieve us of a number of embarrassments, and I think his method is a very tactical thing.
If we can deal with the three of four hundred million, say this is a general thing, the Lease-Lend money is going to expire, we are going to have to deal with this in a larger way, I wouldn't myself deal with it in a minor way. I would deal with it in a larger way myself. I thought his general line was a very effective answer to a visiting economist. I don't think it solves the question of whether or not the British Treasury ought to have cash, and I think there is a question which the Treasury here could easily say, there may be some way of dealing with it, but I wouldn't mix it up with the Lease-Lend which is difficult to administer and therefore that we ought to work out actively some arrangement for it.

Bell: I wonder if one of the things that is worrying the British isn't that they are afraid that when this war ends, and it might end some day suddenly, that they will be absolutely broke and won't have any cash in the till at all.

H.M.Jr: Well, it would be amazing if it didn't worry them.

Bell: And I am wondering if something couldn't be done to make a commitment that as soon as the war is over we will loan them a half billion dollars, two hundred and fifty million dollars gold and the other two hundred fifty million dollars in dollars.

White: They will be just as broke today as they will be a year from today if it is a question of today.

Bell: I mean making the commitment to make them feel easy that when this thing does end, they have got a nest egg of five hundred million dollars.
that they can draw and then can show their people that they have got two hundred fifty
million dollars in gold.

White: I don't see what effect it would have since
they already are, in their terms, practically
broke so far as foreign exchange is concerned,
so that the fact that they will have something
after the end of the war won't make them feel
any differently toward the war now, would it?

Bell: Except that when the war is over, everybody
begins to forget about their problems.

White: They won't let you forget.

Bell: Yes, but we will have a different situation.
We will have a political situation which would
make it rather difficult.

H.W. Jr: Well, Dan, I think this. If we can get over
this three or four hundred million dollars and
give them four hundred million plus, I per-
sonally will be very, very happy, and then
after that, if I can direct Keynes, so that
he will be going after Hopkins instead of
after us and I can also get the British so
they won't ask me every time they want to
sell a company, get that off my chest, I think
that we have accomplished a lot and gotten rid
of a lot of difficult and irritating things.
The fact that we have handled it this way a
little differently - all the rehearsals in
your room, made it very easy for me this week,
and I appreciate it very much. It has worked
better than it has ever worked before. Most
of the week the Treasury has spent on this
stuff.

We - take our tax certificates. You and I
haven't been able to sit down and do it be-
because we have been doing the English stuff.
If we hadn't had that we would have gotten to it.
So we have just got to get this out, get them so they don't check with us every time they have got a company and then let it all flow into the Lend-Lease thing, and then we are pretty well rid of the whole business, don't you think so, Walter?

Viner:
Oh, I would like to see most of that out of the Treasury and let the Treasury concentrate on its Treasury problems.

H.M.Jr:
But we have had to go through this--

Viner:
I would hold it if you think other parts of the Government wouldn't make - wouldn't handle it properly, but if you feel that their spirit is right and their competence is all right, then I would say, "Get it out of the Treasury."

H.M.Jr:
Wouldn't you say Hopkins' attitude was splendid?

Viner:
Oh, I have no reason to suppose that he wouldn't handle it with expedition as well as with competence.

Cochran:
Could we be trying on a draft of that acknowledgment of the Sir Edward Peacock letter to get it out of your hands?

H.M.Jr:
Please.

Bell:
We are waiting on word from Jones.

Cochran:
Yes. I got Peacock last night, and Jones was talking with him directly.

Viner:
All I meant was, it shouldn't be merely passing the buck.

Bell:
No, it will be handled. They will come here first, you see.
H.M.Jr: All right. I want to talk with Stewart and Viner.

Foley: While we are all here together, maybe it would be a good time to raise what we are going to do before the Senate Banking Committee on Stabilization.

H.M.Jr: Not today. I just can't.

Foley: Are you going to use the old statement, or do you want a new statement? We could start working on it.

H.M.Jr: We will use the old statement.
I would let you know as soon as I had spoken with the Secretary about it.

I think that the situation needs the full attention of the Treasury Department. It is possible that, by the end of next week, the current situation in Washington might be stabilized.

I have discussed this matter with the Secretary of the Treasury and have concluded that we must act promptly to prevent any potential loss to the government.

Please note that any information provided is confidential and should not be shared without explicit consent.

Sincerely,

[Signature]

[Date: June 5, 1941]
June 5, 1941
3:39 p.m.

H.M. Jr: Hello.

Operator: Congressman Thom's secretary would like to speak to you.

Mr. Hatch: Mr. Morgenthau.

H.M. Jr: Talking.

H: This is Mr. Hatch in Congressman Thom's office and there is a man by the name of H. M. Doyle, D-o-y-l-e, who was a teacher in Wooster, Ohio, he says he was in Cornell at the same time you were and he is bringing a bunch of these Future Farmers of America boys here and wants to know if he can shake hands with you.

H.M. Jr: When.

H: Tuesday or Wednesday.

H.M. Jr: Well, as far as I know it's all right. I think I've heard about it once before, I'm not sure. Somebody, I think, was mentioned it.

H: Uh-huh.

H.M. Jr: But if I can switch you over to Lieutenant Stephens, who handles my appointments, between the two of you you can work it out.

H: All right.

H.M. Jr: How's that?

H: That'll be swell.

H.M. Jr: All right.

Operator: Operator..................
Good evening:

Just over a month ago the President of the United States bought the first of the new Defense Savings Bonds and stamps. On that occasion he spoke of the defense savings program as a privilege and an opportunity for every American -- "an opportunity to share in the defense of all the things we cherish against the threat that is made against them."

Tonight, from my desk at the Treasury, I should like to report to the people of this country on the way they have answered the President’s call.

I now have complete figures showing that in the month of May, the first month of what is to be a long and continuing effort, the American people voluntarily bought in defense savings bonds and
in defense savings stamps. This is more than half again as much as any of us in the Treasury had dared to expect. It is, to my mind, a great demonstration of faith in America.

In this first month the people have bought enough stamps and bonds to pay for four of the giant battleships we are now building, or enough to pay for the building of twenty cruisers, or a hundred destroyers to guard the ocean lanes. If this total could somehow take instant shape in new fighting planes, we should have more than 4,000 of them; and if it could be translated into long-range bombers it would buy 1,000 of them, (enough to have a decisive effect on the outcome of the war)

The sales of the Series E Bond, the new Baby Bond which is within reach of almost every pocketbook, were
more than twice as much in May of this year as the sales of the old Baby Bonds a year ago. I find it very en-
couraging also that total sales in the third week were more than in the second, and that the sales in the fourth week were not only more than in the third but more than in any week in the entire month. This makes me feel that there is a steadily growing interest which will show itself in continuing success as the year rolls on.

I don't want to say too much tonight, however, about figures alone. We decided long ago that our success should not be measured by the amount sold but rather by the number of people who invest their savings in American freedom. We have found that more than a million individual bonds were sold in the first month and almost ten million savings stamps. Even allowing for duplication, these figures show
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that many million men and women and children became partners of their Government during the month of May. To those people I say tonight, "You have given direct help in the defense of your country. You have done something worth-while to safeguard your democracy. You have found a way for yourselves and for millions of others to be of real service in the future."

