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June 11, 1941
9:00 a.m.

Hello.

Henry?

How are you, Bill?

Fine. Henry, I got your letter. I haven't replied because I wanted to wait until tomorrow to see what the President was doing on another matter, then I was going to see you and tell you what the situation was.

I see.

But while you're there now, well, I better not tell you over the phone. That's the only reason I haven't written you.

Oh.

And I'll be down there, I think, tomorrow afternoon or Friday morning and if you will let me come in to see you, I'd like to do it.

Well, let's make an appointment because...

For Friday morning?

Yeah.

All right.

Wait a minute. I'm testifying Friday morning.
D: Well, I go in the afternoon.

HMJr: Well — what time do you get down Thursday?

D: Well, I wouldn't get there probably till late afternoon.

HMJr: Well, I tell you what we can do. How about Friday, 9:30?

D: Friday — I'll do it. I'll be there.

HMJr: See?

D: I'll be at your office at 9:30.

HMJr: All right. I hope you are going to be able to do it. I don't know what you want...

D: Well, I'll tell you what's on.

HMJr: Right-o.

D: All right.

HMJr: Thank you.
June 11, 1941
9:03 a.m.

HMJr: Hello.

Colonel Smith: Mr. Secretary, this is Smith.

HMJr: Good morning.

S: How are you, sir?

HMJr: Fine. Colonel Smith I wondered if you could find out whether the Army and Navy are doing anything along the lines of an artificial fog to protect a strategic factory.

S: Yes sir.

HMJr: If they are not, I have an idea for them.

S: All right, sir.

HMJr: I know how to make one and make it in about 5 seconds and maintain it.

S: Well, if they - if you do, we use artificial fog, you know and if you have such an idea it should be considered.

HMJr: Well, this would not be - this would have to be stationary- I mean, mine wouldn't work in the field.

S: I see, sir.

HMJr: It might at that, but what I had in mind was - I have got a contraption which you can put on the roof on either side of the factory depending upon which way the wind would go.
S: I see, sir.

HM Jr: Which would put up an artificial fog and maintain it for as long as they wanted it.

S: We used it in six to ten places you know, and we recently - that is, within the last few years, we spent a good deal of money and a good deal of research about Panama creating artificial fog down there. How can I have this....

HM Jr: Well, that it is, is this. I have what - on the farm, I happened to be walking out early the other morning - I tell you what it is. It's what they call a liquid sprayer, which is made by the Niagara Sprayer Company of Middleport, New York. Hello?

S: Yes, sir.

HM Jr: What this thing does; it throws up 40 - 50 feet in the air some very fine water mist, you see?

S: Yes, sir.

HM Jr: And they go through the orchard with this portable machine and then they put the chemicals in and then the thing descends - this very fine liquid descends on the trees.

S: Yes, I've seen that.

HM Jr: Have you seen them?

S: Yes, sir.

HM Jr: Now, my thought was this - supposing they had a row of these - of this thing which breaks the water up into these very fine particles down in the middle of the factory. You see, on the roof?
Yes.

And then on either side and on an air warning they just touch off a button and within, oh, a few seconds, this thing would be up 40 feet, 50 feet in the air completely hiding the factory.

Yes sir.

And this company being chemical they could tint this water any color any color that they want it to make a perfect - so you couldn't see it from the air.

Yes sir, I see.

Now, I don't know whether that principle has ever been applied.

Well, it has not. Of course, in creating artificial fog, we have tried so far to create a fog sufficiently large so that a bomber would not be able to distinguish an individual target in the fog. That is, it doesn't help just to cover a building cover a large area.

Well, you could as large an area as you wanted to and then they could tint this with a chemical depending upon - if it's winter they could leave it white, but if it's summer they could put a green chemical in so that the thing would be green.

I see what you mean. I get you Mr. Secretary, Surely.

The water - this company makes the chemicals too, you see, but my thought - say if it's in the winter time, just be the pure water.
That's right, I get the idea. In other words, it's a camouflage.

Yeah.

From the air it might look like a continuation of a grove of trees.

That's right. It would hide the building and say put a green chemical in and then in the summer time, it would look just like a green patch.

Yes sir.

But it would completely hide the building.

I have it now, sir.

And it's - I haven't talked to anybody, but on walking out I saw this complete fog and completely covering my trees and I said, now why wouldn't that do for a fixed factory or say a whole area a mile square.

In other words continue a grove of trees and something of that sort, they are working on that right now, Mr. Secretary. I'll write that up in the form of a memorandum as a suggestion from you and send it up there.

If - as I say, the Niagara Sprayer makes this, I mean they got this thing which breaks the water into such fine particles it's a regular mist and they throw it up in the air 40 or 50 feet.

Yes sir.

Now, like a lot of these things, but I did see it work and by tinting it you see, different colors, they could get complete camouflage.

I wonder what that would look like from the air. We've tried something like that out to see whether......
HMJr: Well, that's what I thought, if you could get three or four of these machines, you could buy them, you see, from the Niagara and then put them over a particular spot, I mean they don't cost an awful lot, the whole experiment might cost you a couple thousand dollars.

S: Well, they'd be delighted to demonstrate for us, that is if the main - what we want to find out whether the air man from a height can see through that.

HMJr: Well, that's what....

S: Or whether you cannot. We'll get them to help us out. They'd be pleased, I know, to demonstrate it if there was something - possibility of something in there for them.

HMJr: I believe the people who own it, I'm not sure, are the of Niagara, you know the Niagara Power people.

S: Oh, yes sir.

HMJr: I think that it's the family that owns this.

S: You have something on the general idea - you take - you've seen these aerators on an ice plant you know. Something like that magnified to a very high degree, that is shooting way up in the air....

HMJr: What this machine is, it has a nozzle 4 or 5 inches across and this thing comes out at terrific velocity and it goes up 40, 50 feet in the air and of course they introduce the chemical or nicotine or whatever they want and it gently descends like a very fine mist and covers the trees. That's the purpose, but when it's up in the air it hides every tree.
S: I got it.

HMJr: Now, I was thinking if you had one of these over a definite object from the air, it may or may not hide, for instance, a gun emplacement.

S: That's right.

HMJr: See?

S: That's right, sir.

HMJr: Or some very valuable thing that you don't want seen from the air.

S: I'll put that up to the chemical people and to the plant protection people at G 2.

HMJr: And I was thinking it might cover a whole area.

S: Yes, I should think so. And particularly if they could make that sprayer in such a way that it would blend in with something adjoining, like a lake or....

HMJr: Yeah, they can tint it blue or green or whatever color they want.

S: Fine.

HMJr: If it's worth a damn, let me know, I'd like to look it over.

S: Yes, I will. We'll see what comes of it. Thank you very much.

HMJr: Thank you.

S: Oh, by the way, Mr. Morgenthau, did Mrs. Morgenthau get that horse?

HMJr: Not yet.
S: She didn't decide - she decided not to take the one up there at Warrenton?

HMJr: Well, you know what happened on that?

S: No, I do not.

HMJr: The Colonel from Front Royal was for it, then they decided they'd send it down here to Fort Myer and Colonel Hardy, is that his name, Colonel Hardy rode it and recommended strongly against Mrs. Morgenthau taking it and (laughs) the Colonel out at Front Royal, what's his name?

S: Dessauer - Well, he's the one that bought that three year old, you know that....

HMJr: Well, Dessauer says you can't find a better horse but in as much as Colonel Hardy rode it, and I've only got one wife, I don't want another one.

S: Well, Dessauer is the man that picked out - sent down that completely safe three year old, the first one we looked at.

HMJr: Well, anyway, Colonel Hardy, when he said no, I said all right. My wife was just pleased. If Colonel Hardy said it's a not safe horse I don't want it.

S: I declare.

HMJr: What?

S: I declare. Well, I think you did well to take Colonel Hardy's advice rather than

HMJr: Well, I could fly and hit in the face of his advice.
S: Dessauer is a good man on
of a thing like that, but he's one
of these young and peppy cavalryman
that wants them to move around under
him.

HMJr: Now, I have a very nice letter from
Colonel Hardy the other day, said he
was still looking, but if you would
needle him a little bit, I would
appreciate it.

S: I'll needle him, yes sir. Colonel
Lyman has called me up once or
twice wondering if you'd be interested
in his horse but I think probably that's
too much money, he wants somewhere
around 9 hundred for his.

HMJr: Well, if it was the right horse, I
wouldn't stop at the price.

S: It's, of course, a very high class
animal.

HMJr: Now, what is this?

S: Colonel Lyman's.

HMJr: He's got a horse?

S: He's right out here at the stable
and he asked me to suggest that you
and Mrs. Morgenthau stop and look
at it.

HMJr: Colonel Lyman?

S: Lyman, yes sir. Lyman is down here
in the brigade headquarters and he's
more or less an internationally known
horseman.

HMJr: L-y-m-a-n-s?

S: Yes sir, L-y-m-a-n.
HMJr: Yeah.

S: Well, if you'd be interested in taking a look at that some time, I'll tell Lyman and he'll be out there and will be glad to show you.

HMJr: Well, Mrs. Morgenthau gets in today and I'll speak to her about it.

S: All right sir, and if you will let me know I'll make all the arrangements. This is of course, this is an outstanding animal.

HMJr: Right.

S: It's about ten years old, I think.

HMJr: That's all right.

S: But it's a prize winner of note.

HMJr: Right. Thank you.
June 11, 1941
9:27 a.m.

HMJr: Hello.

Miss Barrows: Yes, Mr. Secretary.

HMJr: Miss Barrows, good morning.

B: Good morning, sir.

HMJr: At ten thirty Friday, I have to appear before Senator Glass, have you got a pencil?

B: I'm taking it down, yes sir.

HMJr: And the Banking and Currency Committee on two bills. The one which would give the President the right to continue to devalue the dollar and the extension of the stabilization fund, you see?

B: Yes sir.

HMJr: That's what's known as the Treasury Bill. Then at the same time, they are conducting a hearing on Senator Taft's bill which has the Eccles proposal which takes the right of the President to devalue the dollar away - against it.

B: Yes sir.

HMJr: Now, before I go on the Hill at ten thirty, I'd very much like to see the President.

B: Yes sir.

HMJr: Could I?

B: Yes.
HMJr:  Now if you give him that message which means I'd like to see him today or tomorrow.

B: Yes sir. All right, I'll write this up for the President and give it to the General.

HMJr: Will you? That's the two bills.

B: Yes sir, I have every word you said.

HMJr: Thank you so much.

B: All right, sir, fine. Goodbye.
June 11, 1941
9:30 a.m.

GROUP MEETING

Present:  Mr. Bell
          Mr. Gaston
          Mr. Haas
          Mr. Thompson
          Mr. Cochran
          Mr. Odegard
          Mr. Sullivan
          Mr. Blough
          Mr. Graves
          Mr. Schwarz
          Mr. White
          Mr. Foley
          Mrs. Klotz

H.M.Jr:  Well, I will do the tax boys first.

Sullivan: First of all, here is a revision of the regulations affecting advertising of liquor which prevents such things as that Army and Navy brand that you spoke of, and I didn't know whether you wanted to sign it yourself.

H.M.Jr:  Sure. What happens?

Sullivan: This--

H.M.Jr:  It can't happen again?

Sullivan: This regulation is more explicit. There just isn't any room for doubt about it.
Mr. Doughton called and was very anxious to have me there at five minutes of ten, but I can go ahead - do you want me to go ahead on that problem of joint tax returns?

H.M.Jr: Well, don't expect any guidance from me.

Sullivan: Well, there is an awful lot of divergent guidance from the rest of the group here.

H.M.Jr: How are you on it this morning?

Sullivan: I am against it.

H.M.Jr: This morning?

Sullivan: Yes, sir. What I am for is this, that--

H.M.Jr: Well, so the group knows, it is whether married people should have to make joint returns.

Sullivan: Should be required to make them.

Now, the other proposal that is up there is that married people be allowed to elect whether they make joint or separate returns. If they make a joint return, they get the two thousand dollar exemption. If they make separate returns, they get eight hundred dollars each, just as they would if they were both single. That would bring in an additional twenty-six and a half million dollars.

White: As against how much the other way?

Sullivan: The other one is about five hundred million.

White: Therefore there is no comparison.

Sullivan: Oh, you bet your life, and that is why I am
against it, Harry, because this shifts five hundred million dollars from single men and from single persons and from married couples with one source of income to married couples with two sources of income, where both husband and wife have income.

Now, this shift was proposed by the Treasury in 1933 and, at that time, it is my recollection that the shift would have been about forty million dollars, but with the rates that we are now proposing where this is a shift of a half a billion dollars and with the rates that will be proposed next year and the year after that, it is a horse of another color, and--

Foley: Well, I think there is an effective answer to that shifting business. I don't think it is a shift.

White: What is it, a shift from to?

Foley: It is taxing according to ability to pay. I am just taking the other side of the argument.

White: Are you married, Ed?

Foley: I am not married, but--

Sullivan: Ed and Stam.

H.M.Jr: Yet.

Foley: Let's say that I earn a hundred thousand dollars.

H.M.Jr: Why not? (Laughter)

Foley: My wife earns nothing, and I pay a tax on a hundred thousand dollars.
H.M.Jr: I think that is unfair to your wife.

Foley: All right, and I live on that scale, and then my neighbor has a wife who has an income of fifty thousand dollars, and he has an income of fifty thousand dollars. They certainly live on the same scale. A hundred thousand is an economic unit. But I have to pay a higher tax than they pay because he pays on his fifty and she pays on her fifty. So I don't think it is a shift of the burden. It seems to me it is taxing according to ability to pay.

Gaston: You might distinguish between earned income, Ed, and unearned income.

White: Which is it when you are married?

Foley: You can do that by allowing the fellow who earns the income the exemption and the fellow who has the unearned income no exemption.

Gaston: Well, that will only--

Foley: I mean, that is a relatively small--

Gaston: Yes, it is a minor factor.

H.M.Jr: I gather George Haas' reason for it is the best of all. He said, "We are just going Communist if we do this and follow the steps of Russia, and it is an argument against marriage." Am I quoting you right, George?

Haas: Yes, sir.

Foley: That is a lot of bunk. (Laughter)

Haas: There is one--
Foley: George didn't--

Sullivan: We have learned something in the last four years.

Haas: When you take the income tax and put it down where you include such a large mass of your population, I think the institution of marriage having a tax bill put on it is a very serious social question, and I think you should look for your revenue some other place. In 1937 it was a somewhat different problem than it is now under your new suggestion where you take in a large mass of the population, and I am serious about it. I think that the foundation for democracy is a family unit and the tax program shouldn't penalize that.

White: Are you serious, George?

Haas: Absolutely.

Gaston: I think it is a serious argument.

White: Just a moment, let's examine that.

Foley: He is right. The Catholic Church ought to be down here lobbying this thing.

Sullivan: Don't you worry, the minute this thing gets out every woman's organization in America will be down here lobbying against it.

H.M. Jr: I am being serious for a moment. I take it what is motivating George partly is the Catholic viewpoint on the thing. I mean, I am being serious now.

White: Where is Ed--

Foley: I don't know of any Catholic viewpoint on this thing.
Haas: Well, there is no Catholic viewpoint on it at all, it is just my feeling of the importance of the family unit.

Gaston: I agree with George.

H.M.Jr: The other point, I mean to give everybody the full benefit, I mean Sullivan brought out the point that if anybody was debating whether he should get divorced or not, he would quickly make up his mind and get divorced.

White: I thought somebody gave an effective answer to that. If that is what stands between a man living with his wife, he ought to be divorced.

Foley: And if you are going to put monetary considerations on marriage as George is doing, I think he shouldn't get married. If a fellow has an income and a girl has an income and they get together and they say, "Well, we will go together, we will get married if it isn't going to cost us anything, but if I am going to have to pay more income taxes, I am not going to marry you."

Gaston: It might be a case of whether they--

Foley: I don't think they ought to get married.

Haas: It is a social action, Ed.

H.M.Jr: Well, I am sure after this very brief discussion, the matter is entirely in your hands. You can be up on the Hill in five minutes to represent the Treasury.

Gaston: You can take a firm position on both sides.

H.M.Jr: And with that guidance I am sure you will chart
a safe and sane course. Would you like the whole nine-thirty group to go up with you to assist you?

Sullivan: Yes, I would like to match them with the Committee, because there is about the same diversity of opinion among the Committee as there is here. (Laughter)

H.M.Jr: As I told you last night, don't make any commitments.

Sullivan: No, I won't, but we will have to tomorrow.

H.M.Jr: Blough, Sullivan says that from now on he needs you until he gets this marital question settled. Incidentally, are you settled in your own mind?

Blough: I have been on the fence for some time.

White: We know that. (Laughter)

Blough: John Sullivan forced me to make up my mind the other day. I think it is a good thing.

H.M.Jr: To do it.

White: What do you mean, "Forced you to make up your mind"? You mean convinced you?

Sullivan: We have to give an answer.

Blough: He said, "You give me a recommendation," so I did.

H.M.Jr: What did you say?

Blough: I said, "While I think it is a close case, I think the balance of considerations are in favor of compulsory joint returns, but I do think some type of adjustment would have to be made in the lower brackets of earned income."
H.M.Jr: Well, stay on the fence, will you?
Sullivan: Righto.

(Mr. Sullivan and Mr. Blough left the conference.)

H.M.Jr: As long as John can keep a sense of humor on it, it is all right. He told me last night it was the first time he had ever heard George Haas get excited.

Haas: I didn't know I was excited. He hasn't seen me really excited yet.

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

This memo I gave you, Ed, on state taxing contractors, where does that stand?

Foley: We haven't seen Bob Jackson.

H.M.Jr: I talked to Bob about it. I wish you would call him up again.

Foley: I did, Mr. Secretary. I have got a request in Mr. - Miss McGuire called up every day.

H.M.Jr: Who has something that needs to be decided today?

Gaston: I have got a letter that you might like to read asking the President for funds out of the emergency funds to build the Coast Guard ships.

H.M.Jr: No. Get a bill through Congress.

Gaston: Well, they turned it down. I think it is a great mistake.

H.M.Jr: Well, I won't pass upon it. You can get a bill through Congress.
Gaston: Here is some more Secret Service gossip. You might be interested to know that the plane that discovered the Bismarck had the same type of Bendix radio as the Lockheed Lodestar, so that was one of the first installations of it, and there is a telegram from the British Minister of Aircraft Production congratulating Bendix on the fine operation of their equipment.

H.M.Jr: Well, that is nice, isn't it?

Gaston: Do you want to talk to me later about this Jackson letter?

H.M.Jr: Can't you handle it for me? Call up Pat. What does he want.

Gaston: He wants a job.

H.M.Jr: I was told that Pat Jackson had a job with Milo Perkins.

Gaston: Well, he explains in his letter that it involves his moving out to the Pacific Coast which he doesn't want to do.

H.M.Jr: And he wants a job with us?

Gaston: Well, he wants you to help him get a job somewhere.

H.M.Jr: Well--

Gaston: We can think about it now and talk to you about it later.

H.M.Jr: Yes.

Klotz: We will have to answer it.
H.M.Jr: Yes. I will get at it sometime today.
Gaston: Yes. And I could tell you about that Texas thing.
H.M.Jr: Yes. Well, ask Stephens. I would like to see you on it.
Gaston: Right.
H.M.Jr: Ed, have you got anything important?
Foley: I have this Executive Order, proposed Executive Order that Bob Jackson has submitted to the White House for signature. The Budget Bureau has sent it to us, and that requires a reporting to the Department of Justice of all property, all foreign-owned property in this country. Now, that is pretty much our function, we have always thought, and that reporting has been made a part of each one of the orders that we have prepared freezing the Axis powers.
H.M.Jr: And now what does it do?
Foley: Well, now it simply gives to the Department of Justice the reporting of all foreign-owned property, which cuts right into our field, and the question is what position should we take.
H.M.Jr: Who drew the order?
Foley: The Attorney General.
H.M.Jr: Foreign property? Real property as against stocks?
Foley: No, all properties, stocks, bonds, everything.
Bell: It includes all countries, including those that are frozen.

Foley: That is right, and it was drafted by the Attorney General and submitted to the Budget without ever being taken up with us or the State Department.

H.M.Jr: Well, how does it come here now?

Foley: Well, Budget was gracious enough to send it over and ask us for a recommendation.

H.M.Jr: Well, when I call him up, I will ask him how come. They said they expect him in any time. All right.

Cochran: On that, the State Department called, too, to let us know that there was such a thing, and see that we had a copy of it. Do you want to sign that letter to Mr. Jones?

H.M.Jr: Yes.

Cochran: There is the replaced copy of that report of the meeting. We rewrote that one phrase.

H.M.Jr: Anything else?

Cochran: No.

Kuhn: I think you would like to know that Mr. Powel had a good talk with Bob Sherwood yesterday about writing those playlets. He is lunching with Sherwood in New York on Saturday about it, and he has also sent a telegram to Carl Cramer, who is in Indiana, inviting him to come to Washington as soon as he is free in Indiana to discuss the matter.

H.M.Jr: Good.
Peter?
George?

Haas: I have another report on these Agricultural appropriations, suggesting specific cuts.

H.M. Jr: Oh! Anything else, George?

Haas: That is all.

White: Nothing.

H.M. Jr: Harry, I think on second thought I would try to get that list this morning from Carmody.

White: You would?

H.M. Jr: Yes.

And then, Ed, instead of meeting at ten fifteen, you and I are going over to see Glass. We are leaving here at ten fifteen to go over and see Glass.

Foley: All right.

H.M. Jr: And we are not going to have that meeting - well, we will see. Then I am holding between now and twelve - when I come back, Harry, I will give you a ring and see what you have got.

Foley: How about Harold Stanley and McCain? Could you see them tomorrow sometime?

H.M. Jr: Ten o'clock. We will give them half an hour. O.K.

Harold?

Graves: I have nothing especially, except to say that
the sales of the E Bond continue somewhat—at a somewhat higher volume than in May.

H.M.Jr: Good.