If this record can be maintained and even improved in the coming months, I for one will regard our Defense Savings program as a shining success.

But there is something else, quite irrespective of any figures, which gives me the greatest pride as I look back over the first month's efforts. This is the spontaneous cooperation of Americans in all walks of life, through their voluntary organizations, in all parts of the country.
Labor, for example, has proved again what I always knew to be true -- namely, that the patriotism of the American worker is as sound today as when the Minute Man left their farms and their workshops to fight for freedom at Lexington and Bunker Hill. You may remember that several weeks ago the heads of all the great labor organizations in this country came to see me to pledge their unqualified support and help in the Defense Savings program. Mr. William Green of the A. F. of L., Mr. Philip Murray of the C. I. O., and Mr. J. A. Phillips of the Railroad Brotherhooods could not possibly have been more cooperative or more understanding of the objects of our program.

These offers of cooperation have now begun to take tangible form. I read with great pleasure the other day that David Dubinsky, president of the great International
Ladies' Garment Workers' Union had telegraphed President Roosevelt that the union members are investing $500,000 of union funds in United States defense bonds. Last week I had word from Michigan that 30,000 members of the Teamsters' Union in that state had unanimously endorsed our program and had expressed their wish to set aside a part of their earnings, regularly and systematically, for Defense Bond purchases.

Employers in many states, in big industries and small, have reported to us that they are ready to establish systematic savings plans -- in every case -- at the request of their employees. From all parts of the country we are getting reports of this kind of spirit among the men in our factories, the men whose toil and sweat are furnishing the materials that will make this country safe and strong.
The spirit of American labor and industry has been matched by that of American bankers. No praise of mine can be too high for the willing, helpful cooperation of bankers, great and small, East and West, North and South, in getting behind the Treasury's program. Ten thousand banks now act as our selling agents, without any commission or any inducement except patriotism, together with 16,000 post offices; but they do much more than sell for us. They have helped to educate us all by spreading information about the new bonds and stamps. Every one of the great bankers' associations that has met during May has, without exception, passed a public resolution pledging complete endorsement and cooperation in the Defense Savings program.

I should like to tell the bankers of America here and now that I appreciate what they have done. The first month's
results could not possibly have been so successful if the bankers had not put their shoulders to the wheel.

The Treasury has also counted on existing community groups of all kinds to spread information about what these Defense Savings Bonds are, and what they do. The Boy Scouts have distributed a million posters for us; the women's clubs have made our program a part of theirs. The response from foreign language groups has been especially encouraging. It proves again that whatever their origin, and whatever language they may speak, the overwhelming majority of them are Americans, united behind their government in defense of human freedom.

All sections, all creeds, all economic groups, all American parties have done their share and will continue to do their share. We have had during this first month a
preview of that national unity which this country must have if it is to surmount the crisis that now faces it.

We could, of course, have conducted this campaign in a different way, and perhaps we could have sold more bonds. We could have had parades and brass bands, and all the devices of high pressure selling. We could have compiled slacker lists, and we could have coerced or frightened people into buying, whether they could afford a bond or not. But democratic unity and morale are not built in that way. Our results prove that in any case we do not need to employ such methods.

This, after all, is a continuing effort. There are no quotas for the country or for any community in it. There is no time limit. The object of this program is to give the American people the habit of systematic saving
for their country's sake and for their own. I believe that with our present methods we are on the right track.

It may interest you to know that the Government has not had to spend one penny on paid advertising in newspapers, radio, movies or in any other field. Everything that we have had in the way of radio time and talent, or newspaper space, or motion picture time and skill, has been contributed freely and generously by the industries concerned, or by other advertisers. At this time I should like to pay my tribute to those agencies which have given us such willing and patriotic service: to the radio chains and independent stations, to the newspapers, great and small, and to all who have been able to bring our message to the American people. They have enabled us to carry on our program more economically than any similar effort in
the history of our country.

We have now made a good start. I shall make no predictions as to what the future will bring, but I truly believe that succeeding months will show records just as good and even better. We started this program with only six states organized, because we preferred to start slowly and surely rather than make mistakes which we might later regret. We now have twenty-two states organized with non-partisan committees composed of outstanding citizens. This process of organizing the states and cities will continue throughout the Summer, and I am sure that it will prove its value.

We must, of course, continue month after month, and do even better than in the first month of May. The amounts of money needed for our defense program are so vast that
the mind can hardly conceive them. The threat from abroad
has come so close to every American home that the President
has proclaimed a state of unlimited national emergency.

Now, as never before, I believe that all of us are ready
to show our partnership with the Government -- a partnership,
in the President's words, "entered into to safeguard and
perpetuate all those precious freedoms which the Government
guarantees." I know of no better way for every American
to strengthen those freedoms than by joining the millions
who have already bought Defense Savings stamps and Bonds.

Thank you all, and good night.
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Just over a month ago the President of the United States bought the first of the new Defense Savings Bonds and stamps. On that occasion he spoke of the defense savings program as a privilege and an opportunity for every American—"an opportunity to share in the defense of all the things we cherish against the threat that is made against them."

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stamps. This is more than half again as much as any of us in the Treasury had dared to expect. It is, to my mind, a demonstration of faith in America.

In this first month the people have bought enough stamps and bonds to pay for all five of the giant battleships we are now building, or enough to pay for the building of twenty cruisers or a hundred destroyers to guard the ocean lanes. If this total could somehow take instant shape in new fighting planes, we should have 4,500 of them; and if it could be translated into long-range bombers it would buy 1,000 of them, enough to have a decisive effect on the outcome of the war.

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I don't want to say too much tonight, however, about figures alone. We decided long ago that our success should not be measured by the amount sold but rather by the number of people who invested their savings in American freedom. We have found that almost a million individual bonds were sold in the first month and almost ten million savings stamps. Even allowing for duplication, these figures show that several million men and women and children became partners of their Government during the
month of May. To those people I say tonight, "You have
given direct help in the defense of your country. You
have done something worth-while to safeguard your democracy.
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If this record can be maintained and even improved
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that the great International Ladies’ Garment Worker’s Union
had telegraphed President Roosevelt that it had invested
$500,000 of union funds in defense bonds. Last week I had word from Michigan that 30,000 members of the Teamsters' Union in that state had unanimously endorsed our program and had expressed their wish to set aside a part of their earnings, regularly and systematically, for Defense Bond purchases. From all parts of the country we are getting reports of this kind of spirit among the men in our factories, the men whose toil and sweat will furnish the materials that will make this country safe and strong.

The spirit of American labor has been matched by that of American bankers. No praise of mine can be too high for the willing, helpful cooperation of bankers, great and small, East and West, North and South, in getting behind the Treasury's program. Ten thousand banks now act as our selling agents, without any commission or any inducement except patriotism, together with 16,000 Post offices; but
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All sections, all creeds, all economic groups, all American parties have done their part and will continue to do their part. We have had during this first month a preview of that national unity which this country must have if it is to surmount the crisis that now faces it.

We could, of course, have conducted this campaign in a different way, and perhaps we could have sold more bonds. We could have engaged in high-pressure tactics. We could have had parades and brass bands, and all the devices of mass hysteria; we could have compiled slacker
lists, and we could have coerced or frightened people into buying whether they could afford to or not. But democratic unity and morale are not built in this way. The results prove that in any case we do not need to employ such methods.