Graves: We happened to have had, day before yesterday, the largest single day in volume of sales.

H.M.Jr: Gross sales, or just E Bonds?

Graves: The E Bond.

No, the F and G Bond, as we expected, are off.

H.M.Jr: I see. Much?

Graves: Yes, they are decidedly off. I think that is very encouraging that the E Bond remains up and shows a tendency to increase.

H.M.Jr: You mean in numbers or in dollars?

Graves: Dollars, the E Bond alone.

H.M.Jr: How much was it?

Graves: Over six million.

Bell: The total is off about twenty-three percent, isn't it, Harold?

Graves: I think so.

Bell: For the same period in May.

Graves: That is all I have.

H.M.Jr: Dan?

Bell: I have nothing.
Thompson: I have a request from the White House for another detail of a telephone operator. I don't know whether you know that we have quite a number of details over there.

H.M.Jr: I know we have.

Thompson: We have about twenty-five people detailed over there. But I think it is legal. They are supposed to answer calls for help.

H.M.Jr: Who asks you for that?

Thompson: Forster.

H.M.Jr: Sure.

Bell: Why don't they put them on defense rolls?

Thompson: I have suggested that they do that.

H.M.Jr: All right.

Could you two gentlemen (Odegarde and Kuhn) stay a minute, please?
TO  Secretary Morgenthau
FROM  Mr. Hass

Subject: Allocation of suggested curtailment in expenditures for agriculture.

I am submitting herewith, in response to your request, a statement covering certain items of Federal expenditures for aid to agriculture which are suggested for curtailment during the present emergency.

Elimination of cash benefit payments suggested

The most feasible action would seem to be the elimination of all cash benefit payments now being made as subsidies to farmers. These seem clearly uncalled-for during this period of national sacrifice. Such payments made by the Treasury in fiscal year 1940 amounted to $520 millions, of which $605 millions were paid under the Agricultural Conservation Program and $215 millions were "parity" payments. (See Table 1, attached.) In addition, $49 millions were spent for the benefit of sugar growers under the Sugar Act of 1937, financed by excise taxes on sugar. These payments also are suggested for elimination. Consideration should be given also to a drastic reduction in expenditures for surplus commodities and for export subsidies, the amount of the reduction depending upon the situation with respect to individual commodities in their relation to the Defense program. In 1940 these expenditures were $91 millions plus $52 millions. 1/

Reasons

(1) In the midst of this great national emergency, which requires unusual sacrifices by all classes, it would seem that national policy should be directed toward equalizing sacrifices, not toward paying benefits to special groups.

1/ This total amounts to $220 millions in the budget estimate for fiscal year 1941.
(2) The economic depression responsible for the original farm subsidies in 1933 is clearly past. Agricultural purchasing power in 1940, excluding Government payments, reached the highest level since 1929, and promises in 1941 to exceed the 1929 level. This would call for the removal of farm subsidies even in the absence of the defense emergency, on the theory that aid to agriculture is an emergency measure to be available for the next recession.

(3) While soil conservation programs to increase crop yields are commendable as a long-run national policy, they are not essential to the defense program. Farmers are now being paid to carry on soil-building practices which the larger proportion of them would follow in any case. Yields per acre for most major crops in the past four years have been substantially higher than the 10-year average for the period just previous to the beginning of the AAA program, as shown in the following table:

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<td>Cotton, lbs.</td>
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<tr>
<td>Wheat, bu.</td>
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<tr>
<td>Corn, bu.</td>
<td>25.4</td>
<td>28.4</td>
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<tr>
<td>Rice, bu.</td>
<td>43.2</td>
<td>50.0</td>
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<tr>
<td>Tobacco, lbs.</td>
<td>770</td>
<td>909</td>
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</table>

(4) The benefit payments do not meet the problem of relieving distress in agricultural areas since the bulk of the dollar payments go to benefit a relatively small number of large-scale farmers. The Tolan Committee investigating agricultural migration learned from the Agricultural Adjustment Administration, for example, that in 1939 those farmers who received $200 or more of conservation payments constituted less than 8 percent of the total number of recipients, but received more than 40 percent of the total payments. Similarly, in the 1938 soil conservation program in the Southern States, less than 5 percent of the recipients received 31 percent of the total payments. The relief of distress among farmers is handled through expenditures of the Farm Security Administration.

(5) These payments place an additional heavy burden on the tax structure. We are now taxing, under the individual income tax, those earning down to $17 a week, and may soon have to go even lower.
(6) Farmers already are receiving preferential treatment under the present income tax law. As between farmers and city workers having the same real income, the income tax burden falls more heavily on the city workers, since a substantial part of the farmer's living comes from home-grown foods and other products which are not treated as part of his income for tax purposes.

(7) At a time when men by the hundreds of thousands are sacrificing their positions to enter the military and naval services of their country at a nominal wage, it seems particularly inappropriate that any group should insist on a cash subsidy from the Federal Treasury to supplement their rising incomes.
### Expenditures for Aid to Agriculture, Fiscal Years 1933 to 1940

(In millions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
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<th>1934</th>
<th>1935</th>
<th>1936</th>
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<td>131.1</td>
<td>415.6</td>
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<td>73.6</td>
<td>71.1</td>
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### Summary

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### Analysis, by Major Groups

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<tr>
<td>Subscriptions to paid-in surplus</td>
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<td>140.9</td>
<td>33.6</td>
<td>32.5</td>
<td>39.2</td>
<td>33.0</td>
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#### B. Agricultural Adjustment Program, etc.

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### Total Agricultural Adjustment Program, etc.

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Expenditures for Aid to Agriculture, Fiscal Years 1933 to 1940
(In millions of dollars)

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<td><strong>II. Analysis, by Major groups (Cont'd)</strong></td>
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Office of the Secretary of the Treasury, Division of Research and Statistics.

Source: Annual Report of the Secretary of the Treasury for the Fiscal Year Ended June 30, 1940, and a tabulation prepared by the Bureau of Accounts, Division of Bookkeeping and Warrants.

* Less than $50,000.

1/ Included with the Interior Department prior to 1935.

Note: Figures are rounded to nearest tenth of a million and will not necessarily add to totals.
June 11, 1941
10:03 a.m.

RMJr: Hello.
RMJr: Hello.
Robert Jackson: Hello.
RMJr: Bob?
J: Yes, Henry.
RMJr: Two things. The Bureau of the Budget sent me over a copy of an Executive Order that came out of your office to authorize the Attorney General to require reports as to transactions of property involving foreign interests. Hello?
J: Yes.
RMJr: Well, of course, that cuts right across us on all of the frozen and everything.
J: Well, that is the alien property registration that we were - talked about a long time ago and we think it's going to be a great handicap if this thing goes on without getting that thing under control.
RMJr: Well, now are you thinking of property or individuals or what?
J: We have registered the alien individuals.
RMJr: Well.
J: And we are proposing to register alien property.
Well, could you do this – the State Department called us up also about it and they said they didn't know anything about it. We were supposed to have a committee of Hull, you and I.

J: Well, they never constituted it as I understand it. We've recommended it, but three Cabinet officers can't get by a Clerk in the Budget.

HMJr: That's right.

J: (Laughs) That's our situation.

HMJr: You're telling me. Would you do this, Bob – so I mean – so I could satisfy myself – would you give Foley an appointment sometime today to come over to see you on this?

J: I'm not sure that I can do it today.

HMJr: Could you do it tomorrow?

J: I'll get to it today – I'll get to it this week.

HMJr: Couldn't you give me – give him an appointment for tomorrow morning, some time?

J: I can't for the reason that I'm – I've gotten tied up on some things that I'm not sure of what time I'll have. This – I assume, probably won't be anything done on it anyway.

HMJr: No, they sent it over – I just think the Treasury should handle the money, that's part of the property, that's all.

J: Well, of course, the alien property bureau is here, you see, has been, if they want to change it, that's all right. All I want – I either want the power to go ahead and do this job or I want it clear that it isn't my responsibility.
HMR: Well, do you want, for instance, the Dutch, the Belgian and the Danish funds that we've got frozen?

J: Oh, no, no. All we want is a registration so we'll know who the owners are. No I don't want to handle it at all.

HMR: If you could give Foley and Pehle, who handle our foreign funds some time this week at your convenience tentatively, but I don't think there's any conflict, but....

J: No, I don't think there is at all. I think it's .......

HMR: I don't think – say when ever you are ready, and at the same time he wants to take up this question of the States taxing Federal contractors.

J: Of course, I – the other thing – if the other thing had gone through, I – this wouldn't have been necessary.

HMR: You mean the Budget thing.

J: The three man committee.

HMR: I agree with you.

J: But I became completely discouraged about that, I don't know what happened to it.

HMR: Well, I know, it's in the Bureau of the Budget.

J: Yes.

HMR: Well, I think what I'm going to do I'm going to use this opportunity to call up the Bureau of the Budget, you see, and tell them that if they had cast that three man committee, a lot of these things would have been settled a long time ago, and that they are simply adding to the difficulty and extra obstacles.
J: Well, they certainly are, and I'm getting completely discouraged with it.

HMJr: Well, I'll call them up and say that to them. And at your convenience you would give a chance to explain your viewpoint to Foley, I'd - from what you tell me I don't think there'll be any trouble.

J: I don't think that....

HMJr: I don't want that alien property stuff.

J: No, I wouldn't think you would.

HMJr: No.

J: And we don't want the freezing at all.

HMJr: Well, if that could be clarified, why I'll get behind it and push for you.

J: Yeah. All right. Fine, Henry.

HMJr: Thank you.

J: Goodbye.
June 11, 1941
10:18 a.m.

T.J. Bailey: Mr. Bailey, Morgenthau speaking.

HMJr: I have your letter of June 4 regarding the Attorney General's proposed Executive Order requiring reports of transactions involving foreign interests.

B: Involving foreign interests?

HMJr: Yeah.

B: I just called up the Attorney General and asked him why he hadn't been consulted. So we said, well there was this joint report by Secretary of State and Attorney General of the Treasury recommending a three man committee to handle this sort of thing but it's been held up by the Budget and that in view of that the only thing he could do was to try to get an order to go ahead independently.

B: Doesn't sound just right to me.

HMJr: Well......

B: Let me look that up.....

HMJr: Well, now there's an order that is signed by Mr. Hull and Mr. Jackson and myself about a month ago recommending to the President after three months of discussion that a committee be set up to handle just this kind of thing and I know that it's in the Budget, from Harold Smith. Now, when three members of the Cabinet, three ranking members
of the Cabinet get together
and agree after the President
asked us to twice, then it's
held up by the Budget, I think
it's (laughs) if you don't mind
my saying so, it's taking quite
a responsibility.

B: Something, Mr. Secretary, that
hasn't been so much in my daily
work, but - you let me look at
that?

HMJr: I'd love it. You are acting director
now, aren't you?

B: No, Mr. Blandford is today.

HMJr: Well, will you and Blandford get
together?

B: Yeah. You let me look at that
and I'll call you back.

HMJr: Thank you so much.

B: Yeah.
June 11, 1941
11:00 a.m.

HMJr: Hello.
Operator: Mr. Helvering.
HMJr: Hello.
Guy Helvering: Hello.
HMJr: Guy?
H: Yes.
HMJr: Two things. On your letter about Harold Graves. I talked to him and he left it up to me, you see?
H: Yeah.
HMJr: And I can’t spare him from this Defense Savings Bond thing.
H: Yeah. Well.....
HMJr: I wanted to talk to you. I mean I gave it careful consideration and I just can’t spare him at this time. I wish you would look somewhere else other than one of my assistants.
H: (laughs) Well, on account of the complicated situation over here I just thought that....
HMJr: Well, isn’t there some good Internal Revenue state man that you could pick up?
H: Yeah, we got several fellows that I could - I think would know the work well enough to do here. Of course, those particular men are just like Harold, they’re in a very fine job now and doing a fine job there, but......
HMJr: I'd like to suggest you look over some of your state men, who are....

H: Yeah.

HMJr: Some of them are very good.

H: Yes, I know they are.

HMJr: What?

H: Yeah.

HMJr: I think you ought to have plenty help. I have two fellows one doesn't make good, the other will.

H: Yeah. There's a situation over here I want to cure that's the reason I thought this particular man would be the ideal man to cure it.

HMJr: Well, I'm sorry.

H: Well, I thought it was rather presumptuous for me to ask you.

HMJr: No, no, never is.

H: I thought he was the best man I could get.

HMJr: I don't blame you in the least. Now, that much for that. Now the other thing, I wish you'd figure out some way to make a spot check on farmers, well-to-do farmers, to see whether they are paying their income tax.

H: Yes. Well, there's very few of them that we get, I know that. We get some, of course.

HMJr: Well, will you make a sort of a systematic check and see those
who are earning it, shouldn't pay whether they are or whether they just forget about it?

H: Yes, we'll get after that, right away.

HMJr: What's that?

H: I say we'll get after that, right away.

HMJr: Will you and give me a report on it very soon?

H: Yeah.

HMJr: All right.

H: All right.

HMJr: Thank you.
June 11, 1941
11:04 a.m.

HMJr: .......You get my message?

General Watson: Yes, I got it after I came back though.

HMJr: Oh, oh.

W: I tell you. He couldn't get you in today any how.

HMJr: Yeah.

W: I imagine he'll take you in tomorrow if he does.

HMJr: Yeah.

W: I thought I'd take it up tomorrow morning.

HMJr: Yeah.

W: How much time would you want?

HMJr: Outside 15 minutes. I haven't seen him, you see, this week.

W: Yeah, I know.

HMJr: And he hasn't fed me this week either.

W: What?

HMJr: He hasn't fed me this week.

W: Well, he didn't want you for some reason.

HMJr: That's obvious.

W: He seemed to be giving you enough food, he said.
HMJr: I see.
W: I'm not saying he's right in his position.
HMJr: What?
W: I said I don't know whether he was right or not in his position, but that seemed to be the one he took.
HMJr: If I can get 15 minutes....
W: All right, I got you down. I'll take it up first thing tomorrow. You'll be on the list.
HMJr: Thank you.
W: All right.
HMJr: Goodbye.
W: Goodbye.
June 11, 1941
11:11 am.

HMJr: Hello.
Operator: Go ahead, please.
HMJr: Hello.
Lewis
Douglas: Hello, Henry.
HMJr: Hello, Lew.
D: How are you?
HMJr: I'm fine.
D: Henry, did Jack McCloy talk with you?
HMJr: No.
D: Well, he's going to Amherst Saturday, you know.
HMJr: Yes.
D: And he's going to speak.
HMJr: I didn't know that.
D: Well, he's not speaking at the same lunch.
HMJr: I see.
D: Where you're speaking and where unhappily for you...
HMJr: That's all right.
D: Why I called up, Henry, was to be sure, try to be sure that you and I don't tread on one another's toes. And as I told Jack this morning, I'll take the crumbs, you and Jack decide what you want to talk about and

Regraded Unclassified
I'll talk about anything that you don't and I can do it very well. (Laughs)

HMJr: You mean you could talk very well.

D: No. (Laughs) I'm just fooling, Henry.

HMJr: Well, I can tell you, I'm talking to them about - that these boys have got to make up their minds whether they want to go ahead and fight for what we've got or whether they just want to sit and take it and let the rest of the world roll over.

D: Yeah.

HMJr: That sums up the idea.

D: Well, that's all right, Henry.

HMJr: But that's my approach.

D: I was going to talk about substantially the same thing, but I guess in different terms. I was going to talk - if - I haven't prepared anything - first of all make the observation - this isn't a game of marbles, that this is the most serious thing that's happened in centuries, that kind of thing and then lead up to our responsibility Does that make sense?

HMJr: Oh yes. That makes - I don't think we'll be in conflict.

D: All right, Henry.

HMJr: I don't think we'll be in conflict. I appreciate your calling.
D: All right, Henry.
HMJr: You and I talk at Saturday lunch, don't we?
D: Yes.
HMJr: Well, that's - I'm looking forward to seeing you. I'll go some where between 15 and 20 minutes, is that too long?
D: Oh no. I'm going to go 10.
HMJr: Ten?
D: Yeah.
HMJr: Well, I've put a lot of time on this, I've been on it for a couple weeks because I don't talk very often.
D: Well, I'm sure it's excellent.
HMJr: Well, time will tell.
D: When do you get up there, tomorrow?
HMJr: Friday night.
D: Friday night. Well that's when I get there.
HMJr: Friday night. You say McCloy is going up?
D: Yes.
HMJr: I'll ask him whether he wants to fly up with me, but maybe he's made his own arrangements.
D: I don't think he has.
HMJr: Well, I'll call him up.
D: All right, Henry, I'll see you Saturday.
HMJr: That's right.
D: Good luck.
HMJr: Thank you.
June 11, 1941
11:15 a.m.

Jack McClory:
Hello, Mr. Secretary.

HMJr:
How are you?

M:
I hear you are going to Amherst.

HMJr:
Well, Lew Douglas just called me and asked what I was going to talk about.

M:
Yes.

HMJr:
So I told him the kernel of the idea was that these boys have got to make up their minds whether they want to fight or whether they want to let the rest of the world roll over.

M:
Yes.

HMJr:
And that's the theme I'm going to take.

M:
Did Lew say what he was going to talk about?

HMJr:
Something about this is pretty serious business, not a game of marbles and along that line.

M:
Well then I guess what I better do is to stay off that and just talk about the actual mechanics of defense, don't you think that would be a good distribution of labor?

HMJr:
I should think so.

M:
I just didn't want - it would be silly if we each covered the same ground and I - that probably that's a simpler thing for me to do
than anything else and I think that's probably fitting, don't you?

HMJr: Oh, very.
M: Yeah. Well I'll....

HMJr: The chief purpose of my calling you was to say that I was flying up late Friday and if you care to go with me, I'll be delighted unless you have made other arrangements.

M: What time are you going to leave?
HMJr: It would be after Cabinet.
M: Uh huh. Where do you land?
HMJr: I made arrangements with the War Department to land at that new field up there.

M: At Chicopee.
HMJr: Is that - yeah....
M: Chicopee, yeah.
HMJr: They don't call - I forget what they call it.

MJ Yes, I forget it, but I think it's at Chicopee.

HMJr: Well, I've got permission to land there.

M: Can I let you know. I'm going to check up and see what - when I can get off and I have to wait until the Secretary gets back and I'll let you know sometime tomorrow morning.

HMJr: That's all right.
M: Fine.

HMJr: If you just have somebody there call Lieutenant Stevens and I won't know whether there is Cabinet and all that, but if it is, it will be some time between 4 and 5.

M: Yeah.

HMJr: You see?

M: Yeah, right.

HMJr: And.....

M: Well that's very hospitable.

HMJr: Whatever that new field is, it's north of Springfield and south of Northampton.

M: Yeah, that's right. I think it's the Chicopee field.

HMJr: Yeah.

M: Thanks ever so much and I'll let you know definitely tomorrow.

HMJr: Okay.

M: Thank you. Goodbye.
Dear Jones:

In accordance with the understanding reached at our meeting yesterday, I have pleasure in attaching a memorandum of our conversation. Will you kindly inform me of any point which you may think is not satisfactorily covered?

Sincerely yours,

(Signed) Henry

Secretary of the Treasury.

Enclosure:
Copy of memorandum of June 10, 1941

The Honorable
Jesse Jones,
Secretary of Commerce.

File to Mr. Thompson

Copy to NHQ.
NHQ has original of enclosure.

By Messenger 10:35 a.m.

NHQ: 1st 6/10/41
WEDNESDAY - JUNE 11, 1941

Time: 10:00 AM - 10:15 AM
Program: Treat Time
Station: WJSV

Time: 1:15 PM - 1:30 PM
Program: Mystery Man
Station: WRC

Time: 11:45 AM - 12:00 PM
Program: Our Gal Sunday
Station: WJSV

Time: 6:00 PM - 6:15 PM
Program: Fred Waring
Station: WRC

Time: 8:00 PM - 9:00 PM
Program: Texaco Star Theatre with Fred Allen
Station: WJSV

Time: 7:00 PM - 7:30 PM
Program: Quiz Kids
Station: WHAL

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS
ADVANCE NOTICE RADIO PROGRAMS

WEDNESDAY, JUNE 11

Time: 3:45 P.M. - 4:00 P.M.
Program: Mlle. Eve Curie, noted French Author and Lecturer, now residing in this country, speaks on behalf of Defense Savings Bonds and Stamps.

Time: 6:30 P.M. - 6:50 P.M.
Program: Defense Savings Bonds and Stamps Round Table Discussion conducted by Mrs. Franklin Delano Roosevelt from the White House. Those who will participate are: Miss Louise B. Morley, Conference Secretary, International Students Service; Mrs. Dorothy J. Bellanca, Vice-President, Amalgamated Clothing Workers of America; Mrs. Anne O'Hare McCormick, writer on foreign affairs, N.Y. Times; Miss Helen Hayes, noted stage and radio star; and Miss Edna Ferber, noted author and playwright.

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS
A Program for Total Defense Production and Training

From a brief survey of our defense production and defense training program, one all-important fact stands out.

The National Defense Program has not been planned to make use of the labor resources of the country.

There is a resultant large-scale waste of our labor supply. Judging by World War standards, the United States is wasting the labor of about 12 million persons and this waste is irretrievable. Seven million of these are unemployed and the other 5 million are persons who would work if jobs were available. There is no other major country on a defense or war footing which is guilty of such extravagance.

From the point of view of adequate defense production, this waste of labor is a most serious condemnation of the existing program. From the point of view of morale, it means that we are tolerating the continued existence of a grave source of discontent and danger within our society.

Sound defense economics means that in this period every able-bodied person outside the defense forces should be at useful work or in training. The notion of Universal Service which has been put forward for the young persons of the country should be extended to embrace the whole potential working population. To accomplish this program of universal service for Defense and Democracy the following steps are necessary:

1. All the agencies concerned with the training of workers -- the NYA, CCC, Office of Education, WPA, U.S.E.S.
and the Labor Training Division of the OPM should be unified under a single directing head. This head should be given the authority, the funds and the responsibility for providing trained workers of such skill and in such quantity and at such places as to break existing bottlenecks of skilled labor and prevent future bottlenecks.

If this country really swings into an all-out production program, it would be necessary to keep constantly in training — whether elementary, intensive or up-grading — between 1 and 3 million persons. Unemployed workers in training should receive compensation at not less than those now being paid by WPA and NYA. The way to get union support — instead of opposition — for such a training program is to bring the unions into the planning and administration of this program.

2. The second necessary step is an expansion of the OPM schedule of production, to a level large enough to absorb the bulk of the available labor supply.

Existing plans call for the additional employment during the coming year of no more than 3 million workers in defense and secondary industries. Another million persons will be added to the armed forces in the course of the year. But since there will be about 600,000 youth entering the labor market the net increase in the number employed as called for by the rather optimistic estimates of the OPM will be only 3-1/2 million persons. The phrase "optimistic" is justified because the above estimate makes no allowance for the hundreds of thousands of workers who will be disemployed by the application of priorities in consumer and other industries.
In order to have a successful expansion of industry, it is necessary that the first recommendation should be carried out in order to provide a pool of trained labor from which industry can draw skilled labor where and as needed.

3. The third necessary step is the immediate launching of a large-scale program of "building for defense". A Federal Agency — e.g., the Federal Works Agency — should be given funds and authority sufficient to employ several million persons on necessary defense projects.

The need for these defense projects is urgent. Plans for these projects exist in abundance. What is lacking is funds, organization, and will to carry out these projects. We need and have plans for defense highways, bridges, airports, community facilities for defense boom towns, power resources, defense housing, and reconditioning of railroads for defense purposes. The program which could get into operation within a few months would involve an expenditure at the rate of perhaps $1/4 billion monthly within six months, and at the rate of $1/2 billion monthly within a year.

These should not be WPA jobs. The rate of pay should be standard. The equipment should be the best available taking account of other more vital defense requirements. The method of construction — public or private — should be such as the experience of the Federal Works Agency dictates.
This defense building program should be planned and executed with two types of elasticity: (a) skilled workmen on this program should be available for instant shifting to other areas of defense production where the Office of Labor Supply and Training believes this necessary, and (b) existing bottlenecks of capacity and raw materials make it necessary that this program should be flexible enough to circumvent these obstacles. Both raw materials and capacity can be increased by intelligent use of our labor and engineering abilities.

The aggressor nations are now gambling for the highest stakes in the world. Admittedly, the above all-out program will cost 1/4 billion to 1/2 billion dollars a month until the primary defense program is stepped up, but these sums are trivial in comparison with what is at stake.

Now is the time to take the phrase "unlimited emergency" seriously, and to act on it in the sphere of manpower and resources. This means putting every available person at work or at training for useful work.
June 11, 1941

My dear Mr. President:

I am sending you herewith our latest statement showing deliveries of airplanes, by purchasers and by types of planes. This covers the period from January 1, 1940, to June 7, 1941.

Yours sincerely,

(Signed) W. Bergenthon, Jr.

The President,
The White House.
June 11, 1941

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(Signed) H. Morgenthau, Jr.

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No copy of enclosure.

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**Grand Total Jan. 1, 1940 - June 7, 1941**

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**British Empire and France**

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<td>610</td>
<td>929</td>
<td>106</td>
<td>400</td>
<td>2,400</td>
<td>6,400</td>
</tr>
<tr>
<td>Total</td>
<td>1,791</td>
<td>1,667</td>
<td>3,601</td>
<td>1,151</td>
<td>4,181</td>
<td>17,020</td>
<td>33,322</td>
</tr>
</tbody>
</table>

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

*Deliveries under French contracts were made up to June 30, 1940.*
TO: Secretary Morgenthau

For your information:

George Haas & Laurence Bunning were exceedingly helpful in graphing this data.

6/19/41

OJC
UNITED STATES EXPORTS* TO THE BRITISH EMPIRE AND EGYPT

Monthly, September 1939 to March 1941

DOLLARS Millions

0 40 80 120 160 200 240

1939 1940 1941

To Egypt
To All British Empire
To United Kingdom

DOLLARS Millions

0 40 80 120 160 200 240

Cumulative Monthly, September 1939 to March 1941

DOLLARS Billions

0 4 8 12 16 20 24 28 32 36 40

To British Empire plus Egypt
To All British Empire
To United Kingdom

*Including reexports
For your information

The regular weekly meeting of the Price Administration Committee was held in Mr. Henderson's office this morning at 11.30. All agencies which are members of the Committee were represented.

The main subjects discussed were the price of oil and gasoline on the West Coast and the price of automobiles. The price of oil and gasoline has been raised three times in recent months, and the prices of most automobiles were raised substantially within the past week.

Mr. Henderson reported that after a very stormy meeting with the oil people on the West Coast it was decided not to force a readjustment in oil and gasoline prices until July 1 in order to give enough time to permit at least a cursory study of the cost situation. I believe that as of that date Mr. Henderson's office will direct the oil companies to reduce their prices at least to the level that existed before the last increase.

Mr. Henderson advised that automobile prices were raised practically coincidental with discussions in our Committee as to whether steps should be taken to prevent such an increase. Mr. Henderson intends requesting (but not ordering) the automobile companies to eliminate the increases made, as he is clearly of the opinion that they are entirely unwarranted.

The meeting adjourned at 12.55.
America for congratulation of this type.

When I mentioned to the recent press story to the effect that the G-20 will meet next month in the United States, I was not referring to the G-20 meeting, that the G-20 should consider the 

German stance, which has been expressed in New York, that it would remain in the G-20. 

As I mentioned on the recent press story, to the effect that the G-20 will meet next month in the United States, I was not referring to the G-20 meeting, that the G-20 should consider the 

German stance, which has been expressed in New York, that it would remain in the G-20.

SECRETARY OF THE TREASURY

INTER-OFFICE COMMUNICATION

FROM:

Mr. Rogers

TO:

Secretary of the Treasury

DATE:

June 6, 1994

SECRETLY CONFIDENTIAL
Our Business with Germany

The recent trend of world events has drawn the attention of the business world towards the German markets. Standard Oil Company (New Jersey) is a leading American oil company with interests in the German market, as evidenced by the description of its operations and policies. The company has a substantial presence in Germany, indicating a significant financial stake in the country.

The company's operations in Germany are diversified, with interests in various sectors such as chemical products, oil exploration, and refineries. Standard Oil Company (New Jersey) has a strong commitment to the German market, as demonstrated by its continuous investment and expansion efforts. The company's presence in Germany is a result of its strategic decision to leverage its existing resources and capabilities to capitalize on the opportunities available in the German market.

The company's business strategy in Germany is focused on establishing a strong presence and expanding its operations. This is evident in the company's commitment to investing in new projects and initiatives. Standard Oil Company (New Jersey) has a robust research and development (R&D) department, which is actively engaged in exploring new opportunities and innovations that can enhance the company's competitive advantage in the German market.

The company's commitment to Germany is further demonstrated by its long-term partnerships and collaborations. Standard Oil Company (New Jersey) has formed strategic alliances with various German companies, which have contributed to the growth and success of the company's operations in Germany. These partnerships have enabled the company to tap into the expertise and resources of local partners, thereby leveraging their knowledge and experience to drive the company's growth in the German market.

In conclusion, Standard Oil Company (New Jersey) is a significant player in the German market, with a strong commitment to maintaining and expanding its presence. The company's strategic decisions and initiatives in Germany are driven by a desire to capitalize on the opportunities available in the market and establish a strong competitive position. The company's success in Germany is a testament to its commitment to the market and its ability to adapt to the changing business environment.

Two jointly owned companies were organized in the I.G. Farbenindustrie AG, which is the export arm of the Industrial Chemicals Industry, according to the description of its operations. One of the companies was an I.G. Farbenindustrie AG, and the other was Standard Oil Company (New Jersey) in a joint venture to explore opportunities in the German market.

The company's success in the German market is a result of its strategic decisions and initiatives. Standard Oil Company (New Jersey) has a strong commitment to maintaining and expanding its presence in the market. The company's ability to leverage its resources and capabilities, as well as its strategic partnerships, has enabled it to establish a strong competitive position in the German market.
June 11, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of a memorandum for Treasury from Mr. Donald R. Heath, First Secretary of the American Embassy at Berlin, dated May 22, 1941, entitled "Extension of German Banking Control over Europe".

Enclosure:

Memorandum,
May 22, 1941.
MEMORANDUM
for Treasury from Heath

Extension of German Banking Control over Europe.

At the time that the German propaganda authorities are trying to persuade the German people that foreign opposition to Germany is largely inspired by bankers and "plutocrats", German financial institutions are steadily expanding their banking control over Europe. A recent copy of the "Bank-Archiv" presents the following table of the extension of German banking operations on the Continent:

<table>
<thead>
<tr>
<th>German Banking Institution</th>
<th>Foreign connections established (Capital)</th>
<th>Type of control interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROTETORATE-Deutsche Bank</td>
<td>Bohmische Union-Bank, Prag 11 Branches, 4 Dep. Offices (100 Million Crowns)</td>
<td>Owns majority of stock</td>
</tr>
<tr>
<td>Dresden Bank</td>
<td>Bohmische Escompte-Bank, Prag 9 Branches, 2 Dep. Offices (100 Million Crowns)</td>
<td>Owns majority of stock</td>
</tr>
<tr>
<td>Commerzbank</td>
<td>Banking Agency in Prague</td>
<td>Banking Agency</td>
</tr>
<tr>
<td>Bank der Deutschen Arbeit</td>
<td>Branch in Prague</td>
<td>Branch</td>
</tr>
<tr>
<td>Kreditanstalt der Deutschen</td>
<td>Bohmisch-Mährische Bank, Prag (formerly Legiobank) (10 Million Crowns)</td>
<td>Represented on the Board</td>
</tr>
<tr>
<td>GENERALGOUVERNEME-</td>
<td>Kommerzialbank A. -G., Krakau Branch in Tarnow (1.5 Million Zlotys)</td>
<td>Full ownership</td>
</tr>
<tr>
<td>Dresdner Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditanstalt-Bankverein¹</td>
<td>Branch in Krakau</td>
<td>Branch</td>
</tr>
<tr>
<td>Commerzbank</td>
<td>Branch in Krakau</td>
<td>Branch</td>
</tr>
</tbody>
</table>

¹At the same time has the agency of the Deutsche Bank.
<table>
<thead>
<tr>
<th>German Banking Institution</th>
<th>Foreign connections established (Capital)</th>
<th>Type of control interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NETHERLANDS</strong> - Deutsche Bank</td>
<td>H. Albert de Bary &amp; Co., Amsterdam (16 Mill. Florins)</td>
<td>Owns majority of stock</td>
</tr>
<tr>
<td>Dreadner Bank</td>
<td>Handelstrust West N.V., Amsterdam (1 Mill. Florins)</td>
<td>New Subsidiary Corporation</td>
</tr>
<tr>
<td>Commerzbank</td>
<td>N.V. Rijnsche Handela Mij., Amsterdam (3 Mill. Florins)</td>
<td>New Subsidiary Corporation</td>
</tr>
<tr>
<td>Bank der Deutschen Arbeit</td>
<td>Bank voor Nederl. Arbeid, Amsterdam Branch in Rotterdam contemplated (1 Million Florins)</td>
<td>New Subsidiary Corporation</td>
</tr>
<tr>
<td>Berliner Handels-Gesellschaft</td>
<td>Koopmanss Bank, Amsterdam (3 Million Florins)</td>
<td>Minority interest</td>
</tr>
<tr>
<td>M.M. Warburg &amp; Cie.</td>
<td>M.M. Warburg &amp; Cie., Amsterdam²</td>
<td>Taken over by Hamburg firm</td>
</tr>
<tr>
<td><strong>BELGIUM</strong> - Deutsche Bank</td>
<td>Banking Agency in Brussels</td>
<td>Banking Agency</td>
</tr>
<tr>
<td>Dreadner Bank</td>
<td>Continentale Bank S.A., Brussels (10 Million Belgian francs)</td>
<td>New Subsidiary Corporation</td>
</tr>
<tr>
<td>Commerzbank</td>
<td>Banking Agency in Brussels</td>
<td>Banking Agency</td>
</tr>
<tr>
<td><strong>SLOVAKIA</strong> - Creditanstalt-Bankverein</td>
<td>Unionbank, Pressburg (60 million Slovak Crowns)</td>
<td>Owns majority of stock ⁴</td>
</tr>
<tr>
<td>Landerbank, Vienna</td>
<td>Deutsche Handels u. Kreditbank, Pressburg, 10 Large branches (33 Million Slovak Crowns)</td>
<td>Full Ownership</td>
</tr>
<tr>
<td><strong>HUNGARY</strong> - Landerbank, Vienna</td>
<td>Wechselst. A. -G. Mercus, Budapest (0,5 Million Pengoes)</td>
<td>Full Ownership</td>
</tr>
</tbody>
</table>

²) Reorganised in 1940 with increased assets.
³) Authorized capital 3 million florins.
⁴) 4/9 of the capital is held by the Böhmische Union-Bank, Prague (a subsidiary of the Deutsche Bank).
<table>
<thead>
<tr>
<th>German Banking Institution</th>
<th>Foreign connections established (Capital)</th>
<th>Type of control interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HUNGARY</strong> (Cont'd.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditanstalt-Bankverein</td>
<td>Branch in Budapest</td>
<td>Branch 3)</td>
</tr>
<tr>
<td><strong>BULGARIA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>Kreditbank, Sofia 3 Branches (50 Million Lewa)</td>
<td>Owns majority of stock</td>
</tr>
<tr>
<td><strong>ROMANIA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>Banca Comerciala Romana, Bucharest. 6 large branches (300 Million Lei)</td>
<td>Owns majority of stock</td>
</tr>
<tr>
<td>Dresdner Bank</td>
<td>Humanische Bankanstalt, Bucharest. 5 large branches (200 Million Lei)</td>
<td>Owns majority of stock</td>
</tr>
<tr>
<td>Commerzbank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Berliner Handels-Gesellschaft</td>
<td>Banca Chrissoveloni SA, Bucharest (100 Million Lei)</td>
<td>Minority interest</td>
</tr>
<tr>
<td>Reichs-Kredit-Gesellschaft</td>
<td>Banca de Credit Roman, Bucharest. 10 large branches (400 Million Lei)</td>
<td>Minority interest</td>
</tr>
<tr>
<td><strong>YUGOSLAVIA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditanstalt-Bankverein</td>
<td>Allgemeiner Jugoslawischer Bankverein, Belgrade and Zagreb. 2 branches (100 Million Dinara)</td>
<td>Owns majority of stock</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dresdner Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commerzbank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reichs-Kredit-Gesellschaft</td>
<td>Banking Agency in Belgrade</td>
<td>Minority interest</td>
</tr>
<tr>
<td>Dresdner Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TURKEY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dresdner Bank</td>
<td>Branches in Istanbul/Galata and Izmir (Smyrna); formerly Deutsch Orientbank</td>
<td>Branch</td>
</tr>
</tbody>
</table>

5) The banking firm of Japhet & Co., London, has a small participation, but has no longer representation on the Board.
6) The previous small participation of the Deutsche Bank has been taken over.
7) The Bohmische Unionbank and the Basler Handelsbank have small shares.

Donald R. Heath
First Secretary of Embassy

Approved: Leland Morris
Charge d'Affaires a.i.

Copy:bj:5-12-41
Since receiving a copy dated June 7 of the memorandum to Mr. Graves which gave rise to his conversation with me on the matter of our minting coins for the Netherlands East Indies, I have spoken with Scowen, Livesey, Cuming and Higgs of the Department of State.

Ordinarily Mr. Cuming would be the State Department official in the best position to pass upon this Government's political interest in assisting the Netherlands East Indies. Since Mr. Cuming has, however, only very recently returned from a trip abroad, he asked a little time to consult Mr. Higgs and some of his colleagues before expressing an opinion on the question as to whether political reasons should enter into the determination of the present question. Mr. Higgs then called me back to report the result of their conversations on this point. Mr. Higgs reminded me of the assistance which this Government is giving the Netherlands East Indies in the way of exports of munitions, some of which some articles are seriously wanted by the British. He reminded me further that we had entered into this minting arrangement with the Netherlands officials and that the Netherlands representatives in Washington apparently consider it vitally important that the arrangement be carried out as expeditiously as possible. Consequently, Mr. Higgs presented the State Department view as strongly favoring an effort on the part of the Treasury to meet the requirements of the Netherlands East Indies.

While talking with the Secretary this morning on the situation in the Netherlands East Indies, I had occasion to summarize to him Mr. Howard's memorandum of June 7 to Mr. Graves and Mr. Howard's memorandum of June 10 to me, as well as the paragraph hereinafore setting forth the position of the Department of State in regard to our coinage arrangement with the Netherlands East Indies. The Secretary asked that I tell Mr. Graves and Mr. Howard that he desires that we proceed to take care of the Netherlands East Indies minting in question.

June 11, 1941

Mr. Harold Graves
Mr. Roland Howard

Mr. Cochran

June 12, 1941

BMC: dm: 6.11.41
TREASURY DEPARTMENT
UNITED STATES COAST GUARD

SECRET
WASHINGTON 11 June, 1941.

From: Secret.
To: Secretary of the Treasury.

Message from Mr. Fox.

Called on Sir Geoffrey Northcote, Governor of Hongkong, with Consul Bruins present. Two items were of particular interest: first, that in Shanghai the Japanese have gone as far as they dared and that any appeasement effort there would not deter them in future activities; second, assumed that since we would want to influence the economic policy, the stabilization board would naturally be located at Chungking, but trusted that a Hongkong office would also be maintained. Sir V. M. Grayturn of the Hongkong Bank stated in conference that the situation is rather grim. It is difficult to carry on when officials operate against you and it is well known that some definitely speculated against fund to loss of British. The devils are not to be trusted. Note issuance needs watching. The Shanghai market should be kept open.

Future conference arranged with Grayturn.

Hall Patch, British financial advisor, states that Rogers, though experienced and capable, antagonizes people, foreigners and Chinese alike, and has been a source of constant worry and trouble. Hall Patch knows Rogers in Washington worked for Arthur Young's appointment to the board. Consul Lockhart requested Hall Patch to urge to visit Shanghai before decision made. He feels that if American and British cooperate on exchange control, matters could be well.
managed despite numerous difficulties. Agrees our work here not merely monetary, but should be tied up with Chinese economic problems. Realizes that if Shanghai falls to Japanese we must be prepared with other measures, and therefore a start must be made now.

Discussions with managers local American banks show Chase Bank willing to cooperate and aware of current developments, and can be counted on for assistance. National City manager is opinionated with insistence on free Shanghai market and limited view of stabilization board functions. Two distinct schools of thought held by American officials here. State officials adhere to rigid Shanghai view and narrow range of operations. Treasury takes a broader view of the situation. In view of this, will take particular pains to get objective facts and make careful investigations before taking position and making recommendations.

Chinese board member Pei from the Bank of China just returned from Chungking concurs in the wisdom of first going to Chungking. He states that accommodations are not fully ready and believes the functioning of new board may await appointment of British member. Proposes that after short Chungking visit we go to Shanghai for market study. Our work is curtailed and hampered by the lack of a confidential secretary. My next report will probably be from Chungking.
PARAPHRASE OF TELEGRAM SENT
DATE: June 11, 1941, 9 p.m.
NO.: 2067

The following telegram is confidential.
It would be appreciated by the Department if the
Embassy would prepare and forward a report on the course
of relationships between the British Government and the
B.I.S. since the war broke out. Such a report should
include a statement of the many problems that have come
up, and the position which the British Government has
assumed in regard thereto. The British Treasury and
the Bank of England it is trusted will assist you as much
as required.

HULL
(SW)

012.1 Bank for International Settlements
EA:HF:LWW
June 11, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses three copies of a paraphrase of telegram no. 385 dated June 9, 1941 to the American Embassy at Rio de Janeiro, regarding the request of the Yugoslav National Bank for a transfer of certain funds from the Bank of Brazil to the Federal Reserve Bank of New York.

Enclosure:

No. 385, June 9,
to Rio de Janeiro. (3)
PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Rio de Janeiro,

DATE: June 9, 1941, 11 p.m.

NO.: 385.

Reference is made to the Embassy's telegram of May 26, 10 a.m., no. 531.

The former Governor and Vice Governor of the Yugoslav National Bank have now been removed by the Government of Yugoslavia. Mr. D. Lazarevich is now the Governor and Mr. R. Bicanich is the new Vice Governor. The appropriate authorities of the United States Government have been formally advised of this change by the Yugoslav Minister at Washington, who informs the Department that the Government of Brazil and the Bank of Brazil have also been advised of the change. He states that the Bank of Brazil has now been requested by the Yugoslav National Bank, through its appropriate officials, to effect transfer to the Federal Reserve Bank of New York of the $11,250,000. This request is being supported by the Yugoslav Minister at Rio and by the Yugoslav Minister here.

You are requested to try to get this request carried through.

HULL
(AAB)

EA:FL:MSG Eu RA
EA:MSG
Copy:bj:6-11-41
In reply refer to
EA 240.51 Frozen Credits/1651

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and with further reference to the former's letter of April 22, 1941 transmits herewith a copy of strictly confidential despatch No. 1732 from Bern, dated May 21, 1941, concerning the settlement of official French obligations to Swiss creditors by sale of gold. The Department's instruction No. 1044, dated March 28, 1941, referred to in the Legation's despatch, transmitted to the Legation a copy of the Secretary of the Treasury's letter to this Department, under date of March 20, 1941, stating that an application for the release of French Government funds in the United States for the settlement of certain accounts in Switzerland had been denied. The Fortnightly Financial Report of May 21, 1941, referred to in the Legation's despatch, has not yet been received by this Department.

Enclosure:

No. 1732 from Bern,
May 21, 1941.

Copy:alm 6-12-41
LEGATION OF THE
UNITED STATES OF AMERICA

Bern, May 21, 1941

No. 1732

Subject: Settlement of official French obligations to
Swiss creditors by sale of gold.