This, after all, is a continuing effort. There are no quotas for the country or for any community in it. There is no time limit. The object of this program is to give the American people the habit of systematic saving for their country's sake and for their own. I believe that with our present methods we are on the right track.

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We have now made a good start. I shall make no predictions as to what the future will bring, but I truly believe that succeeding months will show records just as good, if not better. We started this program with only six states organized, because we preferred to start slowly
and surely rather than make mistakes which we might later regret. We now have twenty-two states organized with non-partisan committees composed of outstanding citizens. This process of organizing the states and cities will continue throughout the Summer, and I am sure that it will prove invaluable.

We must, of course, continue month after month and do even better than in the first month of May. The amounts of money needed for our defense program are so vast that the mind can hardly conceive them. The threat from abroad has come so close to every American home that the President has proclaimed a state of unlimited national emergency. Now, as never before, I believe that all of us are ready to show our partnership with the Government—a partnership, in the President’s words, "entered into to safeguard and perpetuate
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tions as to what the future will bring, but I am hopeful that
succeeding months will show records just as good and even better.

We started this program with only six states organized, because we preferred to start slowly and surely rather than make mistakes which we might later regret. We now have twenty-two states organized with nonpartisan committees composed of outstanding citizens. This process of organizing the states and cities will continue until we have reached every community in the country.

We must, of course, continue month after month, and do even better than in the first month of May. The amounts of money needed for our defense program are so vast that the mind can hardly conceive them. The threat from abroad has come so close to every American home that the President has proclaimed a state of unlimited national emergency. Now, as never before, I believe that all of us are ready to demonstrate, in a concrete form, our partnership with the Government -- a partnership, in the President's words, "entered into to safeguard and perpetuate
all those precious freedoms which the Government guarantees."

I know of no better way for every American to strengthen those freedoms than by joining the millions who have already bought Defense Savings stamps and Bonds.

Thank you all and good night
Good evening:

Just over a month ago the President of the United States bought the first of the new Defense Savings Bonds and Stamps. On that occasion he spoke of the defense savings program as a privilege and an opportunity for every American — "an opportunity to share in the defense of all the things we cherish against the threat that is made against them."

Tonight, from my desk at the Treasury, I should like to report to the people of this country on the way they have answered the President's call.

I now have complete figures showing that in the month of May, the first month of what is to be a long and continuing effort, the American people voluntarily bought ($428,000,000 ?) in defense savings bonds and ($3,428,000 ?) in defense savings stamps. This is a wonderful start. It is more than any of
us in the Treasury had dared to expect. It is, to my mind, a great demonstration of the desire to serve America.

In this first month the people have bought enough stamps and bonds to pay for four of the giant battleships we are now building, or enough to pay for the building of twenty cruisers, or a hundred destroyers to guard the ocean lanes. If this total could somehow take instant shape in new fighting planes, we should have more than 4,000 of them; and if it could be translated into long-range bombers it would buy 1,000 of them.

The sales of the Series E Bond, the new Baby Bond which is within reach of almost every pocketbook, were more than twice as much in May of this year as the sales of the old Baby Bonds a year ago. I find it very encouraging also that total sales have held up consistently around $100,000,000 a week. This makes me feel that there is a steadily growing interest which will show itself in increasing sales, day by day, week
by week, month by month, as the year rolls on.

I don't want to say too much tonight, however, about figures alone. We decided long ago that our success should not be measured by the amount sold but rather by the number of people who invest their savings in American freedom. We have found that more than a million individual bonds were bought in the first month. Almost ten million savings stamps were bought in the same period. Even allowing for repeated purchases by the same individuals, these figures show that millions of men and women and children became partners of their Government during the month of May. To those people I say tonight: You have given direct help in the defense of your country. You have done something distinctly worth while to safeguard your democracy.

But there is something else, quite irrespective of any figures, which makes me very happy as I look back over the first month's efforts. This is the spontaneous cooperation of Americans
in all walks of life, through their voluntary organizations, in all parts of the country.

Labor, for example, has proved again what I always knew to be true -- namely, that the patriotism of the American worker is as sound today as when the Minute Men left their farms and dropped their tools to fight for freedom at Lexington. You may remember that several weeks ago the heads of all the great labor organizations in this country came to see me to pledge their unqualified support and help in the Defense Savings program. Mr. William Green of the A. F. of L., Mr. Philip Murray of the C. I. O., and Mr. J. A. Phillips of the Railroad Brotherhods could not possibly have been more cooperative or more understanding of the objects of our program.

These offers of cooperation have now begun to take tangible form. I read with great pleasure the other day that
Mr. David Dubinsky, president of the great International Ladies' Garment Workers' Union, had telegraphed President Roosevelt that the union members are investing $500,000 of union funds in United States defense bonds. Last week I had word from Michigan that 30,000 members of the Teamsters' Union in that state had unanimously endorsed our program and had expressed their wish to set aside a part of their earnings, regularly and systematically, for Defense Bond purchases.

Employers in many states, in big industries and small, have reported to us that they are ready to establish systematic savings plans -- in every case at the request of their employees. From all parts of the country we are getting reports of this kind of spirit among the men in our factories, the men whose toil and sweat are furnishing the materials that will make this country safe and strong.

The spirit of American labor and industry has been
matched by that of American bankers. No praise of mine can be too high for the willing, helpful cooperation of bankers, great and small, East and West, in getting behind the Treasury's program. Ten thousand banks now act as our selling agents, without any commission or any inducement except patriotism; but they do much more than sell for us. They have helped to educate us all by spreading information about the new bonds and stamps. Every one of the leading bankers' associations that has met during May has, without exception, passed a public resolution pledging complete endorsement and cooperation in the Defense Savings program. I should like to tell the bankers of America here and now that I appreciate what they have done. The first month's results could not possibly have been so successful if the bankers had not put their shoulders to the wheel.
The same is true of the Post Office Department, which has worked cheerfully and efficiently to make the defense savings program a success. The Post Office has been of truly indispensable help, from Postmaster General Frank Walker down to the clerk behind the window in every one of the 16,000 post offices that sell defense stamps and bonds.

The Treasury has also counted on existing community groups of all kinds to spread information about what these Defense Savings Bonds are, and what they do. The American Legion has called upon all its posts to give us every possible help. The Boy Scouts have distributed 1,200,000 posters for us; the women's clubs have made our program a part of theirs. The response from foreign language groups has been especially encouraging. It proves again that whatever their origin, and whatever language they may speak, the overwhelming majority of
them are Americans, united behind their government in defense of American freedom.

All sections, all creeds, all economic groups, all American parties have done their share and will continue to do their share. We have had during this first month a preview of that national unity which this country must have if it is to surmount the crisis that now faces it.

We could, of course, have conducted this campaign in a different way, and perhaps we could have sold more bonds. We could have compiled slacker lists, and we could have coerced or frightened people into buying, whether they could afford a bond or not. But democratic unity and morale are not built in that way. Our results prove that we do not need to employ such methods.

This, after all, is a continuing effort. There are no quotas for the country or for any community in it. There is no time limit. The object of this program is to give the American
people the habit of systematic saving for their country's sake and for their own. I believe that with our present methods we are on the right track.