STRICTLY CONFIDENTIAL

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Legation’s strictly confidential despatch No. 1660 of March 25, 1941, to the strictly confidential section (Note 3) of the Legation’s Fortnightly Financial Report of May 21, 1941, File No. 851, and to the Department’s instruction No. 1044, File No. 840.51, of March 28, 1941, concerning the refusal of the request for release of French Government funds in the United States for the settlement of certain accounts in Switzerland.

The Director of the Swiss National Bank in Bern believes that the cause for this refusal probably lies in the fact that the French had first spoken to the Federal Reserve authorities of 50 to 60 million Swiss francs' worth of gold, but finally had asked for a permit for only a fraction of that amount "just to see whether they will approve that", thereby creating suspicion.

Negotiations are now going on in Bern with France to effect a similar transaction -- but with gold now held in France. It seems that there is due, but unpaid, now about 80,000,000 Swiss francs to Swiss creditors by public borrowing authorities (including railways) in France. Of the 80,000,000, about half is due as a result of the war contracts and the remainder from peace-time operations.

A fact that has not gone by unnoticed, and has been commented upon to a Legation Secretary, by the Swiss authorities is that the Frenchmen negotiating the settlement of their obligations in Switzerland have all emphasized the great desirability that Germany should not learn of the impending transaction. The negotiators have made it quite clear that they would prefer to give the gold to Switzerland than to Germany. When questioned as to whether the French seemed to be associating Germany with any of their affairs, the Bern director of the National Bank replied that the contrary was the case as far as were concerned the individuals (both from France and the Embassy in Bern) with whom he had come into contact.

A curious parallel to the above case is to be found in the measure taken by Rumania to avoid detection by Germany in the removal of gold to Rumania from Switzerland (see strictly confidential note No. 2 to the Legation’s Fortnightly Financial Report of May 21, 1941).

Respectfully yours,

LELAND HARRISON

File No. 851

IMC: Jg - In single copy

Copy: aln 6-12-41

Regraded Unclassified
CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns  £58,000
Purchased from commercial concerns  £11,000

Open market sterling held steady at 4½. Transactions of the reporting banks were as follows:

Sold to commercial concerns  £15,000
Purchased from commercial concerns  £ 8,000

The Canadian dollar discount widened to 12½ at the close today, as compared with 11-7/8% discount last night. The Argentine free peso, which closed at .2365 yesterday, improved to a final quotation of .2372 today.

The Cuban peso continued to weaken, and closed at 1-1/2% discount, as compared with 1-3/16% yesterday.

In New York, closing quotations for the foreign currencies listed below were as follows:

- Swiss franc: .2321-1/2
- Swedish krona: .2385
- Reichsmark: .4005
- Lira: .0526-1/4
- Brazilian milreis (free): .0905
- Mexican peso: .2070

In Shanghai, the yuan remained at 5-3/8#, and sterling was again quoted at 3.92.

We purchased $3,500,000 in gold from the earmarked account of the Royal Netherlands Government.

No new gold engagements were reported to us today.

In London, the price fixed for spot and forward silver was unchanged at 23-3/8d, equivalent to 42.14½.

The Treasury's purchase price for foreign silver was unchanged at 35#. Handy and Harman's settlement price for foreign silver was also unchanged at 3¼-3/4#.

Regarded Uclassified
We made one purchase of silver amounting to 17,000 ounces under the Silver Purchase Act. This represented a sale from inventory, and was bought for spot delivery.

The Federal Reserve Bank's report of June 4, listing deposits of banks in Asia with the New York agencies of Japanese banks, showed that such deposits totaled $70,542,000, a decrease of $6,532,000 since May 28. Most of the change in deposits took place on the books of the Yokohama Specie Bank's New York agency. The latter's principal dollar liabilities to and dollar claims on Japanese banks in Asia stood as follows on June 4:

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>June 4</th>
<th>Change from May 28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits for Japan and Manchuria</td>
<td>$47,157,000</td>
<td>- $5,242,000</td>
</tr>
<tr>
<td>Deposits for China</td>
<td>$15,902,000</td>
<td>- 637,000</td>
</tr>
<tr>
<td>U.S. Treas. Bills, comm. paper, etc.</td>
<td>$27,552,000</td>
<td>+ 1,027,000</td>
</tr>
<tr>
<td>Claims</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>$26,107,000</td>
<td>- $5,771,000</td>
</tr>
<tr>
<td>Other - mainly Jap. import bills</td>
<td>$6,686,000</td>
<td>- 153,000</td>
</tr>
</tbody>
</table>

Japanese and Manchurian bank deposits declined $5,242,000 despite the receipt on June 3 of $5,000,000 from the Bank of Java's dollar account at the Federal Reserve Bank. These funds presumably were used to reduce Agency loans and to purchase U.S. Treasury bills, etc.

We learned today that a total of $14,000,000 has been transferred this month from the Bank of Java's dollar account at the Federal to the New York agency of the Yokohama Specie Bank, for account of Yokohama's Tokyo office. Besides the $5,000,000 mentioned in the preceding paragraph, there was a transfer of $5,000,000 yesterday and $4,000,000 today.

CONFIDENTIAL
NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and in no sense mature studies.

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction see Letter TAG 350.05 (9-19-40) M-B-M.

GERMAN RESUME OF THE CAMPAIGN IN THE WEST
FROM MAY 10 TO JUNE 26, 1940

SOURCE

This bulletin is based upon a translation of an instruction memorandum issued by the German General Staff for officers of the German Army.

It presents a digest of the German version of the campaign in the West, and it is published in the belief that it will supplement the picture painted by the French version, which appeared in SPECIAL BULLETIN No. 32.
1. GENERAL

When the German Western Army moved, by command of the Fuhrer, into position for attack on May 10, 1940, the objective assigned was the penetration of enemy fortifications south of Namur. Thus the stage was set for the destruction of the British and French Armies north of the Aisne and Somme Rivers. Holland was to be occupied at the same time in order that it might be eliminated as a location for bases for intended British air and ground operations on the northern flank of the German Army.

2. MAY 10

The Dutch, Belgian, and Luxemburg borders were crossed at 5:30 A.M., and enemy border troops were pushed back all along the line. Through close cooperation between army and air forces, the German attack progressed rapidly.

3. MAY 12

The province of Groningen, in northern Holland, was occupied. Harlingen and the east coast of the Zuider Zee were reached. The Amersfort, and farther south the Peel position, were penetrated, and the crossing over the Albert Canal was forced. Eben Emael, the strongest of the Belgian forts, was taken. All of Luxemburg was in German hands.

4. MAY 13

Contact was established with troops which had landed by air near Rotterdam. French troops were thrown back west of the Ourthe River and in southern Belgium. Meantime, German positions south of Saarbruecken and southwest of Zweibruecken were advanced.

5. MAY 14

In Holland, Rotterdam capitulated and Roosendaal was captured.

In Belgium, the invaders reached the Great Gette and the Maas River between Namur and Givet.

In France, the Maas was crossed at the point along the French-Belgian border where its course forms a natural extension of the
Maganot Line. A large scale battle took place between opposing tank units north of Namur. French tank squadrons, attempting to halt the Nazi advance on the Dyle position, were defeated through close cooperation of the German air and land forces.

6. MAY 15

The Fortress of Holland fell. Under the overwhelming force of the German attack, the Dutch Army laid down its arms. Five days after hostilities commenced, the Dutch Government had capitulated. Resistance continued only in the province of Zeeland.

In Belgium, the Dyle position was reached, and the extension of the Maginot Line in the French Sedan was penetrated.

7. MAY 16

The Dyle position south of Wavre was penetrated, and the northeastern front of the Namur defenses was forced.

The Maginot Line, from south of Naubeuge to Carignan, was broken through on a 100 kilometer front.

8. MAY 17

The Nazis entered the outer belt of the Fortress of Antwerp. Mecheln and Loven were taken after severe fighting. Brussels was surrendered without a struggle. South of Naubeuge, German tank units dispersed two enemy divisions and pursued them beyond the Upper Sambre River to the Upper Oise River.

9. MAY 18

The last Dutch island, Walcheren, was taken. Antwerp was captured, the Schelde was crossed to the west, and the Dender sector, west of Brussels, was reached. All of Holland was under German control.

In Northern France, the German armored corps continued the pursuit of the enemy over the Sambre and the Oise. Infantry divisions followed close behind, making phenomenal marches. Le Cateau and St. Quentin fell into Nazi hands. On the southern wing, the sector north of Laon, near Rethel, was faced with strong German forces.

10. MAY 21

The Channel coast was the objective of the German penetration through the extension of the Maginot Line near Sedan.
This penetration was expanded to the northwest in the direction of St. Pol and Montereuil-sur-Seine.

The Nazi Air Force successfully attacked the harbor facilities of Ostende, Dunkirk, Calais, Boulogne, and Dieppe. In Flanders, the Allies still offered strong resistance in their covering action.

12. MAY 22

The ring around the trapped enemy was becoming increasingly tighter. The Schelde River, in Flanders, was crossed in the face of strenuous Allied resistance. French and Belgian attacks at Cambrai were repulsed. In western Artois, Nazi troops advanced north toward Calais, while the enemy on the southern front, from the Somme to the Maas, remained on the defensive.

13. MAY 23

German divisions in Flanders penetrated to the western bank of the Lys River, Tournai was captured, and the fortress of Maubeuge, behind the Nazi front, capitulated. Northwest of Arras, the Germans conquered Loretto Heights, the scene of severe fighting during the World War.

14. MAY 24

The ring was definitely closed around the Belgian Army, parts of the First, Seventh, and Ninth French Armies, and the mass of the British Expeditionary Force. Ghent and Kortrijk were captured, and the Lys was crossed. Along the southern half of the ring, the attack on both sides of Douai continued in a northwesterly direction. Vimy Heights was taken, Boulogne fell, and Calais was encircled.

15. MAY 28

Calais fell.

The great battle of Belgian and French Flanders reached its height. Nazi troops faced the Belgian Army ten kilometers in front of Bruges and Thourout. Thielt had been passed. The Belgian King, realizing the hopeless position of his army of 400,000 to 500,000 men, gave the command to surrender, and the Belgian Army laid down its arms.

The French fortifications were penetrated north of Valenciennes, and west of that city, the Schelde Canal was crossed. Douai was captured; Le Bassin, Merville, Hazebrouck, and Bourbourg-Ville all fell.
into German hands; Ypern and Kemmel were stormed.

16. MAY 29

The fate of the French Armies in French Flanders was sealed. Resistance had been broken in the area south of Menlin. Brugge was passed, Ostende captured, and Dizmuiden reached. The German war flag waved over Langemark, the war monument to German youths of 1914.

Lille was attacked from east and west and was captured. In an advance from the west, Armentieres fell. The fortified French border position, which was being defended with reversed front, was penetrated east of Cassel, and the Belgian border was reached.

Dunkirk was subjected to heavy artillery fire. The British Expeditionary Force began to break up, leaving behind large amounts of war materiel as its troops fled toward the sea. South of the Poperinghe-Cassel line, German armies coming from the west, east, and south united.

17. MAY 30

The attack was continued against the remnants of the British Army in the curve along the coast between Furnes, Borgues, and the west of Dunkirk.

British forces which had been surrounded in the area of Cassel were annihilated when they tried to break through to the north, and the mass of the German divisions in the Artois and in Flanders was freed for new missions.

18. JUNE 1

The coastal sector extending along both sides of Dunkirk was bitterly defended by the British, but it was further narrowed by attacks from the east. Nieuport, and the coast northwest thereof, were in German hands. The number of prisoners, and the materiel captured, could not even be estimated.

19. JUNE 4

Dunkirk fell after severe fighting.

20. JUNE 5

In the early morning, new German attack operations were initiated from the defense front previously existing in France. The objective of the new operations was the penetration of the French
northern front, and the isolation and destruction of the disorganized French army elements to the southwest and southeast.

The French command intended to defend the Weygand and Maginot Lines, conjointly, with all available forces.

21. JUNE 7

The Weygand Line was broken through along the entire front. German operations south of the Somme and the Aisne-Oise Canal continued successfully, and the enemy was thrown back south of the lower Somme.

22. JUNE 8

After four days' fighting, strong Allied forces in the Somme and Oise area were punished badly by German infantry and tank divisions, in close cooperation with elements of the air force. Rear enemy defense lines were penetrated in the lower Seine sector, and the Aisne was crossed in combat on both sides of Soissons.

23. JUNE 9

In the morning, further sections of the German front in France commenced the attack. The operations, initiated on a front of about 350 kilometers, were directed toward the lower Seine and Marne, and the Champagne district. Rouen fell into German hands, the Seine was crossed at various points below Paris, and an Allied force was encircled on the coast of St. Valery-en-Caux.

24. JUNE 10

Nazi troops were along the Oise 20 kilometers northwest of Paris, and in front of the protective positions of Paris on both sides of Senlis. Compiègne and Villers-Cotterets were captured; the Marne, east of the Ourcq, was crossed along a broad front with strong German forces.

The armies formed June 9 for the attack between the Oise-Aisne Canal and the lines, conquered the enemy facing them. Reims was taken - in the Champagne, the Siiyges River was crossed. Numerous French attacks, supported by tanks, could not halt the German advance.

25. JUNE 13

The Marne was crossed in combat at many points. Chalons was taken during the pursuit in the Champagne. The complete breakdown of the French front between the Aisnel Canal and the Maginot Line at Montmedy forced the French command to abandon its intention to defend Paris.
26. JUNE 14

Victorious German troops marched into Paris; the resistance of the French northern front was broken, and the second phase of the campaign in the west was victoriously ended.

The Seine below Paris was crossed on a wide front; Le Havre was captured. East of the Marne, Vitry-le-Francois was taken, and the southern edge of Argonne Forest was reached. Hill 304 (Dead Men’s Hill), northwest of Verdun, fell into Nazi hands, and Montmédy, the strong pillar of the Maginot Line, was taken.

In the morning began the third phase of the drive towards complete destruction of the enemy. German troops on the Saar front were in position for a frontal attack against the Maginot Line.

27. JUNE 15

Nazi in the attack on the Fortress of Verdun stormed Fort Vaux, of World War fame, took Fort Marx, and advanced toward Verdun. First penetrating the line of forts on both sides of the Meuse, they then captured the city and Fortress of Verdun, which had been so bitterly defended from 1914 to 1918.

After heavy fighting, German troops broke through the Maginot Line along a wide zone of conflict south of Saarbruecken.

28. JUNE 16

Strong armored motorized forces southeast of Paris and along the upper Marne advanced toward the south. The plateau of Langres was crossed; heavy fortifications in the Longuyon area were taken. In the Saar area, the Maginot Line penetration was widened between St. Avold and Saaralben. An attack east of Colmar carried across the upper Rhine on a broad front.

29. JUNE 17

Elements of an armored corps reached the Swiss border at Pontarlier, southeast of Besançon, and the ring around the Maginot Line was closed.

Orleans and its crossings over the Loire fell into German hands.

The Nazis exploited the penetration of the Maginot Line at Saarbruecken, and despite stubborn resistance, advanced in columns toward the Rhine-Marne Canal. Chateau Salins, Duss and Saarburg were captured.

RESTRICTED
30. JUNE 18

The Orne River was crossed between Caen and Le Mans, and the Loire above Orleans, up to and southeast of Nevers, was reached. German mobile troops occupied the French armament center of Le Creusot. The Fortress of Belfort was taken by armored units; the fortresses of Dijon and Metz surrendered without fighting. On the upper Rhine, the attack on the Vosges Mountains progressed, and Colmar was captured.

31. JUNE 19

Luneville and the Fortress of Toul fell, and the Nazi flag waved over Strassburg Cathedral.

Mechanized troops captured Cherbourg, in Normandy. The Bretagne was reached at Rennes, and Le Mans was passed in the move to the south.

In Burgundy, mechanized units penetrated toward Lyon. Nancy was captured, and the Rhine-Marne Canal east of Nancy was crossed on a wide front.

32. JUNE 20

The French naval port of Brest fell into German hands. In Normandy, the lower Loire from Nantes to Tours was reached and crossed. At the Burgundian Gateway, troops coming from Belfort made contact with others from the Upper Rhine.

Fighting continued along the Maginot Line on both sides of Diedenhofen. West of Weissenburg, the Maginot Line was penetrated again.

33. JUNE 21

Mobile troops took Lyon after slight opposition. Along the western edge of the Vosges, individual enemy groups were still holding out. The Hartmannswillerkopf, which has been a point of conflict in the World War, was in German hands.

At 3:30 P.M. at an historic spot in the Forest of Compiègne, in the presence of the Supreme Commanders of the various parts of the German Armed Forces, the Führer received the French delegation for the acceptance of the armistice terms.

34. JUNE 22

The terms of armistice were signed at 6:50 P.M.
Meanwhile, the important harbor towns of St. Malo and Lorient, were captured, and the fort of Buitig, strongest of the Stralsburg fortifications on the eastern edge of the Vosges, was taken. A few individual sectors of the Maginot Line in lower Alsace and in Lorraine, and a few dispersed units in the Vosges, were still offering resistance.

Along the Atlantic coastline, motorized battalions advanced to the height of La Rochelle; the French naval port of St. Nazaire fell.

In the Rhone Valley, German troops advanced from Lyons and the east in a southerly direction, and forced a crossing over the Rhone at the exits of the Savoy Alps, southwest of Geneva.

35. **JUNE 23**

The coast of the Atlantic as far as the mouth of the Gironde was occupied; La Rochelle and Rochefort were captured. In Alsace-Lorraine, more forts in the Maginot Line were taken. Southeast of Lyons, Nazi troops smashed severe enemy resistance and advanced toward Grenoble and Chambery. St. Etienne, Annemay, and Aix-les-Bains fell.

36. **JUNE 24**

Cessation of hostilities against France was ordered.

37. **JUNE 25**

At 1:35 A.M. the armistice commenced on both sides. The war in the west was ended.
CONFIDENTIAL

Paraphrase of Code Cablegram
Received at the War Department
at June 11, 1941

London, filed 16:00, June 11, 1941.

1. British Air Activity over the Continent.
   a. Night of June 10-11. A total of 104 bombers attacked
      Brest without a single loss. A smoke screen covered the Prins Eugen
      (10,000 ton Heavy Cruiser) and thus results were unobserved.
   b. Day of June 10. British planes operated against
      shipping off the coast of Norway.
      laying operations off the west coast of France. These operations
      were successfully carried out.

2. German Air Activity over Britain.
   a. Night of June 10-11. German attacks on this night were
      on a small scale. Planes attacked Cardigan Bay and Milford Haven.
   b. Night of June 9-10. It has been ascertained that the
      German operations on this night involved 15 long range bombers.

3. Aircraft Losses British Theater.
   a. No British losses for this period are reported.
   b. During the British operations against shipping in
      Norway one German plane was shot down.

4. British Air Activity, Other Theaters.
   a. Egypt. On the day of June 9 British planes engaged in
      ground strafing airports at Gabala, Martuba and Derna. On the same
day fighters of the Royal Air Force in the vicinity of Haifa and Sidon were attacked by French planes. Blenheim bombers attacked the Aleppo airport. During the night of June 8-9 planes of the Royal Air Force bombed Bu Amud (?), El Adem, Gambut (?), Derna, Benghazi and the Island of Rhodes.

5. Axis Air Activity, Other Theaters.
   a. Egypt. During the night of June 9-10, 20 German planes based on Dodecanese Islands bombed Haifa.

6. Aircraft Losses, Other Theaters.
   a. No British losses reported.
   b. During the ground strafing attack on day of June 9, 14 Axis planes were destroyed.

7. During the day of June 9, French planes engaged in reconnaissance flights over Gibraltar.

Distribution:
Secretary of War
State Department
Secretary of Treasury
Under Secretary of War
Chief of Staff
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
Air Corps
Assistant Chief of Staff, G-3

CONFIDENTIAL
CONFIDENTIAL

Paraphrase of Code Cablegram
Received at the War Department
at 12:12, June 11, 1941

London, filed 18:00, June 11, 1941.

In reference to your cable requesting information as to the transfer of tanks by air to Crete, the following is submitted:

1. This office has been gathering all available information on the matter of air transport of vehicles and will continue to do so. It is anticipated that a report may be made available when a number of officers who have been ordered from the Cretan forces arrive.

2. Royal Air Force authorities here say that they have no knowledge of light tanks or motor vehicles being transported by air despite the fact that the Ju-52 has sufficient weight carrying capacity to do so.

3. Similarly the Ministry has no authoritative report of transport of tanks by air. Unconfirmed reports have been received that an extremely light machine gun carrier was carried inside of air transports and landed on Crete, but no details are available as to tonnage or characteristics.

4. It has, however, been established that motorcycle side-cars were transported to Crete by planes, together with their armament of heavy machine guns.

LEE

Distribution
Secretary of War
State Department
Secretary of Treasury
Chief of Staff
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
Assistant Chief of Staff, G-3
Air Corps

CONFIDENTIAL

INFORMATION COPY
On June 10, H.R. Gorge, Assistant Director of the Far Eastern Division of the Department, received a copy of a memo from the Treasury Department, which read:

"SECRETARY MORGAN

DATE: June 10, 1941

INTEROFFICE COMMUNICATION

SECRETARY MORGAN

From: H.R. Dorman

To: Secretary Morgan

The Secretary of the Treasury has requested that a code message had been received from the Department of the Treasury and that the message was to be delivered directly to the President.

The message is as follows:

"The Department of the Treasury has received a cable from the Embassy in China, which states that the Chinese have requested additional financial assistance through the Department of the Treasury. The message states that the aid would be used for emergency relief in the event of a national emergency.

The Department of the Treasury has requested that the message be delivered directly to the President."
Yesterday at 12 o'clock I received Mr. Boies Hart, Vice President of the National City Bank of New York in charge of Far Eastern business. Mr. Hart told me that he had been over at the State Department discussing with Mr. Nathaniel F. Davis the career of his son who is a Vice Consul at Shanghai, and had dropped over to chat with me about our stabilization undertaking in China.

Mr. Hart volunteered the information that his people in Shanghai had reported recently that numerous parties in Shanghai had taken a position speculating on a decline of the U. S. dollar vis-a-vis the Chinese yuan, or to put it in the reverse were going short of dollars on the belief that the yuan would appreciate. Consequently, Mr. Hart made the observation that the operators in the Far East were assuming that there would be an effort on the part of the Joint Stabilization Board, when it becomes effective, to bolster up the Chinese yuan. I told him that our representatives had arrived in Hong Kong only this week and that they had, of course, not yet begun to function. I agreed that there would be no end of guessing as to what the Board might do. I told him that the Board, with a majority of Chinese thereon, would, we sincerely hoped and expected, function in the fashion which might be best for the interests of China. We had not desired to dominate the Board or dictate its policy. We had chosen as our representative on the Board and as his assistants, Government people whom we were confident we could depend upon to use their best judgment once they are on the spot and have had an opportunity to study the Chinese situation. I thought it foolish, however, for speculators to try to anticipate what steps the Board may take.

When Mr. Hart assured me that his branches in China would be glad to have contact with Mr. Fox and render him all appropriate assistance, I told him that we appreciated this thoroughly, and might even write him a formal letter when once the Board is established for business, giving notice of our participation in the Board, and of our desire for cooperation on the part of the American banks in China toward the purpose of the Fund. He said he would be delighted to have such a letter and to pass on the necessary instructions to his representatives in China.

In this connection, Mr. Hart let me know that the National City was now closing two more offices, those in Canton and Peiping. This will leave only the Shanghai and Tientsin offices in China, and the one in Hong Kong. I referred to difficulties which I understood had been experienced in the past by American branch banks in China as result of the different types of currency circulating in their areas. He volunteered, in turn, the information that one of the principal reasons why the National City was closing the two branches above mentioned was the risk of their being obliged to repay in Federal Reserve Bank currency deposits which had been received in fapi. He told me that the Japanese had obliged some banks in
occupied China to repay deposits in such a manner, this involving 30% premium over the deposit. As a safeguard against this hazard, his branches had obtained waivers from many of their important depositors, agreeing to accept fapì in repayment. When I asked him about the situation in Shanghai, he said that he understood that his branch there had not been obliged to accept Federal Reserve Board notes.

When I was speaking with Mr. Hart, I had in mind the attached letter from Sir Frederick Phillips which I had not yet answered. Considering the statements and attitude of Mr. Hart, I did not feel that I should definitely confront him with any intimation that his branches in China might not be holding to the common front in support of fapì. I am writing an acknowledgment to Phillips, a copy whereof is attached. Once the Board is operating in China, I think we could appropriately write letters to the National City and Chase in New York along the lines suggested hereinafter. (It will be recalled that in the past the Department of State has had certain correspondence with banks in New York in regard to their operations of their Chinese branches in puppet currencies.) We may also have by that time some report from Mr. Fox as to the conditions which he finds in China which might guide us in our letters to the American banking head offices in New York.

[Signature]
Dear Phillips:

I have pleasure in referring to your letter of June 7, in which you stated your concern over rumors that some of the American banks in Shanghai showed signs of breaking away from the common front in support of forei.

When the Vice President of the National City Bank, in charge of Far Eastern business, was in Washington yesterday from New York and called on me, I took the occasion to remind him of the purpose of this Government in the currency stabilization undertaking in China, and obtained his promise of genuine cooperation from the branch of the National City in that area. I told him that once the new board is established, the Treasury may address a formal letter to the National City and to other American banks having branches in China, announcing the creation and the purpose of the board, and soliciting the support of the American banks in question. My visitor stated that his bank would welcome such a letter, and would promptly pass it on to its representatives in China for their guidance.

Faithfully yours,

E. Karle Gehren,
Technical Assistant to the Secretary.

Sir Frederick Phillips, K.C.H.O.,
Vice Secretary of the British Treasury,
Washington, D. C.

EMO: dm: 6.13.41
The initial supply command is now available

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In

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Washington, D. C.

Benjamin Franklin Bureau

Box 60

Department of the Republic 1950

Regarded Unclassified
For convenience, reproduced a copy of the letter from the Department of State:

"Mr. Plan, I have just received a copy of the letter from the Department of State dated [date]. The content of the letter is as follows:

[Letter content]

I enclose a copy of the letter for your reference. Please let me know if you have any questions or concerns.

Sincerely,

[Your Name]

June 12, 1951"
June 20, 1941

By dear Mr. Secretary:

I am enclosing herewith a copy of a communication, dated April 30, 1941, from the Honorable O. J. Hamble, President of the Assembly of the League of Nations, in regard to the exemption from Federal taxation of salaries paid to certain officials of the League of Nations who are at present in the United States.

With reference to Mr. Hamble's statement concerning immunity and privileges granted to officials of the League of Nations by foreign Governments, it is pertinent to mention, since this Government is not a party to the League Covenant, that under customary international law, diplomatic privileges and immunity are conferred only upon a well defined class of persons; namely, those who are sent by one state to another as diplomatic missions. Officials of the League of Nations

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.
are not, as such, considered by this Department to be entitled, while in the United States, to such privileges and immunities under generally accepted principles of international law. Furthermore, the provisions of sections 223 to 256 of title 22 of the United States Code concerning diplomatic immunities are not applicable to such officials.

This Department recently held that the Opium Board (Permanent Central Opium Board), referred to by Mr. Rambro has no diplomatic status in the United States.

Upon their original entry into the United States customs courtesies and free entry privileges are ordinarily requested by this Department for certain ranking officials of the League of Nations as distinguished foreign visitors. This courtesy, however, would not be requested for the entire personnel of the Secretariat.

In order that an appropriate reply may be made to Mr. Rambro's inquiry in regard to the exemption of the salaries of the members of the Secretariat of the League of Nations from Federal taxation, the Department would appreciate receiving the views of the Treasury Department.

Sincerely yours,

For the Secretary of State:

Enclosure:

From the Honorable C. J. Rambro, April 21, 1941.
Sir,

I have the honour to refer to the question of the status of certain officials of the League of Nations now in this country.

As you are aware, going to the courtesy you have extended to them, certain members of the Secretariat of the League are now on mission in this country, while the Opium Board and the Drug Supervisory Body have set up a branch office temporarily in Washington.

Under Article V of the Covenant of the League of Nations representatives "of the members of the League and officials of the League when engaged on the business of the League shall enjoy diplomatic privileges and immunities", and such privileges and immunities have in fact been extended to them by the governments of the countries in which they have from time to time conducted their work.

The United States Government is, of course, not a Party to the Covenant of the League and I fully appreciate its special concern regarding the control of the admission of foreigners to this country in existing circumstances. It has, indeed, not been the practice of the Secretary-General of the League to ask for full judicial immunities or full diplomatic status, except as regards certain senior members of the staff or in certain other special cases. But I venture to write to you in my capacity as President of the Assembly of the League and on behalf of the Norwegian Government to inquire whether your Government would be prepared to extend to these persons to whom I have referred certain immunities that it has been customary to request and obtain from other Governments. These immunities pertain in particular to exemption from direct taxation on salaries received from the League budget and, in countries where such procedure in required, to the registration of officials for the purpose of such exemption.

The Honourable the Secretary of State,
The State Department,
Washington, D. C.
I should perhaps add for your information that Member States have attached special importance to the principle that these salaries, paid by all of them, should not be subject to taxation by any single Government. I am informed that the Government of Canada, like others in the past, has just taken action to implement this principle as regards the staff of the International Labor Office now residing in Montreal.

I have the honor to enclose herewith a list of the salaries of the Secretary-General and of the United States, to whom my request refers.

I have the honor to be, Sir,

Your obedient servant,

C. J. Edsort

President of the Assembly of the League of Nations

1 enclosure.
RICHMOND

Mr. John H. Chapman.
Mr. Paul Popper.
Mr. Felix Hilgerdt.
Mrs. Phyllis E. van Itterum.
Mr. John Lindberg.
Mr. Alexander Loyning.
Mr. Constantine F. Nystad.
Mr. Ragnar Marini.
Mr. Jacques J. Polsk.
Mr. Angela Rosenbery.
Mr. Percy C. Vetterum.

WASHINGTON

Mr. Louis F. Atwood.
Miss Anna Blumenfeld.
Miss Eva A. Curry.
Mr. A. Elliott Fulkerson.
Mr. Bertil A. Rensberg.
Miss D. Miebert.
Mr. Louis Steinig.
At 3 P.M., yesterday afternoon, Mr. Gouther, the Manager of the British National Bank at Buenos Aires, called on the Secretary of the Treasury, Mr. Gouther, and stated that his firm had shipped $600,000 of gold from New York to Buenos Aires. Mr. Gouther also mentioned that he had been in Washington, and had discussed the question of amending our embargo with the American Embassy. He informed me that the British Government was prepared to lend us any assistance in the event of a financial crisis in Argentina, provided that we would take the necessary steps to prevent a recurrence of such a crisis. Mr. Gouther then suggested that we should take immediate action to ensure the stability of the Argentine currency and prevent a repetition of the recent financial panic. He also mentioned that the British Government was prepared to lend us any assistance that we might require in the event of a financial crisis. Mr. Gouther then suggested that we should take immediate action to ensure the stability of the Argentine currency and prevent a repetition of the recent financial panic.
June 12, 1941
9:30 a.m.

GROUP MEETING

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

H.M. Jr:
Well, you people missed a treat last night, hearing that song of Irving Berlin's played by this orchestra. I seldom have had such a good time. It was out at the broadcaster's. It was really quite a thrilling thing.

Have we a record of that at all?

Kuhn:
We are going to get one today or tomorrow, the new record by the same people.

H.M. Jr:
As soon as it comes, will you let me know?

Kuhn:
Certainly.
H.M. Jr: You saw the interpretation the Wall Street Journal is giving to "Treasury Opposes Joint Tax Return"?

Sullivan: No, I did not. Is that this morning?

H.M. Jr: Yes. Supposing they ask me about it at ten-thirty? I think I will say that I have instructed you not to take any position because the matter is still under study in the Treasury. Is that all right with you?

Sullivan: Yes, it is. Incidentally, yesterday's Wall Street Journal said that we were cooperating with the Committee on excess profits taxes and furnishing schedules and so on and so forth.

We have done no such thing, but we are going to be under the guns on that one the minute this joint return question is decided, because then they are moving on to excess profits and I assume we can't just stand by and do nothing.

H.M. Jr: Well, I am waiting for one Roy Blough that I spoke to Sunday to give me some material.

Blough: By the end of this week, Mr. Secretary, we will have at least a half dozen industries completely tabulated along the lines you indicated.

H.M. Jr: Does that mean you will definitely have it for me Monday morning?

Blough: Yes, sir.

H.M. Jr: You had better.

Sullivan: I assume what you will want will be for us to
get as good a one as we can get with as much revenue as the traffic will bear.

H.M.Jr: No, I may take the position if we can't get what I think is a good one that they will have to write their own and again, as I told you on this joint return for husband and wife, I want to leave the President's and my hands untied so that we can criticize and if we can't get the kind of excess profits tax that I think is good, then I want my hands untied so I can say anything that I want to.

Sullivan: All right.

H.M.Jr: Do you want something before you go up on the Hill?

Sullivan: No. They rewrote that - something for you to say informally at the press conference about Gulick.

H.M.Jr: Oh yes.

"You may be interested to know that we are taking steps to reexamine the problem of the Federal and State and Local fiscal relations. The importance of this matter is growing because of increasing pressure on common sources of Federal and State revenue."

Common sources?

Blough: Joint sources.

H.M.Jr: "The study we have already given this subject indicated that it is a problem of very great scope."
"For that reason, I have asked Dr. Luther Gulick, Director of the Institute of Public Administration; Dr. Harold M. Groves, Professor of Economics at the University of Wisconsin and a former member of the Wisconsin Tax Commission, and Dr. Clarence Heer, Professor of Economics at the University of North Carolina, to assist me and my staff in giving consideration to this entire problem, both as it affects us today in the midst of a tremendous National Defense program and as it merits thought with respect to post-war domestic economic adjustments."

It is all right. It could be better. What else?

Sullivan: That is all I have, sir.

Plough: Nothing. With respect to the material you just read, a number of us put that up and our thought was this, that at this stage the best thing to do, perhaps, is simply to forestall snooping reporters but not to lay out any plan or anything like that.

H.M.Jr: Well, Chick, have a dozen copies made for me to use, will you?

Schwarz: Our thought was that you might want to paraphrase that.

H.M.Jr: Oh, I am not a very - not in a very paraphrasing mood this morning.

Schwarz: We can take out the first phrase.

H.M.Jr: You don’t want to get last minute advice from some of these people on this question of joint returns?
Sullivan: I think I am sufficiently confused right now, sir. (Laughter)

H.M.Jr: Well, just stay that way, John.

(Mr. Sullivan and Mr. Blough left the conference.)

H.M.Jr: Last night around six or six-thirty, one Attorney General called me up to say that he had had his man --

Foley: Shea?

H.M.Jr: Shea, in touch with you in regard to what I had called him up about in the morning.

Foley: Yes.

H.M.Jr: And that you had given Shea the impression that you didn't think that I had seen this Executive Order which had been drawn up that had to do with economic warfare, you see.

Well, I said, both to stay truthful and also not saying what you had said, that I couldn't remember, but I was under the impression that I had heard about it.

Isn't that the one that they set up this informal --

Foley: No. Shea said that Bob had told him that he was concerned because he hadn't been able to see me and would he call me and see whether or not our getting together would be of any help, and I told him that what I wanted to talk to Bob about was state sales tax proposals and not this Executive Order. I did tell him that I was a little upset that they had
submitted that Executive Order requiring the reporting directly to the Budget without having spoken to us, because I didn't think that was cricket, and he said, "Well, they were interested in -" he said that you and Bob had talked about it and that Bob told you that he was interested only in alien property and you said you weren't interested in that, and I said, "Well now, Francis, let's not kid each other. You know darn well that that reporting is in our field, that that is our statute and that that is what we have in mind when we freeze the Axis funds and what this means is that all of the banks and the financial institutions report on foreign property to you, and if we go ahead with our order, they will be reporting to us, and that will mean confusion and it seems to me that the best thing to do is to concentrate our fire on the thing that we have agreed on; namely, the order to create this committee that will make suggestions and recommendations to the President in this field."

That is as far as we got.

H.M. Jr: Yes, but where did Jackson get the impression that I didn't know anything about this other order?

Foley: We didn't. They submitted that to the Budget without submitting it to us.

H.M. Jr: True, but I know about it now.

Foley: All I said to Francis was that I was disturbed that they had submitted it without talking to us.

H.M. Jr: Oh, we are talking about two different things. Jackson is talking about this economic warfare order.
There is an Executive Order proposed by Maxwell which is, I think, over in the State Department now which would forbid trade with the Axis countries. Is that the one you have in mind?

No.

We are getting more confused all the time, Mr. Secretary. There is no question about the fact that all of us knew about the order creating this committee composed of you and Hull and Jackson.

No, no, no.

No, no, there is also no doubt that the Secretary was informed with respect to that Executive Order setting up an economic defense, as they call it, with the director and that the Secretary asked me to go over and look at it and I talked to you about it.

You are now talking about something quite different, which is another Executive Order with respect to the ascertainment, reporting of alien property in the United States.

That is right, which they never submitted to us and which I think wasn't cricket.

Check and double check, but I am talking about the one that Bell asked White to go over and take a look at.

We knew about that.

No, that is not the one Ed is talking about.

No, but that is the one that Bob Jackson was talking about.

Well, that isn't the one Shea was talking about.
Bob Jackson is talking about what I will call the Bell-White order, and he, Jackson, evidently is now excited about that, because he says that one cuts across the Department of Justice, but anyway, the way the matter stands as far as I am concerned, I called up this man Bailey.

Foley: Yes. Did he call back?

Foley: Yes, I told Francis that you had called Bailey and that I hadn't heard --

Foley: And I haven't heard from Bailey and we will just wait until we do hear from Bailey. Are we all together? I mean, there is nothing more until I hear from Bailey.

Foley: From Bailey on what, the last order?

Foley: On the one that the Attorney General wants. In other words, I will just sit until I hear from Bailey.

Foley: Bailey writes me a letter. I call him up on the telephone and say, "Well, what about it and why don't you get the one through that --"

Foley: Well, you talked to Bailey about the one that you and Hull and Jackson recommended.

Foley: No, I talked to Bailey about the one that he wrote me and I said that I wasn't going to do anything about that until I had found out what he did with the one that Hull, Jackson and I did, and he said he would look it up, so we can sit until I hear from Bailey.
Foley: All right, do nothing about their request for our comments.

H.M. Jr: That is right.

Now, all of these things that take up so much time make me sick. If Odegarde and Kuhn would come in at eleven, we will have the last trial run on that thing. It is all right now. We will just have the last trial run, if that is convenient, at eleven.

Have you got some things for me, Mrs. Klotz?

Klotz: I think you will start with Mr. Gaston.

H.M. Jr: Oh, this Bismarck picture, just hold it for awhile, will you?

Gaston: Yes.

H.M. Jr: What have you got?

Gaston: Nothing.

You might be interested to know that the Navy has asked for the Taney, which is working out of Honolulu as being assigned to them.

That is in our agreement about the seven cutters. That is the first one they have asked for.

H.M. Jr: Good.

Anything else, Herbert?
Gaston: That is all.

H.M. Jr: When am I going to see the draft for tomorrow, if there are any changes, of my testimony for tomorrow at ten-thirty?

White: I thought - there are no changes except the later report.

H.M. Jr: Where is it?

White: That was decided yesterday.

Bell: I thought you said you would use the same statement.

H.M. Jr: I did.

Bell: Then there are no changes unless you want a later balance sheet, if that might be advisable, as of March 31. It is earlier than we normally make it public, but I think that is all right. We would make it public next month.

H.M. Jr: Will you take care of it, please?

Gaston: Anything else, Herbert?

H.M. Jr: No, nothing else.

Foley: Larry Bernard went down and talked to Congressman Crawford at Harold Graves' request. Here is a summary of what was said.

H.M. Jr: What does it say?
Foley: Well, Crawford said he thought we weren't going hard enough and far enough, and they had a very pleasant talk, and he is going to go along and be friendly. He is going to come down and see Harold and he is satisfied now.

H.M. Jr: Is he really?

Foley: Yes.

White: You have spoken only of your statement. I take it that you are going to set aside some time to discuss some of the angles which may be developed by them at the meeting?

H.M. Jr: Oh, no, we will take it blind.

White: Taft may well push you around on the questions--

H.M. Jr: On what?

White: That relate to the Federal Reserve Board recommendations which he very easily can tie up in a very relevant manner to the Stabilization Fund.

H.M. Jr: O.K., and I am simply going to say to him, "Let the Federal Reserve Board come up and defend their own stuff." I won't get in on that bill. I am going to testify on the one and if Mr. Taft shoves me, I will begin to shove too. I am not going to get in on it. Let the Federal Reserve go up to defend their own bill. I will just have to trust myself, that is all. I either know it or I don't. If I don't I will tell them to ask Mr. Eccles. I have asked Cochran to prepare a letter for me to the Attorney General in regard to this business that Jay Crane has been telling us about, that they are going to negotiate with somebody
in Cuba, possibly, over the sale of Standard Oil properties in Hungary, and he is preparing a letter for me to the Attorney General and the report comes to me - I want Foley and White and Bell to initial it before it comes to me, informing the Attorney General about it. I am also sending word through Cochran to Mr. Atherton that I want him to tell me that Mr. Hull knows about this. I don't like it and I don't - I just don't like it. I mean, I don't like to be, so to speak, in the position that I am advising Mr. Crane or he is going to ask me should he take twenty million or thirty million, you see. I want the Attorney General to know about it, and after he has read it - and I want the rest of you to know about it. I would like to get out of the position that Crane comes to me about it at all. I would like to get out of it so that Mr. Hull would be advising him.

Cochran: He has been going to Atherton also.

H.M.Jr: Yes. But I don't like the whole business.

Bell: I didn't get the impression that he wanted advice, did you?

Cochran: He wanted to keep us informed.

H.M.Jr: Well, now - the sale goes through. He goes up to testify. "I advised the Treasury step by step what I was doing. At no time did they say to me that what we were doing didn't meet with their approval. They knew what we were doing."

White: Why, otherwise, does he want to advise you?

H.M.Jr: Well, I am going to play it this way, gentlemen, and if we can get in the position that
I may want to write Mr. Crane, I don't know, simply saying that if he feels he needs to keep anybody informed in the Government, he should keep the State Department. There is no reason why he should keep the Treasury informed. I just don't feel comfortable. The old elbow doesn't like it.

Cochran: There was one rather interesting rumor that comes from the account of the Java Bank with the Federal. There have been three transfers in the last ten days to the account of the Yokohama Specie Bank. It amounts to fourteen million dollars. Pehle knows about it and we have been talking with the Federal.

H.M. Jr: From where to the Yokohama?

Cochran: From the account of the Central Bank of Java to the Yokohama.

H.M. Jr: So they are getting their money out of Java.

Cochran: Yes. You may have noticed that Dave Schenker has resigned from SEC.

H.M. Jr: Now, the fact that they are getting their money out of Java, who besides the Treasury knows that?

Cochran: Well, the FBI would know about it.

H.M. Jr: Well, I will tell you, I wish you would prepare a little letter for me this morning to the President and copies to State, War, and Navy.

Cochran: Yes. We don't know just what it means, yet. Of course that is the first inference.