Everything that we have had in the way of radio time and talent, or newspaper space, or motion picture time and skill, has been contributed freely and generously by the industries concerned, or by other advertisers. No paid advertising of any kind has been used. At this time I should like to pay my tribute to those agencies which have given us such willing and patriotic service: to the radio chains and independent stations, to the newspapers and magazines, great and small, and to all who have helped to bring our message to the American people. They have enabled us to carry on our program more economically than any similar effort in the history of our country.

We started this program with only six states organized,
because we preferred to start slowly and surely rather than make mistakes which we might later regret. We now have twenty-two states organized with nonpartisan committees composed of outstanding citizens. This process of organizing the states and cities will continue until we have reached every community in the country.

What has been done in the first month is a fine beginning, but it is only a beginning. We must do even better, much better, from now on.

Events across the seas cry out to us every day to speed up our effort in every direction. The threat from abroad has come so close to every American home that the President has proclaimed a state of unlimited national emergency.

So far our defense production program has only begun to rouse the giant industrial strength of this continent. In the
same way our defense savings program has barely begun to reach
the immense earning capacity of the American people.

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to demonstrate, in a concrete form, our partnership with the
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 Tonight, from my desk at the Treasury, I should like to report to the people of this country on the way they have answered the President's call.

I now have complete figures showing that in the month of May, the first month of what is to be a long
and continuing effort, the American people bought $437,230,000 in defense savings bonds and $3,552,000 in defense savings stamps. This is a wonderful start. It is more than any of us in the Treasury had dared to expect. It is, to my mind, a great demonstration of the desire to serve America.

In this first month the people have bought enough stamps and bonds to pay for four of the giant battleships we are now building, or enough to pay for the building of twenty cruisers, or a hundred destroyers to guard the ocean lanes. If this total could somehow take instant shape in new fighting planes, we should have more than 4,000 of them; and if it could be translated into long-range bombers it would buy 1,000 of them.
I now have complete figures showing that in the month of May, the first month of what is to be a long and continuing effort, the American people bought $438,350,000 in defense savings bonds and $3,552,000 in defense savings stamps. This is a wonderful start. It is more than any of us in the Treasury had dared to expect. It is a great demonstration of the desire to serve America.

In this first month the people have bought enough stamps and bonds to pay for four of the giant battleships we are now building, or enough to pay for the building of twenty cruisers, or a hundred destroyers to guard the ocean lanes.
The sales of the Series E Bond, the new Baby Bond which is within reach of almost every pocketbook, were almost twice as much in May of this year as the sales of the old Baby Bonds a year ago. I find it very encouraging also that total sales have held up consistently around $100,000,000 a week. This makes me feel that there is a steady interest which will show itself in continuing sales, day by day, week by week, month by month, as the year rolls on.

I don't want to say too much tonight, however, about figures alone. We decided long ago that our success should be measured not only by the amount sold but also by the number of people who invest their savings in American freedom. We have found that more than a million
individual bonds were bought in the first month. Almost
ten million savings stamps were bought in the same
period. Even allowing for repeated purchases by the
same individuals, these figures show that great numbers
of men and women and children became partners of their
Government during the month of May. To those people I
say tonight: You have given direct help in the defense
of your country. You have done something distinctly
worthwhile to safeguard your democracy.

But there is something else, quite irrespective of
any figures, which makes me very happy as I look back
over the first month's efforts. This is the spontaneous
cooperation of Americans in all walks of life, through
their voluntary organizations, in all parts of the country.
Labor, for example, has proved again what I always knew to be true -- namely, that the patriotism of the American worker is as sound today as when the Minute Men left their farms and dropped their tools to fight for freedom at Lexington. You may remember that the heads of the three great labor organizations in this country came to see me several weeks ago. Mr. William Green of the A. F. of L., Mr. Philip Murray of the C. I. O., and Mr. J. A. Phillips of the Railroad Brotherhoods all promised me their unqualified support and help in the Defense Savings effort. They could not possibly have been more cooperative or more understanding of the objects of our program.
These offers of cooperation have now begun to take tangible form. I read with great pleasure the other day that Mr. David Dubinsky, president of the great International Ladies' Garment Workers' Union, had telegraphed President Roosevelt that the union members are investing the union's funds in United States defense bonds. Last week I had word from Michigan that 30,000 members of the Teamsters' Union in that state had unanimously endorsed our program and had expressed their wish to set aside a part of their earnings, regularly and systematically, for Defense Bond purchases.

Employers in many states, in big industries and small, have reported to us that they are ready to establish systematic savings plans -- in every case in cooperation with their employees. From all parts of
the country we are getting reports of this kind of
spirit among the men in our factories, the men whose
toil and sweat are furnishing the materials that will
make this country safe and strong.

The spirit of American labor and industry has been
matched by that of American bankers. No praise of mine
can be too high for the willing, helpful cooperation of
bankers, great and small, East and West, in getting behind
the Treasury's program. Ten thousand banking institutions,
including commercial banks, mutual savings banks, and
savings and loan associations, now act as our selling
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patriotism; but they do much more than sell for us.

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They have **helped** to educate us all by spreading informa-
tion about the new bonds and stamps. Every one of the
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has, without exception, passed a public resolution
pledging complete endorsement and cooperation in the
Defense Savings program. I should like to tell the
bankers of America here and now that I appreciate what
they have done. The first month's results could not
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put their shoulders to the wheel.

The same is true of the Post Office Department,
which has worked cheerfully and efficiently to make the
defense savings program a success. The Post Office has
given truly indispensable help, from Postmaster General
Frank Walker down to the clerk behind the window in
every one of the 16,000 post offices that sell defense
stamps and bonds.
The Treasury has also counted on existing community
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these Defense Savings Bonds are, and what they do. The
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us every possible help. The Boy Scouts have distributed
1,200,000 posters for us; the women's clubs have made
our program a part of theirs. The response from foreign
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language they may speak, the overwhelming majority of
them are true Americans, united behind their government
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All sections, all creeds, all economic groups, all
American parties have done their share and will continue
to do their share. We have had during this first month a preview of that national unity which this country must have if it is to surmount the crisis that now faces it.

We could, of course, have conducted this campaign in a different way, and perhaps we could have sold more bonds. We could have compiled slacker lists, and we could have coerced or frightened people into buying, whether they could afford a bond or not. But democratic unity and morale are not built in that way. Our results prove that we do not need to employ such methods.

This, after all, is a continuing effort. There are no quotas for the country or for any community in it. There is no time limit. A major object of this program is to give the American people the habit of systematic
saving for their country's sake and for their own. I believe that with our present methods we are on the right track.

Everything that we have had in the way of radio time and talent, or newspaper space, or motion picture time and skill, has been contributed freely and generously by the industries concerned, or by other advertisers. No paid advertising of any kind has been used. At this time I should like to pay my tribute to those agencies which have given us such willing and patriotic service: to the radio chains and independent stations, to the newspapers and magazines, great and small, to the motion picture industry and to all who have helped to bring our message to the American people. They have enabled us to
carry on our program more economically than any similar
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We started this program with only six states organized,
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with nonpartisan committees composed of outstanding citi-
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will continue until we have reached every community in
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beginning, but it is only a beginning. We must keep up
the good work from now on.
Events across the seas cry out to us every day to speed up our effort in every direction. The threat from abroad has come so close to every American home that the President has proclaimed a state of unlimited national emergency.

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Now, as never before, I believe that all of us are ready to demonstrate, in a concrete form, our partnership with the Government -- a partnership, as the President said, entered into to safeguard and perpetuate all those
precious freedoms which the founders of our Republic
gave us as our heritage.

Thank you all and good night.
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Thank you all and good night.
HM, JR's READING COPY

OF RADIO TALK AT 9:45 P.M., JUNE 5, 1941,

FROM HIS OFFICE IN THE TREASURY
RADIO ADDRESS
BY
HENRY MORGENTHAU, JR.
SECRETARY OF THE TREASURY

Good evening:

Just over a month ago the President of the United States bought the first of the new Defense Savings Bonds and Stamps. On that occasion he spoke of the defense savings program as a privilege and an opportunity for every American -- "an opportunity to share in the defense of all the things we cherish against the threat that is made against them."

Tonight, from my desk at the Treasury, I should like to report to the people of this country on the way they have answered the President's call.
I now have complete figures showing that in the month of May, the first month of what is to be a long and continuing effort, the American people bought $438,000,000 in defense savings bonds and over three and one-half million dollars in defense savings stamps. This is a wonderful start. It is more than any of us in the Treasury had expected. It is a great demonstration of the desire to serve America.

In this first month the people have bought enough stamps and bonds to pay for four of the giant battleships we are now building, or enough to pay for the building of twenty cruisers, or a hundred destroyers to guard the ocean lanes.
If this total could somehow take instant shape in new fighting planes, we should have more than 4,000 of them; and if it could be translated into long-range bombers it would buy 1,000 of them.

The sales of the Series E Bond, the new Baby Bond which is within reach of almost every pocketbook, were almost twice as much in May of this year as the sales of the old Baby Bonds a year ago. I find it very encouraging also that total sales have held up consistently around $100,000,000 a week. This makes me feel that there is a steady interest which will show itself in continuing sales, day by day, week by week, month by month, as the year rolls on.
I don't want to say too much tonight, however, about figures alone. We decided long ago that our success should be measured not only by the amount sold but also by the number of people who invest their savings in American freedom. We have found that more than a million individual bonds were bought in the first month. Almost ten million savings stamps were bought in the same period. Even allowing for repeated purchases by the same individuals, these figures show that great numbers of men and women and children became partners of their Government during the month of May. To those people I say tonight: You have given direct help in the defense of your country. You have done something distinctly worthwhile to safeguard your democracy.
But there is something else, quite irrespective of any figures, which makes me very happy as I look back over the first month's efforts. This is the spontaneous cooperation of Americans in all walks of life, through their organizations, in all parts of the country.

Labor, for example, has proved again what I always knew to be true -- namely, that the patriotism of the American worker is as sound today as when the Minute Men left their farms and dropped their tools to fight for freedom at Lexington. You may remember that the heads of the three great labor organizations in this country came to see me several weeks ago.
Mr. William Green of the A. F. of L., Mr. Philip Murray of the C. I. O., and Mr. J. A. Phillips of the Railroad Brotherhoods all promised me their unqualified support and help in the Defense Savings effort. They could not possibly have been more cooperative or more understanding of the objects of our program.

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Last week I had word from Michigan that 30,000 members of the Teamsters' Union in that state had unanimously endorsed our program and had expressed their wish to set aside a part of their earnings, regularly and systematically, for Defense Bond purchases.

Employers in many states, in big industries and small, have reported to us that they are ready to establish systematic savings plans — in every case in cooperation with their employees. From all parts of the country we are getting reports of this kind of spirit among the men in our factories, the men whose toil and sweat are furnishing the materials that will make this country safe and strong.
The spirit of American labor and industry has been matched by that of American bankers. No praise of mine can be too high for the willing, helpful cooperation of bankers, great and small, East and West, in getting behind the Treasury’s program. Ten thousand banking institutions, including commercial banks, mutual savings banks, and savings and loan associations, now act as our selling agents, without any commission or any inducement except patriotism; but they do much more than sell for us. They have been of real service in spreading information about the new bonds and stamps. Every one of the leading bankers’ associations that has met during May has, without exception, passed a public resolution pledging complete endorsement and cooperation in the Defense Savings program.
I should like to tell the bankers of America here and now that I appreciate what they have done. The first month's results could not possibly have been so successful if the bankers had not put their shoulders to the wheel.

The same is true of the Post Office Department, which has worked cheerfully and efficiently to make the defense savings program a success. The Post Office has given truly indispensable help, from Postmaster General Frank Walker down to the clerk behind the window in every one of the 16,000 post offices that sell defense stamps and bonds.

The Treasury has also counted on existing community groups of all kinds to spread information about what these Defense Savings Bonds are, and what they do.
The American Legion has called upon all its posts to give us every possible help. The Boy Scouts have distributed 1,200,000 posters for us; the women's clubs have made our program a part of theirs. The response from foreign language groups has been especially encouraging. It proves again that whatever their origin, and whatever language they may speak, the overwhelming majority of them are true Americans, united behind their government in defense of American freedom.

All sections, all creeds, all economic groups, all American parties have done their share and will continue to do their share.
We have had during this first month a preview of that national unity which this country must have if it is to surmount the crisis that now faces it.

We could, of course, have conducted this campaign in a different way, and perhaps we could have sold more bonds. We could have compiled slacker lists, and we could have coerced or frightened people into buying, whether they could afford a bond or not. But democratic unity and morale are not built in that way. Our results prove that we do not need to employ such methods.

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A major object of this program is to give the American people the habit of systematic saving for their country's sake and for their own. I believe that with our present methods we are on the right track.

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They have enabled us to carry on our program more economically than any similar effort in the history of our country.

We started this program with only six states organized, because we preferred to start slowly and surely rather than make mistakes which we might later regret. We now have twenty-two states organized or beginning to organize with nonpartisan committees composed of outstanding citizens. This process of organizing the states and cities will continue until we have reached every community in the country.

What has been done in the first month is a fine beginning, but it is only a beginning. We must keep up the good work from now on.
Events across the seas cry out to us every day to speed up our effort in every direction. The threat from abroad has come so close to every American home that the President has proclaimed a state of unlimited national emergency.

So far our defense production program has only begun to rouse the giant industrial strength of this continent. In the same way our defense savings program has barely begun to reach the immense earning capacity of the American people.
Now, as never before, I believe that all of us are ready to demonstrate, in a concrete form, our partnership with the Government — a partnership, as the President said, entered into to safeguard and perpetuate all those precious freedoms which the founders of our Republic gave us as our heritage.

Thank you all and good night.
SPECIAL NOTICE
DEFENSE SAVINGS STAFF
ADVANCE NOTICE RADIO PROGRAMS

THURSDAY, JUNE 5

Time: 9:45 - 10:00 P.M.
Stations: WJSV - WJZ - WOR
Program: Secretary Morgenthau speaks on Defense Savings Bonds and Stamps.