H.M. Jr: Yes, but that ought to go over this morning.
Cochran: To the President?
H.M.Jr: President, and copies to State, War, and Navy.
Cochran: That is all I have.
Foley: Where has Schenker gone?
Cochran: To practice law in New York.
H.M.Jr: What have you got?
Kuhn: I have nothing this morning.
H.M.Jr: Have you got any new songs?
Kuhn: Not yet.
H.M.Jr: George?
Haas: I have nothing this morning.
H.M.Jr: Mr. Odegarde?
Odegarde: Nothing.
H.M.Jr: Chick?
Schwarz: Lieutenant Stephens handed me a letter he couldn’t get in yesterday afternoon from International News Pictures which says they are doing a series of Cabinet officers and the President and their private secretaries, and they wanted to come in after press conference to do one of you and Mrs. Klotz.
Klotz: Do what of me?
Schwarz: A picture at work, it says.
Klotz: No.
Schn: With the boss.
H.M.Jr: You had better see her afterward.
Schwarz: What else?
Schn: That is all.
H.M.Jr: Harry?
White: Nothing, sir.
H.M.Jr: Harold?
Graves: Nothing.
H.M.Jr: Bell?
Bell: Do you want copies of the statistical data that is the basis of the President's report to Congress? Phil Young sent me copies.
H.M.Jr: I would like to know this. I would like to know, that twenty-six million or thereabouts of ships, what those ships were. I think roughly, as I remember, the table in the newspapers it said about twenty-six million dollars was for ships. I just wondered whether Coast Guard was in there or what ships they turned over, twenty-six million dollars.
Bell: As I recall it, it just said the Maritime Commission.
H.M.Jr: Well, I was curious to know.
Bell: We will check up on that.
H.M.Jr: Otherwise I don't want to see it.
Bell: That is all I have.
H.M.Jr: When are we going to get a report on those tax certificates?
Bell: Well, it is a little difficult to get everybody together.
H.M.Jr: Can't you get them before before breakfast? Can't you get them in here at eight o'clock in the morning?
Bell: I can be here.
H.M.Jr: I know you are here.
Bell: Well, you see, John Sullivan and Roy Blough go to the Hill and--
H.M.Jr: Well, we will do it without them.
Bell: Yesterday afternoon Harry was tied up on your stuff for yesterday.
H.M.Jr: Well, the first thing you know Harold and I will announce it.
Bell: O.K., it suits me. I am ready.
H.M.Jr: Are you busy?
Bell: No, I am not busy.
H.M.Jr: Let's you, Harold, and I get together and we will settle it.
Bell: I am not busy, it is the other fellows.
H.M.Jr: We will just get together and settle it.
Bell: Well, I think we are pretty well ready to go on the simple--
H.M.Jr: Could you have it for me Monday morning?
Bell: Certificate that you and I talked about before.
H.M.Jr: Could you have it for me Monday?
Bell: Yes, I will have something. I don't know whether I will have the unanimous report that you asked for.
H.M.Jr: Let's go to town on it Monday.
Bell: We are ready.
H.M.Jr: All right, thank you.

Thompson?
Thompson: Mr. Giegengack, Public Printer, has written you for an interview. I take it you don't want to be bothered.

H.M.Jr: No, I turned it over to you. I gave you that privilege.

Thompson: Yes, I will take care of it. We will make him feel happy. I hope we don't get in the same trouble we did with Pershing Hall in Paris.

H.M.Jr: That was a headache.

Bell: It is up to them to decide it.

Bell: It is still a headache.

H.M.Jr: Mr. Bell, on June 6, promised to furnish you material on people who were drawing deposits from banks and placing them in safety deposit boxes. You intended to use this material in one of your press conferences.
Bell: Well, we haven't done anything about it. We have a couple of men out trying to find out something about it. We haven't had a report yet, have we, Harold?

Graves: Yes, we have had reports from both Pennsylvania and Minnesota. I have them on my desk now. It is just the little gossip that has trickled into those particular banks. We also have a partial report on this Yorkville situation.

H.M.Jr: Is that good or bad?

Graves: Well, they are not buying bonds. The agencies in that area--

H.M.Jr: They are not what?

Graves: The people are not buying bonds from the sales agencies in Yorkville in the same volume, relative, that they are elsewhere in New York City. That is perfectly obvious.

H.M.Jr: What will I do about this memo?

Graves: I think that memo you wanted in connection with this Crawford matter and I believe from what Mr. Bernard has reported that we have nothing further to fear from Mr. Crawford.

H.M.Jr: All right, forget about it.

Bell: Kill it for the present. Harry is also making some study of the large denominations, and we may have something later but not now.

White: I think it would be a mistake to say anything about failure to sell bonds in certain areas as compared to others, because there are so many factors, and you would have to go into
it a lot more in detail before you had the kind of evidence that you could support if somebody pushed you around on it.

Schwarz: Will you have last week's report for the press conference on bonds?

H.M.Jr.: What about that, will I have something today for the press?

Graves: Yes.

H.M.Jr.: Do I give that out or do you give it out?

Graves: We have been issuing it as a matter of routine every week.

H.M.Jr.: When will it go out?

Graves: It will be ready today.

H.M.Jr.: I would let it go in a routine manner.

All right.
TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE: June 12, 1941

TO: Secretary Morgenthau

FROM: Mr. Cochran

At the 9:30 Staff meeting today the Secretary referred to my memorandum written yesterday reporting a conversation by telephone with Mr. Jay Crane, wherein the latter told me of latest developments concerning the possibility of German interests purchasing the Hungarian properties of the Standard Oil Company of New Jersey.

In accordance with the Secretary’s instructions, I telephoned Mr. Ray Atherton in the Department of State at 10:30 this morning. I told him that the Secretary had asked me to write a letter to the Attorney General setting forth a summary of the information which Mr. Crane has given us from time to time in regard to the above subject. I told Mr. Atherton further that Secretary Morgenthau desired that Mr. Hull be personally informed of this matter, if he may not yet be cognizant thereof. Mr. Atherton told me that he had cleared this matter with Under Secretary Welles and that he would give this present message from Mr. Morgenthau to Mr. Welles. Mr. Atherton also asked that I let him have a copy of the letter which we send to the Attorney General.

[Handwritten note:]
Letter to Attorney General dated 6/17/41
Copy of it sent to Henry Hull.
By dear Mr. Postmaster General:

On June 2nd, following your suggestion to Mr. Graves, a meeting was held in Mr. Graves’ office at the Treasury for a discussion of ways and means by which the Post Office Department and the Treasury Department might cooperate to best advantage in furthering the sale of Defense Savings Bonds and Stamps.

The Post Office Department was represented by Mr. Harold Ambrose, Mr. Fred A. Ironside, and Mr. Archie A. Line.

Representatives from the Treasury Department, in addition to Mr. Graves, were Mr. Eugene W. Elsen, Executive Director, Defense Savings Staff; Mr. Robert Sparks; Mr. Sydney Mahan; Mr. Vincent Callahan; and Mr. Carlton Diffus.

It was decided that a joint committee, representing the Post Office Department and the Treasury Department, would be appointed to work together on a program to assist postmasters in additional exploitation of Defense Savings Bonds and Stamps.

For the Treasury Department, this Committee will consist of Mr. Sydney D. Mahan, Chairman; Mr. Robert Sparks; Mr. Vincent Callahan; and Mr. Carlton Diffus. We are to be advised regarding the Post Office Department’s selection of a Chairman and representatives on this Committee. As soon as these appointments are made, a meeting of this joint committee will be arranged by the Co-Chairmen.

Subsequently conferences have been held by representatives of the Treasury Department and the Post Office Department.

After discussing general means and method of cooperation, it has been agreed that:

(a) The postmasters will continue to cooperate with the Treasury Department in the local committees by continuing to serve as a member of the Committee. However, the postmaster will not serve as chairman of any such committee.
Representatives of the Treasury Department will undertake to prepare certain documents for distribution to the public through the post offices. Tentatively, it is understood that the drafts will comprehend at least three separate documents, to be placed in the hands of all postal patrons in the order listed.


2. Emphasizing the Investment features of the Bonds and Stamps.

3. Emphasizing the Swift advantage of the Bonds and Stamps.

4. A general document in simple terms, in question-and-answer form, which will give complete information on all aspects of Bonds and Stamps.

Procedure and time of distribution to be later agreed upon.

A means of transmitting form Press Releases will be developed. Such releases contemplate:

1. Blank spaces for the insertion of local bond figures, and

2. The national bond figures, for a comparable period.

These Press Releases will illustrate in convincing fashion, the amount of Defense material represented by the figures for the respective periods. These releases will be forwarded to each postmaster, who will have the responsibility of making the releases available to the local press.

More necessary, in each post office, branch or station designated to sell Bonds and Stamps, a special window or windows will be provided for Defense Bonds and Stamp purposes.

Representatives of the Treasury Department are to prepare proposed window layouts and posters and displays for use in the various classes and types of post offices, and on mail trucks.

More facilities are available, one or more postal employees in each post office, branch or station designated to sell Bonds or Stamps, will be thoroughly familiarized with all aspects of Defense Bonds and Stamps.

The preparation, printing, and distribution costs of all material in connection with this program to be borne by the Treasury Department.
(b) All proposed communications of any character, or material to be used by any postmasters, to be prepared by the Treasury Department, submitted in draft form for the approval of the Postmaster General, must not under the signature of the Postmaster General, and distributed through Treasury Department facilities.

(1) The Post Office Department will have available in Washington on June 23-24, certain postmasters and their assistants who have had successful past experience in this program, and the will review and discuss with representatives of the Treasury Department the following material, which is to be prepared in draft form in advance of such meeting.

It is not the wish of the Treasury Department that cooperation by the Post Office Department in this program shall have the effect of delaying or impeding, in any way, the prompt and efficient handling of the regular Post Office Department duties.

Appended is a brief personal history of the Treasury Committee members which will help to introduce them to the Post Office Committee members.

I greatly appreciate the moves that are being made by your Department to aid us in the extension of the Defense Savings Program.

Sincerely,

(Signed) H. MORGENTHAU, JR.

Secretary of the Treasury.

The Honorable,

The Postmaster General,

Washington, D. C.

Mailed from Mr. Sloan’s office.
June 12, 1941

Harold Graves
Secretary Morgenthau

After listening to the broadcast of Mrs. Roosevelt and the other women, I want to say how much I was pleased and I want to thank whoever helped arrange it. I wish you would let me know who is responsible for arranging and writing the script. Mrs. Roosevelt was very good, but Helen Hayes was exceptionally good.

This has given me an idea - I don't see why we can't do a similar program around the Vice President, Sen. McNary, Sen. Barkley, Speaker Rayburn, and Rep. Joe Martin. Think it over and see if you can't get the five of them to do a similar program sometime during the next week or two.

6/17/41 - Graves reported further at 9:30 meeting today. Matter is progressing.
6/18/41 - Graves reported further at 9:30 meeting today.

Mr. Graves reported for this at 9:30 meeting.
6/16/41 - Program definitely set for 6/23/41. Mr. Brown suggested Graves contact some of the men who can't appear and ask them to suggest substitutes.
6/19/41 - Program definitely set for 6/23/41. Letter written to man who will participate.

Finished
DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

THURSDAY - JUNE 12, 1941

Time: 3:45 - 4:00 P.M.
Program: Young Widder Brown
Station: WRC

Time: 5:45 - 6:00 P.M.
Program: Lowell Thomas
Station: WMAL

Time: 9:15 - 9:45 P.M.
Program: The Original Professor Quiz
Station: WJSV

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS
June 12, 1941
10:04 a.m.

General Watson:
Operator:
HMJr:
W:
HMJr:

Hello.
Secretary Morgenthau, General.
Hello.
Henry?
Yeah.

He said he didn't want to discuss that before you went up.

He doesn't?

He doesn't. He said that he'd stick to the old standard position. He doesn't consider that nobody is interested in the value of the dollar anyhow, he said.

I don't know what he means. In other words, I'm not to see him today.

No, said he didn't want to see you about that thing. I took it up first thing.

What?

He said he didn't want to discuss that thing.

Well.

That's what he said. He wants you just go on up there and make your appearance. He said you knew what way it stood anyhow.

Okay.
W: That's what he said, Henry.
HMJr: All right.
W: All right, fellow.
HMJr: Doesn't help me any.
W: Well, that's what he said.
HMJr: Thank you.
W: All right.
June 12, 1941
10:22 a.m.

HMJr: Archie?

Archibald MacLeish: Did you call me the other day or.....

HMJr: No, they said you called me last night.

M: Well, I came in and I've been away for three or four days and I found a call from you and just called back to say I called back. I didn't know whether - something on your mind.

HMJr: Whatever it is it must - it slipped my mind.

M: All right, I'm sorry I bothered you, Henry.

HMJr: I'm sorry.

M: Goodbye.

HMJr: Goodbye.
June 12, 1941
11:30 a.m.

Ambassador Winant:

Good morning.

HMJr:

How are you?

W:

Fine, thanks. I called you up just to say that I hoped you could find that fellow for me soon.

HMJr:

Well, I've started the wheels going.

W:

Have you? Fine.

HMJr:

Yeah.

W:

All right. I wanted you to know I'd be very happy to have him and I really need him, that's all.

HMJr:

Well, we - I put it up to the men and we are working hard.

W:

Fine.

HMJr:

All right.

W:

I'm delighted to take your man and I know he will be of enormous help to me when I get him, that's all.

HMJr:

Well, we are looking.

W:

All right, fine.

HMJr:

Good luck.

W:

Thanks. Best luck to you. Thank you very much.

HMJr:

Goodbye.

W:

Goodbye.
June 12, 1941
12:30 p.m.

RE FREEZING

Present:
Mr. Bell
Mr. Cochran
Mr. Foley
Mr. White
Mr. Bell

H.M.Jr:

I just wanted to tell you gentlemen of a call that I had from Dean Acheson in which he brought over to me a memorandum that he had written to Mr. Hull, which Mr. Hull has initialed, which I suggested that he get. I haven't got a copy. He is going to give me a photostat of it. The best I can remember is Section 1, is that the registration of all alien property should be done and they want it in the Treasury.

Then they want to freeze all of Europe and the Turkish part of Asia Minor and then give a general license, the best I can remember, to Switzerland, Sweden, Spain, Portugal, Russia, asking them to make out affidavits that in no case these transactions will be anything but bona fide.

Now, I said, "Are you willing to take the risk that if they cheat we will find out afterward?" And he said, "Yes, because Mr. Hull feels that Hitler is working on
a United States of Europe and if we froze all of them it might be playing into his hands."

Now, all of this stuff to be in the Treasury. People from these two departments to work with the Treasury so they can know what is going on.

Foley: Justice and State?
H.M. Jr: Yes.
Foley: Is there a committee?
H.M. Jr: Yes.
White: Well, this is the committee functioning now.
H.M. Jr: Yes.
Foley: Then the order that has been held up by the Budget which the three departments concurred in is going to be sent?
H.M. Jr: No, they set this up in an informal way.
Foley: I see, without the order.
H.M. Jr: But he had an order in his thing to carry this out.
Foley: To require reporting of all foreign property in this country, freezing of all Europe and general licenses to Portugal, Sweden, Switzerland, and Russia.
Bell: This is a memorandum to Mr. Hull. It is not an order of the President.
This is a memorandum of five people in the State Department to Mr. Hull, which Mr. Hull has initialed.

Now, I told what-is-his-name, Acheson, if and when he could get Mr. Hull to say that he would approve something, I would go along.

He has done something a little bit differently. I told him all right, if this is what Mr. Hull wants.

"I think it is a mistake that you should let these countries - the transactions go through and we only find out that they are fraudulent after they have passed, but if that is what he wants after months, I am not going to argue. I will take it as is."

That is better than what you have got.

I also told him please to explain to Mr. Jackson that when he spoke to me yesterday and last night, I didn't know this order was in existence.

I also told him that I wouldn't lift a little finger to do anything about it other than to say that I - it had my approval, that I knew Jackson wouldn't want that stuff over here but he would have to do the running around.

When he left he went over to see Jackson. I wouldn't lift a little finger, but he could go back and tell Mr. Hull as far as I was concerned, I approve it.

Well, I have got a little more light on Jackson's call to you last night. Shea called me a few minutes ago, and what they thought was that we didn't know anything
about the order that Harry looked at over in the Budget, and Shea thought that Bob should call you and tell you that while that passed through them, it wasn't the order that they preferred, and then he went on and explained to me how it happened.

Budget sent it over to Charlie Fahy, who is the Assistant Solicitor General handling Executive Orders, and then Budget said they had to have a clearance in fifteen minutes and he approved it as to form and legality and took it in to Bob and Bob didn't read it, just signed the letter transmitting it back and giving his approval to it, and it wasn't until afterward that Shea found out about it and then they were quite disturbed because they had commitments to us and to the State Department on the order setting up the committee and they wanted you to know that they still were in favor of that order.

That was why Shea says he asked Jackson to call you last night.

H.M.Jr: That may or may not be true.

White: The State Department approved that order, too.

H.M.Jr: Look, gentlemen, I just want to tell you, I just haven't got enough energy to do the things on the positive side which I think are worthwhile, and to do these kind of things and fight about them. I can't fight about them, you see.

Foley: Well, there is nothing to fight about.

Bell: No, I am not worried about that.
H.M.Jr: Well, he introduced his remarks, could I guarantee there would be no publicity. I said I could as far as the Treasury was concerned, and I said, "Whenever we work alone there is no publicity." I said, "I can’t tell where any other leaks come from, but as far as the Treasury is concerned, when we work alone there never are any leaks," so I said, "Jackson will never have a registration of foreign property in his department." He says that is what we think of the laws.

Foley: Sure he will.

H.M.Jr: I said, "You will have to tell him."

White: They are mostly registered already.

Foley: They will go along on that.

H.M.Jr: It is a little bit different, but I want to explain it to you in person. I just can’t fight --

Foley: There is nothing to fight about. You have won.

White: I take it that this is what was turned down three months ago, six months ago, nine months ago, and a year ago.

Foley: It is a complete victory for you.

White: The identical thing in which we wanted to resolve Europe in a general license. The countries aren’t the same because Greece, of course, has disappeared.

Foley: And it is an accomplishment of what Harry and I told Dean acheson would happen.
White: Ed told him it was inevitable and he got sore --

Foley: I said, "We will just put it on ice and we will wait until you walk over here some day and say that you want us to do it."

H.M.Jr: Well, without anybody advising me, I have done a little bit differently, but I read it and my own judgment told me under the circumstances it was about as good as you could ever get out of the State Department so without asking anybody's advice I said yes.

White: I think this should be clear, however, that this is a committee of three functioning about which there never was an end put to it, so this is the form which it was supposed to have taken.

H.M.Jr: I am going to ask you people please all to keep your counsel, not to talk to anybody except amongst yourselves, not to talk to any other departments, until I hear from Acheson and let me hear what he has to say, you see.

Don't you think that is best?

White: I imagine they have got all the stuff ready, because they had it ready some time ago.

Foley: They showed it to the Secretary.

H.M.Jr: He is sending me a photostat copy. He has got the Executive Order drawn up.

White: No, I mean that there are a lot of things in the Treasury that need to be ready.
H.M. Jr: Don't move. Let's just sit and see what happens.

Cochran: It requires now the agreement of Mr. Jackson and then the President?

H.M. Jr: That is right.

Foley: They won't have any trouble with Bob.

H.M. Jr: Not today.

Bell: I shouldn't think so.

H.M. Jr: So just sit, but you fellows seem pleased.

Foley: Sure, it is all right. It is what we said they would come to. It is a complete victory for you, Mr. Secretary.

White: Not complete, but--

Foley: Well, I mean the only thing that isn't complete is this licensing of these - the transactions of these countries, but that isn't in the order.

H.M. Jr: He is coming over here and let our people help him draw up the affidavits, what they want in the way of affidavits and all that. They want us to draw them up.

White: They just want to be certain that they subscribe to the thesis of too little and too late.

Foley: Yes. They are making the record. (Laughter)

H.M. Jr: Well, anyway, as I say, I am - I want to tell you I did it a little bit differently. It
looked all right to me, but I just can't fight on those fronts any more.

Foley: You don't have to.

H.M. Jr: All right.
Hello.

Yes.

Henry Morgenthau.

Yes, say - I talked to that fellow.

That's terribly nice of you.

And he was very nice about it. He says he was - he said that he wasn't critical, he said he was trying to be helpful.

Well.....

He says he's got unanimous consent to put your speech in the record, and he says he's going to put some comment of his in that, but it won't be critical, he says he wants to offer suggestions.

Yeah.

He's got an idea that he wants you to organize everybody in the United States so that you will be able to keep those bonds out of the hands of those that have so many now, you see?

I see.

So that's what he said.

Well, it's awfully nice of you to interest yourself and I appreciate it.
C: Oh, that's all right, he's a pretty good fellow.

HMJr: Well....

C: He's a — the way he talked to me — now he said he had quite a talk with Mr. Bernard yesterday.

HMJr: That's right.

C: Did Mr. Bernard talk to you?

HMJr: He hasn't had a chance to.

C: Well, he can tell you, he said he told the whole story to Bernard.

HMJr: Good.

C: So you can find out from him.

HMJr: Thank you so much.

C: All right, old pal, let me know any time.

HMJr: Thank you.

C: Goodbye.
June 12, 1941
2:55 p.m.

H11Jr:
Dean Landis:

Hello.
Hello.

Henry Morgenthau.
Yeah.

Where are you?
I see.

I happen to be at Court.
Yeah.

Is there any chance of my seeing you this afternoon.
Yes, I can come any time you suggest other than 5 to 5:30.

Well, I'll be free at 4 o'clock.
All right. I'll come up there.

That will be fine.
All right.

Thank you.
You're welcome.
June 12, 1941
3:00 p.m.

RE DEFENSE SAVINGS BONDS

Present: Mr. Sloan
Mr. Powel
Mr. Sulds
Mr. Callahan
Mr. Odegarde
Mr. Houghteling
Mr. Graves
Mr. Mahan
Mr. Sparks
Mrs. Klotz
Mr. Kuhn

H.M.Jr: Where is Johnston?

Graves: Johnston is on his way to St. Paul to take care of the organization of our committee in Minnesota. Mr. Sparks is Mr. Johnston's assistant and will represent him. You will recall Mr. Johnston didn't conclude his statement.

H.M.Jr: That is right.

(Mrs. Klotz entered the conference.)

Graves: And perhaps Mr. Sparks might begin, if you care to have him, on the work of our field division.

Sparks: Well, Mr. Secretary, I have summarized this as follows. There are seven state committees that are completely informed and are functioning
at the present time. There are twenty-one state administrators that have been designated. There are nine field service men who have been thoroughly trained and are now about to receive their baptism in the field, the first of which went out with Mr. Johnston this morning. There are seventeen governors who have accepted your appointment as honorary chairmen. There are three additional state organizations that are practically complete. All of the state administrators have received complete information and the plans are organized for supplying material and keeping the state administrators supplied with material. There are more than one thousand county and city committees that are organized and working now, but they are concentrated mostly in six states.

H.M.Jr: Excuse me. Doesn't Kuhn come to these meetings?

Graves: Kuhn said that he had a long-distance call and would be a minute late.

Sparks: These city and county committees are concentrated mostly in six states. The reports are being received weekly from every state administrator and these reports are being studied and the best ideas are being extracted and placed in the weekly news letter so that all administrators can receive the benefit of what is going on in the various states.

The general activity of these committees to date has been in four directions. The first is increasing sales outlets; the second, establishing voluntary salary allotment plans; third, establishing a systematic purchasing plan; and fourth, general public education.
Progress is being made in all four of these directions.

A few cases in point are that eighty retail establishments in the State of Kansas have adopted salary allotment plans for their employees and established stamp banks in various sections of their stores for the public. We have received this morning confidential information with the request that Paul Garrett, of General Motors, would like to make their own release, that the General Motors are just about completing their employees voluntary salary allotment plan.

H.M.Jr: That is something.

Sparks: Other important organizations received within the last few days--

H.M.Jr: Who is Mr. Garrett when he is at home?

Sparks: Harford, isn't he that public relations man?

Powel: He is vice president of General Motors, former financial editor of the old New York Evening Post, in charge of all public relations. You know him.

H.M.Jr: Well, he is dean of Harvard Business School, isn't that the fellow?

Powel: No, not Paul Garrett.

(Mr. Kuhn entered the conference.)

Sparks: We also have received notices within the last few days from U. S. Steel, International Shoe Company, Chrysler, Pratt and Whitney, T. W. A. and United Airlines. They are a few of the more important companies.
H.M.Jr: That have?
Sparks: Have announced their salary allotment plan.
H.M.Jr: Give me that list again.
Sparks: General Motors, which we have said we will leave to them to make public announcement, U. S. Steel, International Shoe Company, Chrysler, Pratt and Whitney, T. W. A., and United Airlines.

Labor is continuing to give excellent support, and I brought over a circular which you may or may not have seen from the International Union, United Automobile Workers of America, which they have circulated among their membership.

H.M.Jr: I have got one eccentricity. I don't know who is doing it, but somebody has got a cigar.
Graves: A Defense Savings Bond cigar?
Callahan: I am a cigar smoker, but I don't have any.
H.M.Jr: All right. I thought somebody was smoking. It is one of my few admitted eccentricities, one of my few admitted ones.
Sparks: And finally, Mr. Secretary, as of June 5, the report on the Treasury Department's on participation in the systematic purchase of bonds shows over thirteen thousand Treasury employees.

H.M.Jr: That is wonderful.
Sparks: And with outlying districts still to be heard from.
H.M.Jr: But I still say, "Please concentrate on the
payroll systematic savings." That is number one.

Sparks: Yes, sir.

H.M.Jr: Last night I sat next to the Vice President and he asked me, were we directing toward that, and I say, yes, we were doing that, and he said that was fine, because that was what he thought, but still make that your number one effort.

Sparks: Yes, sir.

That completes my report, sir.

H.M.Jr: Good.

Graves: Now, I think there are a number of things that our radio people will have to tell you. They have made certain suggestions to me and certain inquiries of me. Mr. Powel and Mr. Callahan, I think, can tell you at least part of the answers to those inquiries.

Callahan: Mr. Monroe talked with Mr. Josten today. He is writing a march, and Mr. Monroe is contacting Mr. Sandburg and they hope within ten days to have made some real progress, that is, the music and the words.

H.M.Jr: Mr. Josten has started?

Callahan: I talked with him this morning, and he is about to start.

H.M.Jr: I see.

Callahan: And we are scheduling it tentatively August 6 or possibly the thirteenth.

H.M.Jr: To have it finished, you mean?
Callahan: That is what we hope, sometime in August.
H.M.Jr: You mean you will save him on the program for when he has the march?
Callahan: That is right.
H.M.Jr: Is that the idea.
Callahan: We can put him on earlier if you want that.
H.M.Jr: This runs from June 2 until when?
Callahan: From July 2 to September 24, so that puts him in the middle.
H.M.Jr: Now, Sandburg has to write a poem, hasn't he?
Callahan: That is right.
H.M.Jr: Has he agreed?
Callahan: He hasn't been able to get hold of him. He is trying now, and he expected to have word before this meeting about Sandburg's reaction. He doesn't anticipate any difficulty.
H.M.Jr: If he doesn't, my second choice would be the man who wrote "John Brown."
Powel: Benet.
Callahan: Number 2, you said something about us--
H.M.Jr: Do you gentlemen agree?
Odegarde: I would like to add another name, if you can't get either. He is young Latouche.
H.M.Jr: Has that been set to music, that thing he wrote?
Callahan: Number 2, you said something about using different orchestras.

Callahan: That was gone into by Mr. Monroe and Mr. Dietz. They felt that it wasn't practical. One, from the standpoint of economy. After all, the Texas Company is paying these out of pocket expenses. To have a different orchestra would increase that expense.

Number 2, the program is going to consist of a lot of people, and they feel that if we have one orchestra that the routine will be much easier to handle, and there will be less trouble in carrying out the entire program. It will be something they can cling to. They know that they have this orchestra which can play classical, dance music, any kind of music we want.

Mr. Dietz originally had in mind Goodman or Don Voorhees, and his first choice was Goodman. We do expect, however, from time to time to have guest conductors for one or two numbers or three or four numbers.

Callahan: Well, my idea is, I don't give up so easily, that these other companies - after all, this is going to be the Treasury hour. Now, do you mean that if I write to the President of General Electric who has an orchestra by the year, they wouldn't let me have that thirty-two piece girl orchestra for Wednesday night gratis?
Callahan: Well, would you want to write and ask them to pay the cost of it? Someone would have to pay. They don't hire the orchestra by the year. They may hire for fifty-two performances, but if you add Wednesday night to that, it would cost them a thousand or fifteen hundred dollars.

H.M.Jr: Who is going to pay Goodman?

Callahan: The Texas Company. They are paying all of it out of pocket.

Now, if we take different orchestras, we will have to go back to them and say, "We would like you to do this." Incidentally, we haven't asked the Texaco Company for any money and don't want to. They have volunteered it.

H.M.Jr: I see. Well, that is a different story.

Callahan: It is the money angle, frankly, which disturbs me, because I am very grateful, and I know that you are, for them giving the time, and to go back and say, "Well, this will cost five hundred dollars more. Will you do it?" I think it would be bad.

H.M.Jr: I agree with you.

Callahan: You spoke of the commercials. The plan, as recommended, is for three announcements, two to be done by the artists like Lily Pons or Grace Moore.

H.M.Jr: The way I suggested? When I suggested this, that before Lily Pons sings, she say, "I am very glad to be here this evening to sing for the Treasury and help them in their Defense Savings Bonds Program." That is all she says. Then she goes ahead and sings her song.
Klotz: That is good.

Callahan: Then we have a third straight announcement, Mr. Secretary. Lily Pons will talk and tell what a grand thing our country is and so forth and so on, but we want the regular announcer to come in and say that these bonds are on sale at the post offices and banks. In other words, we have got merchandise, and we want to tell people were to buy it.

H.M.Jr: You haven't sold me.

Powel: Can I try? May I try to work out a compromise on that? I would like you to read a script.

H.M.Jr: But after listening to the stuff last night--

Powel: I agree with you. How did you like that last night.

H.M.Jr: Well, I spent fifteen minutes with it on Harold Graves. You had better not get me started.

Powel: All right.

H.M.Jr: Ask Harold Graves how I liked it.

Powel: I thought the radios did very well.

H.M.Jr: Well, ask Harold Graves. He and I went over it for fifteen minutes this morning. I mean, if you don't mind, I don't want to get all "het" up again.

Callahan: That is all I have.

H.M.Jr: Well look, I am not at all sure, but work out something and I would like to see the part where we are going to do the straight plugging,
you see. I am not at all sure that we want to say on that program that we want you to go to your post offices and so forth and so on. I am not at all sure.

Powel: Don't you think it would be well to read the script well in advance for the whole thing?

H.M.Jr: I want to see it.

Powel: Yes. You know, it is a continuity. It is going on right through.

H.M.Jr: Well, I just want to see the part that would be on the advertising. When you begin to sell, that is the part. And I would like to see the first program.

Callahan: Oh, yes.

Graves: I asked Mr. Callahan to tell you about our first two programs if he could.

Callahan: The first program, Fred Allen is master of ceremonies. "Information Please," with Kieran, Fadiman, Franklin P. Adams, Oscar Levant, and if you will participate in the "Information Please."

H.M.Jr: I said I would.

Callahan: I hadn't heard that.

Callahan: Grace Moore, incidentally, who wired in yesterday and said that she would not be available except for July 2. We contacted her yesterday, and she will be on the program.

Graves: What is she going to do?

Callahan: Sing. I don't know what she will sing.
H.M. Jr: You mean Al Goodman is going to play for Grace Moore?

Callahan: Al Goodman, Mr. Secretary, has been playing for the past ten years for the leading opera stars and the leading radio stars of the country, and he has been very successful. He is used to this sort of work. It is a very difficult job in this routine, particularly when we are dealing with artists who are volunteering their services. Really, it is a stupendous job. I didn't pick him, but these people have recommended him very highly and think very highly of his ability to handle a job of this kind.

From Hollywood, Judy Garland who will sing "Any Bonds Today", and Mickey Rooney who will--

H.M. Jr: Excuse me. I definitely don't want that fellow. I am not going to go through this thing three or four times. I said definitely last night what I wanted. There is no use consulting me, just coming in. If it is all sewed up, why take up my time and tell me when I said definitely last night what I wanted? I mean, just to come in here to tell me it is all sewed up, don't go through the motions of pretending to confer with me. I said last night what I wanted.

Callahan: I haven't heard that.

H.M. Jr: Well, I can't do things more than once. I have got a lot of things to attend to, and I said definitely what I wanted. Now, to just come in here and say the thing is all sewed up, don't take up my time.

Kuhn: That was Barry Wood, and the people sang it last night. It would be on the first program.
That was passed on this morning.

Callahan: We haven't gotten word back yet on Barry Wood, Mr. Secretary.

H.M.Jr: Why tell me Judy Garland is going to do it?

Callahan: That was my mistake. I recall now that Mr. Kuhn told me.

H.M.Jr: I was told Judy Garland was going to come on and sing this song and open it here in Washington and all the rest. Well, nothing happened. I went all through that last night.

I mean, if the Lucky Strike people won't contribute these people, that is something else, but I--

Callahan: We haven't found out yet.

H.M.Jr: Well, I want - if they do, and if they don't, I am willing to personally write the president of American Tobacco, and I want that man and that band leader to open my program, the Treasury program, on July 2. I don't want to leave a stone unturned to have him do it. I know that will be good.

Now, if there is some reason why the man can't under his contract, then I will forget it, but you will find it easy - I mean, if I once in a while express something - if it is a question of you can't do it, that is something else, but unless I am told that can't be done, I very seldom say I want something.

Callahan: Well, it was my original idea to have Miss Garland to introduce the song, but we were going after Barry Wood for a theme song each
week at the beginning and end of the program.

H.M.Jr: I was told that Judy Garland was flying here to Washington to sing this song and make a movie for the movies, and then nothing happened after that, and then we got together and we put this thing on last night.

Now, I also suggested that they put this - start this song Saturday night.

Kuhn: I have been talking - just talked to New York about that, to the Lucky Strike people, and they have built their whole program for next Saturday night around the Army song, and they were planning to build their whole program of a week from Saturday around our song.

H.M.Jr: Fine.

Kuhn: But they are going to talk to Irving Berlin in New York about it this afternoon and let us know. I said I was sure that we didn't realize their program situation, and now we understood it.

H.M.Jr: O.K. Couldn't I have this, Harold? Couldn't I have this thing written out so I could take a look at it?

Graves: Oh, yes.

H.M.Jr: That is what I asked for this morning.

Graves: I didn't know that you wanted it written out, Mr. Secretary.

H.M.Jr: Couldn't this be just on one sheet?

Callahan: Yes.

H.M.Jr: So we will know what one, two, and three is?
We know the first show.

If you could let me have it on a sheet of paper, then I could go over it; and, if it is something which we don't think is right, I will come back at you; but if it is all sewed up, just say so. Just say it is too late, that is your show, take it and like it.

That is not so.

All right. Now what else on the radio?

That is all I have.

O.K.

I suppose, Vince, you wouldn't like to mention the plan to assemble these several members of--

We hope to do that next week. We have been in touch with the offices--

What do you think of that suggestion?

I think it is a good one.

Who is going to handle that, you?

Yes, sir.

Will you be there to handle it?

Yes.

What I suggested was the Vice President, Senator Barkley, Senator McNary, Speaker Rayburn, and Joe Martin to sit around the table and discuss the Defense Savings Bonds.
Graves: To complete that group, it would be necessary to add John MacCormack. You see, he has the same - he is the majority leader in the House.

H.M.Jr: That is right.

Graves: So I included his name.

H.M.Jr: Fine.

Graves: And told Mr. Callahan about it.

H.M.Jr: Fine.

Graves: That would make a total of six, three in the Senate and three from the House.

H.M.Jr: Anything else?

Callahan: No.

Graves: Now, I think you ought to be told about what we are doing with the Post Office Department. That will be Mr. Sloan and Mr. Mahan.

H.M.Jr: All right.

Mahan: There was a meeting held on Monday, Mr. Secretary, with Mr. Sloan and Mr. Callahan from the Treasury and we discussed the program of things that we would hope to put into effect, and that has all been incorporated in a letter from you to Postmaster General Walker, and an agreement has been made on three pamphlets which will be delivered at periods covering a year, one on thrift, one a patriotic theme, and one an investment theme. Those will be delivered by carriers, both rural and urban carriers, to every person in the United States, the series of the three.

They want us to prepare a manual of questions
and answers which will be available for their people so that they can easily know every answer that they need to know on bonds and stamps. They also want a brief of that to distribute at post office windows to people who are interested and who ask questions, to give them all the answers. They have asked us to work up a display program to decorate the special windows where they will be selling bonds and stamps and also lobby displays and at other points, which should dress up the post offices considerably. They will give us all the space that we can use effectively. We had the idea of a news bulletin from the Post Office Department to the postmasters, but they preferred to drop that and in its place make a weekly or semi-monthly release of the progress of the sale, and then the local postmaster can fill in the figures on his own sales, and they feel that in that way we will keep every postmaster on his toes and well informed on the progress of the activity.

On the matter of putting someone out in the lobby, they feel that at the present time they would rather not do that. They would rather assign one or two people to the sales of stamps and bonds and have special windows and those people will be very well schooled to answer all questions, and that will be their main job, to see that every one that comes in the post office who wants information or wants stamps or bonds are very well taken care of.

They agreed with the idea of the Christmas album where, as soon as we have that ready for release to them, they will use it to further the idea of savings for Christmas.
They have also turned over the eighty-five hundred trucks to us as soon as we can prepare paper for the posters, and then on June 23 and 24 there will be a meeting here with twelve of the leading postmasters, and we are going to have the entire program laid out then so that it can be discussed with those postmasters and get their reaction to it, and they feel that then the program will be sufficiently sold to the organization that we can put all of it into effect immediately.

H.M.Jr:  I have got only one suggestion. Be sure and keep the Postmaster General sold on this himself.

Graves: The members - the representatives of the Post Office Department who have been collaborating with Mr. Mahan and our other representatives are doing that, and of course you told me before that you want me to call on the Postmaster General--

H.M.Jr: Every fortnight, if you would.

Graves: Yes, and I intend to do that. The Post Office Department people have suggested that we do this all down in a letter to be signed by yourself to the Postmaster General, and Mr. Mahan has prepared that.

H.M.Jr: Right. It goes out from my office?

Graves: Well, I will take care of it.

H.M.Jr: Thank you.

Graves: There is one other item.

Mahan: Yes, rural carriers.
Graves: You asked me quite a while ago what could be done about having rural carriers sell bonds and stamps. That has been taken up with the Post Office Department. They have for some time now been requiring carriers to take stamps with them, and we still have under consideration in the Post Office Department the matter of their taking applications and money for bonds. I have no doubt that will be arranged. It has not yet.

H.M.Jr: Because it is pretty hard - I don't know whether you men have ever seen a rural postmaster who covers forty or fifty miles in a day and the way he has got to time that thing. I think our man covers forty miles a day, and if he has got to stop, and besides picking up the local gossip, sell stamps too, it keeps him busy. I think our man runs forty miles a day. I don't know how many post boxes he has, but it is quite a job.

Mahan: I think that is everything.

H.M.Jr: That sounds good.

Graves: I think Mr. Sulds has one or two items. He showed me, for instance, about Rubenstein, whose name you mentioned the other day.

H.M.Jr: Did I mention it?

Sulds: Yes, you talked of it sometime ago.

H.M.Jr: What did I say?

Callahan: Said you would like him on the air.

H.M.Jr: Did I say that?

Callahan: That is my recollection. It is with that
presumption that he is on.

Sulds: He is on tomorrow night in a piano recital, and he is going to talk for eight minutes and play for twenty-one.

H.M. Jr: Does anybody want to bet me a package of Beech-Nut chewing gum that I didn't?

Powel: Sure.

Graves: That was their recollection and it is also my own recollection. We had a discussion of that.

H.M. Jr: I don't want to be extra argumentative, but I would like to get a package of Beech-Nut chewing gum. Well, I think it is fine, but I just have absolutely - do you remember that?

Klotz: I don't know who that is.

H.M. Jr: I take it he is a piano player.

Kuhn: The suggestion was made here in the office.

H.M. Jr: I made it?

Kuhn: Yes, chewing gum please.

H.M. Jr: We will make a search.

Any other takers?

Callahan: I will take it.

Sulds: I will take it.

H.M. Jr: There is three.

Odegarde: Why don't you get a big box?
Klotz: Did you say that we ought to get Rubenstein?
H.M.Jr: Yes. Are you a taker too?
Klotz: No, I am on your side. I don't think you did.
Sulds: Well, he is going to play and speak. His complete list of selections hasn't been forwarded to me yet. However, he is going to play--
H.M.Jr: I think it is grand. I was just going to congratulate the person who had the idea, and whoever it is, I think it is swell.
Sulds: I got a letter from the station in Detroit this morning that I am particularly proud of.
H.M.Jr: What is it, Father Coughlin?
Sulds: No, it is WJBK. During the month of May they had four hundred announcements in seven different languages. That is just about tops in foreign language fields.
H.M.Jr: That is grand.
Sulds: Count Sforza speaks in Italian this Sunday on sixty-five stations, transcriptions, and we have sent out the translations and the Italian script to the Italian press.
H.M.Jr: How does he take? Is he too highbrow?
Sulds: I don't think so. I think he will take all right. I showed you the English script last week.
H.M.Jr: Yes. That is good.
Sulds: I talked to Dean Alfange of the Legion for American Unity. As soon as they get completely organized, they are going to supply me with foreign language speakers in all of the metropolitan centers of the country. I will put them on the local foreign language stations. Mr. Van Loon, Hendrik Willem Van Loon, who has been on the air already, is arranging a round-table in German for transcription purpose this next week. I will send that out to the German stations in the country.

I have talked to Madam Tabouis as you suggested, and she is going on the air in a personal appearance, and she is going to do some other work for us too.

H.M. Jr: Can you pay her?

Sulds: Well, I don't know.

H.M. Jr: I suppose not.

Sulds: I am trying to work out some arrangement. I am not sure of it yet. Emil Ludwig's script is now being checked. We will put him on the air within two weeks. We have sent out the June announcements in twenty-two different languages, and that is the report on what I have done.

H.M. Jr: It sounds fine.

Graves: You asked me to bring you this afternoon our report of sales. That is through yesterday. If that pace is maintained, we will come out with approximately three hundred million for June. My forecast is that we will not net three hundred million and the E Bond, as you - as I told you before, is holding very well.
We ought to equal in June the May sales of the E Bond.

H.M.Jr: I hope so. O.K.

Graves: Now, I think Mr. Houghteling might bring us up to date on his department.

H.M.Jr: Harold, I am going to have to stop sharply at five minutes of four.

Houghteling: We are covering a great number of national organizations out on the Pacific Coast, addressing them at conventions. One of our men was down at the Contractors Association meeting at White Sulphur Springs the other day.

Mr. Pickens has gone out through the Middle West himself for the Negro organizations, and Mr. Fitzgibbon is in Indiana today, and he is going up to Chicago tomorrow to talk at the various conventions. It is a very large field, but I think we are scraping the surface at any rate.

About the labor front, which is my particular province, I prepared three alternate plans for a systematic saving, the third of which, of course, is the payroll allotment plan, beginning with the plan where they pay a certain amount in connection with their union dues, and Mr. Poland has drafted a form of rules and contract which I am putting into a pamphlet, and it sizes up really the best of the three as the cooperation between the pay officers of the corporation and the employer - the employees' organization, which we all know, and I think this pamphlet which I am going to send to all the organizations will convince them that where the company is big enough and sound enough, why that is
the best of the three systems. I think the 
Mr. Johnston's organization is getting a little
ahead of me on it. (Laughter) But I am 
running just as fast as I can to try to keep
up to him.

H.M.Jr: 
Well, call a strike on him.