The Secretary will review the first month's activities of the Defense Savings Bonds and Stamps Campaign. Secretary Morgenthau will be heard coast to coast over the three major networks, National Broadcasting Company Blue Network, Columbia Broadcasting System, and Mutual Broadcasting System.
THURSDAY, JUNE 5

Time: 4:45 - 5:00 P.M.
Program: Scattergood Baines.

THIS PROGRAM PROMOTES SALE OF DEFENSE BONDS AND STAMPS
11 P.M.

WINX

ANNOUNCER: ....The American people in May bought 488 million dollars in Defense Savings Bonds and three million dollars in Defense Savings Stamps, enough to pay for four giant battleships, Secretary of the Treasury Henry Morgenthau said tonight. This is a wonderful start, he said, in a nationwide radio address. It is more than any of us in the Treasury had dared to expect. It is, to my mind, a great demonstration of the desire to serve America. Sales of Defense Bonds and Stamps in May were sufficient to build twenty cruisers or one hundred destroyers to guard the ocean lanes. If this total could somehow take instant shape in new fighting planes, we should have more than four thousand of them, and if it could be translated into long-range bombers, it would buy one thousand of them. More than one million individual Bonds and almost ten million Savings Stamps were bought in May, and allowing for repeated purchases by the same individuals, the figures show that great numbers of men and women and children became partners of their Government during the month of May. Certain labor organizations are cooperating by investing in the Bonds. Employers have indicated they are ready to establish systematic savings plans.
and there has been enthusiastic cooperation by the American Legion and the Boy Scouts, bankers, and others. We have had during this first month a preview of the national unity which this country must have if it is to surmount the crisis that now faces it.

June 6, 1941

7:45 A.M. WMAL

ANNOUNCER: .....The Treasury has sold 438 million dollars worth of defense bonds, and that would build several battleships.
Dear Colonel Donovan:

The President has suggested that we should draft you to serve as Administrator for the State of New York for the Defense Savings program. This would be a full-time job, but one which would present an unusual opportunity for public service in these critical times.

I agree enthusiastically with the President.

I should like to talk with you about this as soon as possible, or, if it would better suit your convenience, I will be glad to have one of my assistants call on you at your office in New York to explain what we have in mind.

With kind regards, I am

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Colonel William J. Donovan,
No. 2 Wall Street,
New York, N. Y.

File to Mr. Thompson
June 5, 1941

Letter of transmittal signed by the Secretary enclosing the first two issues of "Field Organization News Letter" sent to the following: (Mailed from Graves' office)

The Secretary of Commerce
The Secretary of Agriculture
The Secretary of Labor
The Secretary of War
The Secretary of Navy
The Secretary of the Interior
The Secretary of State
The Attorney General
The Postmaster General

June 6, 1941
(By hand from office of the Secretary)

The President
The Vice President
Dr. Archibald MacLeish
"Field Organization News Letter" to go to the following:
(With Sec'y's card, mailed 6/5/41 from Graves' office)

Hon. C. Rogers Arundell,
Chairman, U.S. Board of Tax Appeals,
Bureau of Internal Revenue Bldg.,
Washington, D. C.

Hon. Harry B. Mitchell,
President, Civil Service Commission,
Washington, D. C.

Mrs. Jewell W. Swofford,
Chairman, Employees' Compensation Commission,
Old Land Office Building,
Washington, D. C.

Hon. James Lawrence Fly,
Chairman, Federal Communications Commission,
Post Office Department Building,
Washington, D. C.

Hon. Leo T. Crowley,
Chairman, Federal Deposit Insurance Corporation,
National Press Building,
Washington, D. C.

Hon. Emil Schram,
Chairman, Reconstruction Finance Corporation,
Federal Loan Agency Building,
Washington, D. C.

Hon. George B. Williams,
President, The R. F. G. Mortgage Co.,
Federal Loan Agency Bldg.,
Washington, D. C.

Hon. Charles B. Henderson,
Managing Director, Disaster Loan Corp.,
Federal Loan Agency Building,
Washington, D. C.

Hon. Sam H. Husband,
President, Federal National Mortgage Ass'n,
Federal Loan Agency Building,
Washington, D. C.

Hon. Abner H. Ferguson,
Administrator, Federal Housing Administration,
Washington, D.C.
Hon. John H. Fahy,
Chairman, Federal Home Loan Bank Board,
Washington, D. C.

Hon. Warren Lee Pierson,
President, Export-Import Bank of Washington,
Washington, D. C.

Hon. Leland Olds,
Chairman, Federal Power Commission,
1800 Pennsylvania Avenue,
Washington, D. C.

Hon. Marriner S. Eccles,
Chairman, Federal Reserve System

Hon. Marriner S. Eccles,
Chairman, Board of Governors of the
Federal Reserve System,
Federal Reserve Building,
Washington, D. C.

Hon. Paul V. McNutt,
Administrator, Federal Security Agency,
Washington, D. C.

Hon. Charles H. March,
Chairman, Federal Trade Commission,
Washington, D. C.

Hon. John M. Carmody,
Administrator, Federal Works Agency,
Washington, D. C.

Hon. Lindsay C. Warren,
Comptroller General of the United States,
Washington, D. C.

Hon. Joseph B. Eastman,
Chairman, Interstate Commerce Commission,
Washington, D. C.

Rear Admiral Emory S. Land, Chairman
Chairman, U. S. Maritime Commission,
Washington, D. C.

Hon. R. D. W. Connor,
Archivist of the United States,
The National Archives Building,
Washington, D. C.
Hon. Frederic A. Delano,
Chairman, National Capital Park
and Planning Commission,
New Interior Building,
Washington, D. C.

Hon. H. A. Millis,
Chairman, National Labor Relations Board,
Shoreham Building,
Washington, D. C.

Hon. George A. Cook,
Chairman, National Mediation Board,
Interior Building,
Washington, D. C.

Hon. B. F. Burdick,
Chief of Office,
The Panama Canal,
Washington, D. C.

Hon. Murray W. Latimer,
Chairman, Railroad Retirement Board,
Washington, D. C.

Hon. Edward C. Eicher,
Chairman, Securities and Exchange Commission,
Washington, D. C.

Dr. C. G. Abbot,
Secretary, Smithsonian Institution,
Washington, D. C.

Hon. Raymond B. Stevens,
Chairman, U. S. Tariff Commission,
Washington, D. C.

Brig. Gen. Frank T. Hines,
Administrator of Veterans' Affairs,
Veterans' Administration,
Washington, D. C.
# Estimate Income Tax Deposits

**June 1941**

<table>
<thead>
<tr>
<th>Date</th>
<th>Estimate</th>
<th>Actual Deposits June 1941</th>
<th>Actual Deposits Corresponding Day June 1940</th>
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<tr>
<td>1 Sunday</td>
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<td>$1,539,591.10</td>
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<tr>
<td>2</td>
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<td>$5,500,000</td>
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<tr>
<td>5</td>
<td>$9,500,000</td>
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<td>$5,036,826.74</td>
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<td>7</td>
<td>$15,000,000</td>
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<td>$9,415,478.77</td>
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<td>8 Sunday</td>
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<td>$18,000,000</td>
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<td>10</td>
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<td>21</td>
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<td>22 Sunday</td>
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<td>27</td>
<td>$1,500,000</td>
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</tr>
<tr>
<td>28</td>
<td>$1,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>29 Sunday</td>
<td>$1,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>$1,500,000</td>
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</tbody>
</table>

Total 1 to 5: $64,500,000

Actual Deposits Corresponding Day: $64,271,600.24

*Adjusted daily to include mail reports from General Depositaries.

Other notes:

- $70,000,000 from General Motors Corp., Detroit, Michigan in payment of nearly all of balance due in 1941.

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Regraded Unclassified
THE HOUSE PASSED AND SENT TO PRESIDENT ROOSEVELT A SENATE RESOLUTION
AUTHORIZING POSTPONEMENT OF FINLAND'S PAYMENTS FOR 1941 AND 1942 ON
ITS DEBT TO THE UNITED STATES. THE PAYMENTS DUE IN THOSE YEARS
APPROXIMATE $843,000.

IF FINLAND CHOOSES TO POSTPONE ITS PAYMENTS, THE SECRETARY OF
TREASURY, THE RESOLUTION PROVIDES, IS AUTHORIZED TO MAKE AN AGREEMENT
FOR RETIREMENT OF THAT PART OF THE DEBT IN 40 SEMI-ANNUAL PAYMENTS.
6/5--R5422P
FROM: MR. GASTON’S OFFICE

TO: The Secretary

In connection with Presidential protection it may interest you to know:

(1) Packages addressed to the White House are now being examined at the White House garage where X-ray equipment has been installed.

(2) Merchants no longer make deliveries to the White House but a truck, manned by Secret Service personnel, collects the orders.

(3) The flow of letters for investigation by Secret Service has multiplied. Average daily examinations 32 during April as compared to 7.3 during April of last year.
FOR THURSDAY NEWSPAPERS
June 5, 1941

The Secretary of the Treasury and Mrs. Morgenthau will be at home this afternoon to officials of the Treasury Department and allied Bureaus. Two teas will be given — one from 5 to 6 o’clock and the other from 6 to 7 o’clock.

Receiving with the Secretary and Mrs. Morgenthau will be Under Secretary of the Treasury Daniel W. Bell and Mrs. Bell, Assistant Secretary of the Treasury Herbert E. Gaston and Mrs. Gaston, and Assistant Secretary of the Treasury John L. Sullivan and Mrs. Sullivan.

Assisting at the tea table will be Mrs. H. J. Anslinger, Mrs. Blair Banister, Mrs. E. F. Bartelt, Mrs. Charles S. Bell, Mrs. Roy Blough, Mrs. H. Merle Cochran, Mrs. Preston Delano, Miss Katherine S. Foley, Mrs. George C. Haas, Mrs. A. W. Hall, Mrs. Guy T. Helvering, Mrs. James L. Houghteling, Mrs. Elmer L. Irey, Mrs. W. R. Johnson, Mrs. Ferdinand Kuhn, Jr., Mrs. Clifton E. Mack, Mrs. John W. Pehle, Mrs. Nellie Tayloe Ross, Mrs. Charles Schwarz, Mrs. Thomas Tarlsea, Mrs. W. N. Thompson, Mrs. R. R. Waesche, Mrs. Harry D. White and Mrs. Frank J. Wilson.

Generally assisting will be Mrs. Herman Klotz, Miss Nell M. Chauncey, Miss Isabella S. Diamond, Mrs. Arthur R. Forbush and Mrs. Robert McHugh.

—oCo—
MEMORANDUM

June 5, 1941

To: PRICE ADMINISTRATION COMMITTEE
From: R. K. Thompson, Secretary

Attached hereto are the following:

1. Minutes of the meeting of June 3.
2. Price schedule No. 7.
3. Price schedule No. 5.
4. Amendments to price schedule No. 2.
5. General Preference Order and Civilian Allocation Program for Copper.
CONFIDENTIAL

SUMMARY OF STENOGRAPHIC TRANSCRIPT OF MEETING OF
PRICE ADMINISTRATION COMMITTEE
June 3, 1941
11:00 a.m.

Chairman: Mr. Henderson

Present: Secretary Wickard, Messrs. Stevens, Clayton, Nelson
Lubin, Ezekiel, Whitcomb, O'Connell, Barnes, Weiner,
Galbraith, Ginsburg, Hamm, Hoover, Plummer, Cassels,
Thompson

1. Stock pile of lead

Mr. Weiner reported that the Canadian Base Metals Controller
has urged that the United States pick up approximately 50,000
tons of lead which we have there before transportation facilities
are exhausted. Mr. Clayton reported that the sources in Mexico,
Peru and Bolivia have been explored, that a purchase agreement
is about to be worked out with Mexico and that lead is one of the
items included. He added that several mines have shut down because
of their inability to ship to the United States at a profit on account
of the tariff. He added that 100,000 tons of lead may be stock piled
during the balance of the current year. A brief discussion followed
as to the possibility of reducing the tariff on lead and Mr. Ginsburg
pointed out that a bill is being considered to authorize bringing in
strategic materials duty free.
2. Oil

Mr. Henderson referred to the appointment of Secretary of Interior Ickes as Petroleum Coordinator and the effect of such appointment on the work of OPACS and reported that a meeting is scheduled for June 7 with California oil producers at San Francisco to discuss recent price increases on crude oil and gasoline. He indicated that if the recent price increases are found unwarranted and if those who posted the new price do not withdraw it, OPACS will move via selling orders.

3. Railway rates on lumber from the West Coast

Mr. Henderson announced that OPACS had been handed a decision by ICC sustaining its request that an increase of one dollar not be granted on intercoastal lumber rates. He added that OPACS representatives are today meeting in Chicago with the Central Freight Association in an effort to have the rates reduced to 72 cents a hundred.

4. Industry committees

Mr. Henderson reported that Mr. O'Brien of OPM and Mr. Ginsburg of OPACS have been designated to work out a basis for the selection of industry committees and their functioning within the limits set by the Attorney General's letter (copy attached). He emphasized the necessity of having committees set up which could cooperate with defense agencies in securing and disseminating information and assisting generally in expediting various phases of the defense program, and cited Mr. Nelson's successful use of the industry committee technique in distributing government orders so that production facilities have not been unduly burdened.

5. Automobile prices

Mr. Henderson referred to the recent increase in prices announced by the Ford Motor Company and to information from Detroit that other
companies are contemplating increases and stated that he would like to
write a letter to each company asking that prices not be raised without
prior consultation with the Office of Price Administration and Civilian
Supply. He inquired whether, in writing such a letter, it should be
indicated that the matter had been discussed with the Price Administration
Committee and that it was the feeling of the Committee that no increases
should be made. Mr. Henderson pointed out the difficulty of handling the
problem since changes in the quality of material or the number of appliances
used would materially affect the product even though prices remained the
same. Messrs. Lubin and Ezekiel pointed out that through the use of
substitute materials or merely changing the name of a model from de luxe
to super de luxe price changes could be affected and therefore the manu-
facters should be put on notice that such changes would be considered
changes in price.

It appeared from the discussion to be the general feeling of the
Committee that every effort should be made to prevent price increases in
automobiles but that a conference with the manufacturers should be held
before the proposed letter is transmitted.

6. Coffee

Mr. Galbraith reported that representatives of OPACS and of
Mr. Nelson's office have been working in conjunction on the coffee
situation and that a meeting will be held within ten days with those who
have a large amount of the coffee stock to see if the price can be
stabilized. Mr. Nelson reported that his division had negotiated for
15 million pounds which they got at 10 3/8 cents per pound, and that
the present situation is rather good.
7. Hides

Mr. Galbraith also reported that, working in collaboration with Mr. Nelson’s office, which on May 27 had rejected all bids for 1½ million Army and CCC shoes, OPACS simultaneously announced the intention of placing a ceiling of 15 cents a pound on hides of light native cows and that unless the tanners and others holding inventories release them further steps will be taken.

8. Bill authorizing the President to requisition needed material

Mr. Henderson reported that OPACS had participated in drafting the bill just submitted to Congress which would authorize the President to requisition any material needed for defense or security and that, if called upon, his office would strongly support it as a necessary adjunct to price enforcement powers.

9. Appearance of Mr. Henderson before the Senate Committee on Agriculture and Forestry.

Mr. Henderson reported that he had appeared before the Senate Agricultural Committee on May 29 and that the discussion resolved itself to the basis used by the Office of Price Administration and Civilian Supply in the fixing of a ceiling on prices of cotton yarn and its authority to establish such a price ceiling. He referred to the discussions on labor, pipe lines, priority prices and agricultural prices he had with the various members of the Committee and suggested that the members of the Price Administration Committee may wish to read the proceedings when they are published.

10. Price control of commodities affected by shipping shortages

Mr. Clayton raised a question concerning what would be done to control the prices of commodities, such as coffee, cocoa and the like,
which are affected by shipping shortages. Mr. Henderson replied that a ceiling would be fixed in such cases. Secretary Wickard raised the problem of regulating shipping rates and Messrs. Henderson and Hamm reported that OPACS is participating in rate discussions and in the discussion concerning the creation of an Office of Defense Transportation within the OEM which would coordinate all forms of transportation where price, priority and supply are concerned.

11. Coordination of defense priorities.

Mr. Ezekiel raised the problem of a small manufacturer of brass who was unable to secure copper from the big copper companies except by paying a higher price than these same companies have fixed for their own processors and subsidiaries for both defense and other needs. He questioned the possibility of tying price control to priorities so that the incentive to bootlegging would be avoided and monopoly control would not be increased. Mr. Weiner pointed out that the civilian allocation order on copper, issued May 31, was worked out on a basis which would give the integrated company and the independent company pro rata shares according to the amount of defense and civilian production each has, but that proportionately the integrated company usually has a greater amount of defense business.

12. Presidential power to suspend tariffs

Mr. Stavans reported that he had looked into the President's authority to suspend tariffs and found that in case of an emergency or war he may suspend any duty on food, clothing, medical supplies or medicine necessary for relief. He pointed out that under the present unlimited emergency there are many cases in which the President could act under that authority.
13. Aluminum scrap

Mr. Lubin raised the question of the possibility of issuing a statement continuing indefinitely beyond June 30 prices on aluminum scrap, previously discussed at the meeting of May 21. Mr. Galbraith reported that as soon as an arrangement has been worked out with CPM concerning the withdrawal of aluminum from civilian use action would be taken concerning the aluminum price schedule.

Mr. Henderson announced that a report on Canadian War Finance would be made available to committee members by request to Mr. Thompson. He also introduced Dr. Calvin Hoover who today joined the staff as General Economist.

The committee adjourned at 12:10 p.m. to meet Wednesday, June 11 at 11:00 a.m.
April 29, 1941

Honorable Leon Henderson
Administrator
Office of Price Administration and Civilian Supply
Washington, D. C.

Dear Leon:

The marshaling of the nation's industrial assets for a maximum productive effort in the national defense will doubtless require the allocation of orders, the curtailment of some kinds of production so as to increase production in defense fields, and the establishment of priorities and price ceilings. Furthermore, many of these steps must necessarily affect the production of goods used to satisfy our normal needs, as well as the production of materials and implements used directly in our defense effort.

Some of these acts if accomplished by private contract or arrange-ment within an industry and carried on for private advantage would probably constitute violations of the antitrust laws. On the other hand, it is obvious that in the present emergency acts performed by industry under the direction of public authority, and designed to promote public interest and not to achieve private ends, do not constitute violations of the antitrust laws. In these circumstances, the Department of Justice recognizes that business interests which are asked to comply with public plans for increasing production and preventing inflation are entitled to the cooperation of agencies of the Government in eliminating any uncertainties which may exist as to the application of the antitrust laws to their activities.

Accordingly, this Department has formulated a policy which it proposes to follow in its relations with the Office of Production Management and the Office of Price Administration and Civilian Supply and with all industries or contractors acting in compliance with the orders or requests of either of these organizations. The important points of this policy are:
Meetings of the industry with the Office of Production Management and the Office of Price Administration and Civilian Supply or their representatives are not illegal. Industrial committees may be formed at the request of the Office of Production Management or the Office of Price Administration and Civilian Supply, to work with representatives of such offices on problems involving defense. There will be nothing unlawful in the industry cooperating in the selection of its representatives or in selecting members for committees, or in the activities of such committees provided they are kept within the scope of this letter.

Questions as to whether there is need for such a committee, and if so, how it shall be chosen, and by whom constituted, shall be the sole responsibility of the Office of Production Management or the Office of Price Administration and Civilian Supply. This Department will not participate in these decisions beyond the suggestion now made that any such committee should be generally representative of the entire industry and satisfactory to the Office of Production Management or the Office of Price Administration and Civilian Supply.

Each industry committee shall confine itself to collecting and analyzing information and making recommendations to the Office of Production Management or the Office of Price Administration and Civilian Supply, and shall not undertake to determine policies for the industry, nor shall it attempt to compel or to coerce any one to comply with any request or order made by a public authority.

All requests for action on the part of any unit of an industry shall be made to such unit by the Office of Production Management or the Office of Price Administration and Civilian Supply and not by the industry committee. That is to say, the function of determining what steps should be taken in the public interest should in each case be exercised by the public authority which may seek the individual or collective advice of the industry. But the determination shall not be made by the industry itself or by its representatives.

Requests for action within a given field, such as the field of allocation of orders, shall be made only after the general character of the action has been cleared with the Department of Justice. If the general plan is approved, thereafter each request for specific action in carrying out such plan shall be made in writing and shall be approved.
by the office of the General Counsel of the Office of Production
Management or the office of the General Counsel of the Office of
Price Administration and Civilian Supply, but need not be submitted
to the Department of Justice. In the case of any change in the
personnel of such offices or if serious practical difficulties arise,
this latter arrangement may be revoked upon notice from me.

Acts done in compliance with the specific requests made by the
Office of Production Management or the Office of Price Administration
and Civilian Supply and approved by their General Counsel in accord-
ance with the procedure described in this letter will not be viewed
by the Department of Justice as constituting a violation of the anti-
trust laws and no prosecutions will be instituted for acts performed
in good faith and within the fair intendment of instructions given by
the Office of Production Management or the Office of Price Administration
and Civilian Supply pursuant to this procedure.

In the case of all plans or procedure, however, the Department
reserves complete freedom to institute civil actions to enjoin the
continuing of acts or practices found not to be in the public interest
and persisted in after notice to desist.

With kind personal regards,

Sincerely,

[Signature]

Attorney General