Houghteling: 
Well, I will. I may picket the office up
there if they go too fast.

H.M.Jr:
Not fair to Houghteling.

Houghteling: Yes, not fair to organized Houghteling.

We are still getting a great number of letters
from the offices of labor unions expressing
their complete accord and cooperation. In
several of the larger units they have asked
me to write direct to their locals, and it
has been a very interesting thing, because
I have been getting just sloughs of letters
from the heads of this local and that local
saying how glad they are they can do some­
thing and will I send them five hundred pam­
phlets for their people.

H.M.Jr:
Would you next time bring in some of their
house organs, labor? I would like to see
them. I mean, where they have mentioned
us.

Houghteling: Yes, I will do that.

Now, I am getting after farmers. We are going
to send out six million of a special pamphlet
to the farmers through the county agents of
the AAA, and to back that up I am drafting a
letter to the cooperatives. I am sending out
to the ten thousand five hundred cooperatives a
letter asking them to carry the stamps and to give
out information to their members and to help them to buy bonds.

H.M.Jr: Is that through Farm Credit?

Houghteling: That is through Farm Credit, yes.

H.M.Jr: You know, they must have - this is several years ago - on the buying co-ops, there were seven or eight hundred thousand members. Isn't that about right?

Houghteling: They have between a million and a half and two million members of the buying and marketing co-ops.

H.M.Jr: Those people ought to have some money.

Houghteling: We are going out to all of them. We are suggesting that where they send out checks to their members they put a circular in the envelope and we are going from the public co-ops, from the hundred percent co-ops, to the partially privately owned co-ops, the creamery associations and fruit growers' associations. I haven't gotten to them yet, but we are going to cover the farm element just as thoroughly as we can.

H.M.Jr: That is wonderful.

If Mr. Wallace goes on, I wonder if you couldn't get him maybe to say something about that?

Houghteling: I will do that.

H.M.Jr: If he goes on. I wonder if he couldn't say a little something.

Houghteling: Yes, I will give him a memorandum of what we are doing so that he will know.
H.M.Jr: I think that is—
Graves: I suppose in that program, Mr. Callahan, the script will be suggested here, will it not?
Callahan: Yes, I have made mention of that.
Graves: So Mr. Houghteling should contact Mr. Callahan with any suggestions.
H.M.Jr: Now, before you get going—
Powel: I am not going to get going. (Laughter)
H.M.Jr: I would like to get—I have just got one thing left here. Harold, are we getting anywhere on my civil liberty plays?
Powel: I can answer, sir.
H.M.Jr: Good.
Powel: Are you going to be in New York Saturday? We can both get a lunch off Sherwood.

Sherwood has started those playlets and with tears.

H.M.Jr: With tears?
Powel: He says he can write a five-act play in a week, any week, but he wrote one of these for some other department and it took him three months. I said, "Did you learn the trade," and he said "Yes." He is crazy to do it.

Carmer is coming here from Indianapolis to give Sherwood the dope and Sherwood has asked us both to come up Saturday.

H.M.Jr: Carmer and you?
Powel: No, Sherwood has asked you and me.
H.M.Jr: Oh, I am talking at Amherst at noon Saturday.
Powel: I thought you might possibly be going through New York.
H.M.Jr: I am giving a talk.
Powel: Well, shall we repay the lunch in Washington a little later?
H.M.Jr: Absolutely.

Could I just say this, inasmuch as you are in charge of our publicity? In the work on the air or wherever it is, I would like a little less touch of straight selling and a higher percentage of the - what Helen Hayes said yesterday. That is the best way I can express it. I could talk for hours, but I think that that is - you get what I mean. A little bit more on the Helen Hayes and a little bit less what everybody else said there on that hour. I don’t know whether you heard it, but I think if we could get that, raise the Helen - the proportion of what she said and lower the other, I think it would be very good.

Powel: Check.
H.M.Jr: Check.

All right. Now, have you got some nice posters for me? Got any pretty pictures?

Powel: Do you want some pictures?
H.M.Jr: Yes, I would love to see them.
Powel: They are across the street, I am sorry. I
didn't jackass any in today. I sent you two Canadian and two English. You didn't say what you wanted, so I picked out representative posters.

H.M.Jr: I wanted to see a whole set if I could. Have you got a whole set?

Powel: I haven't got a full set, full size. I will have any time next week.

H.M.Jr: Fine. What else have you got?

Powel: Well, the spirit of emulation is getting around. You talk about the Texas Company all the time. There are other oil companies and some of them are more magnificent still.

H.M.Jr: Really?

Powel: I think Esso, you asked for the building and they are building the building under canvas in a day or two. We have arranged to borrow a bomber for them. The bomber is a great--

H.M.Jr: Where is that going to be, right out here?

Powel: Right out by the Willard.

Callahan: Near Fourteenth Street.

Powel: The Army seems delighted with that idea, and the bomber is the greatest crowd pleaser imaginable. Did you see it at the Golden Gate Exposition? George Creel put a ladder at the back and a ladder down the front and the whole crowd stood there cued up around the block just to walk through this thing out.

Tidewater, Shell, I can report in detail, but not in four minutes.
Well, you have got ten minutes.

Tidewater was really very funny. It is an allotment plan, and Mr. Humphreys said, the president, that he would like to give all ten thousand employees a fifty-cent book to start them off and would I mail the books to such and such post offices, and I remembered Postmaster Goodman and how helpful he is. I said, "Why don't you go and buy them from Postmaster Goodman." We tipped him off. He had them stacked. Mr. Humphreys had his check for five thousand dollars and at the last minute, seeing the cameras, sent back to the office for a check for ten thousand dollars and made it dollar books.

Good.

The employees got, at our suggestion, a coupon saying Mr. - what is it, William H. Humphreys - "Dear Bill: Thanks for the album and the dollar stamp. The next round's on me. Take this out of my envelope until further notice."

There was considerable publicity.

Shell asked yesterday what three and four colored plates we had. I said that would be referred to the plate department. I haven't got any, but I think I could fix some up.

Mr. Corley, of Marshall Field, has offered his shirt.

Offered his what?

Shirt. I think there are six stores in that chain. Anything in any of them or all of them up to the point of selling bonds. I
said he would have to come here to see about that. I didn’t think we could arrange it by correspondence. If he comes in, he is the president of Marshall Field and he would probably be accompanied by some other retailers, and I think we would have to blow them off as nice as we could, whether we let them take the agency or not.

Do you see any reason other than bookkeeping reasons against it, if I may ask?

H.M.Jr: Department stores?
Powel: Yes. Let them sell bonds over the counters like banks and post offices.

H.M.Jr: I am perfectly willing.
Powel: May I quote you?

H.M.Jr: Yes.
Powel: Amen. That ends my speech.

Graves: I think that we will have to stop short of that. I doubt whether we would ever want to qualify a department store as an agent for selling, actually issuing bonds.

H.M.Jr: You said stamps?
Powel: Bonds.

H.M.Jr: Why not bonds?
Graves: Well, there are too many reasons.

H.M.Jr: Well, get together boys.

Graves: We have already been together. I had already given Mr. Powel that answer.
Powel:  I didn't mean to talk out of turn on that.  
      I only know that the discretionary powers 
      under the law are very broad.

H.M.Jr:  But he has got all of my discretionary powers.  
      (Laughter)

Graves:  Well, I think that about covers our territory, 
      Mr. Secretary.

H.M.Jr:  O.K.

Would you stay behind a minute, please.  
Thank you all. Keep up the good work.
## United States Savings Bonds and Savings Stamps

**Daily Sales - June 1941**

**On Basis of Issue Price**

(In thousands of dollars)

<table>
<thead>
<tr>
<th>Date</th>
<th>All Bond Sales</th>
<th>Post Office Bond Sales</th>
<th>Bank Bond Sales</th>
<th>Savings Stamps</th>
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<td>Series G</td>
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Treasury Department, Division of Research and Statistics.  

June 12, 1941.

Source: Division of Savings Bonds. Figures shown as post office sales of Series E bonds are deposits by postmasters with the Treasurer of the United States. The bank figures are taken from Federal Reserve Bank reports and include their own sales. Stamp figures are estimated by the Post Office Department.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.
June 12, 1941
4:30 p.m.

RE AID TO BRITAIN

(Conference held in Mr. Bell’s office)

Present: Mr. White
          Mr. Cochran
          Mr. Cox
          Mr. Phillips
          Mr. Keynes

Bell: Well, we have been trying to work out your
three or found hundred million dollar relief
that the Secretary committed himself to give
in conference, I believe, of March 19, and we
have had a number of conferences and we have
had some difficulty in arriving at a plan.
As you recall, the Secretary stated before
the two legislative committees in Congress
that your commitments to the American con-
tractors at that time aggregated one billion
four hundred million or thereabouts, and
that you would meet those commitments out of
your dollar resources.

Later, when Mr. Smith went up he said that
all of your commitments in this country
made prior to the Lend-Lease date, which was
March 11, would be met out of the dollar
resources. When we started working on this
problem we thought that we could draw to-
gether those two statements, that Smith was
merely following the Secretary’s testimony,
and that we could take his back to January 1,
but on rereading it and talking to him, we
found that he had made a pretty definite
statement and he had made it after talking with the President, so that the two couldn't be brought together. We thought, you remember when we talked to you before, that we could pick up all of the contracts made after January 1. Well, we found that because of that testimony and because of the possibility of going up pretty soon for another appropriation, that we just hadn't better do that.

Then we thought that maybe we could take your contracts that you had entered into after January 1 and defer your cash liability to some time maybe in '42 or '43, that we would pick up a contract, that we would make a contract with the same people for the same identical material and carry it along and then adjust your contracts some time later. Maybe we would get by with it that way.

But in considering everything, we came to the conclusion that that was probably doing something indirectly that we had agreed before shouldn't be done directly, so that we thought we hadn't better do that.

Then we have talked to Mr. Hopkins and his organization and they think that we shouldn't do anything that imperils our position on the Hill, that we might have to go back for more money, so we have to work out some arrangement which will get around all of these difficulties. We have brought together all of those suggestions and tried to meld them into one that we think we can get by with. I don't know whether we can or not.

This is a statement of what we think can be done (See attachment 1). Number one is certain. That is where the relief has already been granted to some extent or which can be immediately provided. The plant and equipment
investment in this country, I understand, RFC has already taken over forty-eight million dollars of that. I don't know whether you have gotten the dollars or not. You certainly have gotten part of it. And there is another eighty-five million dollar estimated investment, and I think you and Mr. Jones, Phillips, agreed that probably the amount that could be taken over of that was somewhere between fifty and sixty million, so that is a hundred million dollars from Jones.

Now, as to supply contracts, the War Department has already taken over approximately fifty million and we thought that they could take over everything that you entered into - that you have entered into since March 11, the date of the Lend-Lease. There may be some that will have to drop out, I take it, Oscar, but by and large you will take over the most of them, so that will be a total of a hundred --

**Keynes:** Is this seventy-eight March eleventh or March fifteenth?

**Phillips:** March fifteenth.

**White:** There might be a few million more that you might have --

**Bell:** It might be eighty million. It couldn't be less than seventy-eight.

**Phillips:** Oh, no.

**Bell:** So there is two hundred twenty-eight million that is pretty certain.

Now, as to the balance, you remember when the Secretary submitted certain financial data, there were dollar requirements that you had to meet outside of your British Purchasing
Commission contracts, and we think, after talking with Mr. Cox, that substantial relief can be granted by us taking over some of those commitments which you contemplated at that time you would have to use dollars to meet, and that is, such as oil, which you might have to purchase in the next six months from the United States and from sources outside of the United States and merchandise and shipping service. We have put that down at two hundred ten million, so as to come above the four hundred million dollars that the commitment represented.

Now, Mr. Cox says he is pretty certain that he can get that much out of that - out of those figures. Is that right, Oscar?

Cox: Yes.

Bell: And there may be a great deal more relief which you would get under that source. Do you follow that?

Phillips: No, I don't follow that.

Cox: Let's take oil as one illustration. As I understand it, in both the January statement and the March statement which was made up, it was contemplated --

Phillips: That was evidence before the Congress.

Cox: Yes. And your March statement which was after the evidence given to Congress contemplated buying oil from both the United States and outside the United States where dollar exchange was required. You didn't know at that time whether oil could be bought at all under the Lend-Lease, legally.

Bell: There were many items of that character.
Oh, there were a lot of those items.

In the statement, Phillips, you said that you would need dollars to meet United Kingdom purchases in the United States outside of the British Purchasing Mission to the extent of three hundred thirty-three million, and the purchases of British Empire countries, excluding the United Kingdom and Canada in the United States, four hundred forty million, and purchases of the British Empire, excluding Canada outside of the United States paid for in dollars, two hundred twenty million, a total of almost a billion dollars of requirements which were not under the Lend-Lease at that time and certainly we could get a substantial amount of relief out of those items.

Now, we think that meets it and that puts us in a much better position in going before our legislature.

Yes, but the figures we - when we are talking about the three hundred and four hundred million, our figures were based on the memorandum dated April 18, and the basis of that memorandum - certainly we were assuming that all U.K. purchases would be covered by Lease-Lend, including, of course - and we are taking no account of Canada, which we assume - we said then that if Canada wasn't covered and we had to pay to Canada so much more would be added to the three or four hundred millions, but the figures on which the three hundred to four hundred were based, certainly we were supposing that oil, for instance, would be covered by Lease-Lend so far as the United Kingdom was concerned. It is true we weren't reckoning in our figures oil purchases by the Dominions.

How could you have assumed that when this first conference was March 19, wasn't it?
Cox: It was based on the March statement.

Bell: And the three hundred million was discussed at that time, and as I understood it, you just wanted relief from paying dollars. I suppose one dollar is as good as another.

Keynes: Well, the April statement has brought up to date more particulars, hasn't it? I mean, there were many differences between that and the earlier statement.

Bell: April 18?

Phillips: Yes. You have seen the thing, haven't you?

Bell: I suppose I did, but I have forgotten just now.

Phillips: Well, what exactly - let's get down a little more to this matter. What exactly is intended to be covered by Lend-Lease?

Cox: Well, here is the --

Phillips: I know, but does this cover Dominions?

Keynes: How much of that is oil?

Cox: On a six months' basis, I don't know whether you have ever seen that memorandum from the Supply Council. As I understand it, they had not expected that oil would be --

Keynes: Let's say that we have been supposing that we should pay shipping service. We have still got an item for that. We have got no item --

Bell: We have assumed that you had those in your dollar requirements.
We have nothing in the April 18 - we have nothing for oil or merchandise. We had something for shipping.

That is right. Here is the table we gave you in April.

Have you got a copy of the April statement?

Yes. This is covering five months ahead.

Give Oscar a copy when you get back, will you, Merle?


Now, the bases for that are substantially that apart from this kind of thing, everything from the U.K. was covered substantially by Lease-Lend. On the other hand, we had not - when we were doing this figure, we had not assumed that the Dominions outside could furnish arms and steel and so forth.

What is this April 1?

Commitments? Well, that is how much of the commitments would fall due between April 1 and August 1. That is your cash requirements, I take it, for that period.

No, those figures definitely were on the basis that as regards to the U.K. Lend-Lease would be applied to cover practically everything, there being the assumption that with regard to the Dominions only arms, munitions, and steel would be covered.
But as a matter of fact, it is a relief to us quite in the sense of your heading on that little sheet, to the extent to which you take over requirements of the Dominions in addition to arms, munitions, and steel.

**Cox:** Well, these shipping services can't possibly be right.

**Phillips:** Such shipping items as are not covered by Lend-Lease.

**Keynes:** That wouldn't be very much.

**Cox:** Had you contemplated when this memorandum was prepared that shipping charges would be covered by Lend-Lease?

**Phillips:** Most of them. There are half a dozen that aren't, but most of them are covered. It is true there were certain items, but I shall have to get the details.

**Cox:** Yes, because that wasn't decided until a month after that. I mean, stevedoring, dock charges, food and subsistence. All the service charges were - for example, the Maritime Commission asked us yesterday for eighty million dollars for three months.

**Phillips:** Well, we couldn't determine it. We could only form some estimate of it. But assuming we were wrong there, then the conclusion is we were asking for too little.

**Cox:** That is right.

**Bell:** How did you get rid of all these other commitments that amounted to so much money? This, of course, covers a much smaller period, but there was almost a billion dollars commitments in your March -
Phillips: Canada went right out.

Bell: Well, that gave you relief in dollars. You originally had that in your dollar requirements.

Phillips: Oh no. Well --

Bell: In the statement of January 1 and the March revision.

Phillips: In this thing where we are stating how much more we think is necessary to work out our balances to a rational figure, we say no account was taken of any payments of gold or dollars to Canada. If, for example, payments were made by the U.K. to Canada of -- according to some formula, that would represent an additional amount. As a matter of fact, the assumption we made there was, supposing we were asked to pay, say, half to Canada. Then we should want the exact sum, two hundred twenty millions a year, in any figures we put in.

Bell: Is that what this figure represents here? No, this is outside of Canada. Purchases of the British Empire excluding Canada. Outside the U.S. Paid for in dollars. Two hundred twenty million. The same figure.

Phillips: Well now, I have got in here a figure of sixty-seven for five months, which is a hundred and sixty. What is the figure you have got? Two hundred twenty?

Bell: Yes.

Phillips: There have been some slight reductions, most of which are not real. I think the two hundred twenty was calculated on the basis of including the tin and rubber from the Dutch West Indies.
which goes into Malaya and including the
same figure in the exports of the Empire
to the United States. I think it is true
that the two hundred twenty has in fact
been reduced somewhat, but the main change
from the two hundred twenty to this figure,
which is more like a hundred and sixty, is
between that and British Empire exports to
the United States. You can have that in detail.

Bell: You say we do have that?
Phillips: Yes, we put that in our figures.
Bell: Well, White has got all the figures.
Cochran: Well, what does this do to the gold exports?
Phillips: Australian gold is in that.
Cochran: How about South African?
Phillips: Here is the figure for five months, one hundred
sixty-seven. That is at four hundred million
dollars a year.
Bell: That was reduced from what figure?
Cochran: Four hundred eighty.
Phillips: Four hundred eighty.
Bell: Well, don't you feel that there are a lot of
items that we can still take over under Lend-
Lease to give you this relief?
Phillips: I think you can do something by taking over
the Lend-Lease for the Dominions, yes.
Keynes: I have been exploring that because I thought
that - I was hoping that it could be helpful
and the difficulty is to get it clear in London in quantity. I think I am satisfied that the Dominions could be at least fifty million dollars a year. That is to say that this - that you could improve this net balance by doing Lend-Lease - that could be - that is at the present a hundred and eighty. That could be increased to two hundred thirty rather easily. That is to say, keeping the thing - if you lend-leased everything you could, it could be more than that. If you lend-leased all the oil, all of it, it looks as though it might be a hundred and ten and there probably are some miscellaneous items beyond that, smaller ones, which might add up.

Whether it is administratively possible to place the Dominions - to look at them in that way is a thing we are still inquiring about, but I should say fifty is safe and it might be a substantially higher figure, if you really tried to be very comprehensive.

Bell: Well, your Dominion purchases would be a good deal more than fifty million, wouldn't they?

Keynes: Oh yes. The last figure is four hundred ninety. That is the sterling area imports from the United States. The last estimate was four hundred ninety gross. Of that four hundred ninety, two hundred is oil, merchant vehicles, and steel.

On the other hand, four hundred ninety, it has been put up. The figure corresponding to this is four hundred. That is why I say a hundred and ten. So that those three items - the four hundred, the hundred and ten, are these three items of steel and so forth.

Cox: Do you have the March statement?
There are two hundred ninety other --

No, I haven't got it. Harry White has got all the figures. He is gone for the moment. The Secretary called him. Have you got the March statement, Merle? March 15, wasn't it, revised?

I may have it here.

Those are the figures that were taken from the March statement, that Harry got up. That amounts to about nine hundred and some million of those three items.

Does BPM buy copper and brass?

Surely. Well, do you want to continue on that item? We have rather passed over the two supply contracts.

Well, I question about the six sixty-seven.

Oh yes.

As in terms of today, because a great many --

Well, six sixty-seven was the estimate of the commitments between April and August.

No, but haven't a lot of those fallen out?

Oh yes, but that doesn't - they haven't fallen out in the sense of disappearing. They have fallen out in the sense of the actual expenditure. They have proceeded more slowly.

Haven't some of the things which they buy dropped out, I mean where they --

We are not aware of any appreciable reduction in the ultimate. It will mature at later dates.
Cox: I know, but do you have the breakdown of what those contracts are for?

Phillips: I can get it for you. I haven't got it here.

Cox: Because I think you will find a good many of those things are probably not commitments as of today.

Bell: Do they come under Lend-Lease?

Cox: Yes.

Keynes: I see.

Cox: Now - that is a factual question. You have to look at that.

Keynes: That would be a clear relief if that were true.

Bell: You raised the question, Oscar, as to whether some of these contracts of the British weren't running contracts to provide for so much delivery each month and whether from here on we just couldn't take on that running part of it. Have you got anything like that?

Phillips: I haven't quite got the idea yet.

Cox: Well look, you buy an airplane differently than you would buy steel. On an airplane, you have got a firm contract where the cancellation charges are so heavy that you wouldn't cancel it. I don't know just how you buy your steel, but I assume it is bought in the normal procedure. You agree to buy so many tons a month of a certain type of steel on a running account for, say, two years. But you haven't got the same kind of a firm commitment because
it is a much more easy product to sell than if you were buying an airplane. If you started, say, on April 1 --

Keynes: I think that is a helpful line.

Cox: ..... on the contract and you pick it up on the first of July - I don't know what the earliest date is, that is again a question of fact. Because just by way of illustration there has been allocated roughly a hundred million dollars for iron and steel for Lend-Lease. Now, that is as fast as you can spend it.

Phillips: I think you are quite right. In fact, those contracts did run - but I think they run for two or three months mostly.

Bell: Well, even for two or three months, it would be some help.

Phillips: And I believe he has done it to some extent already, hasn't he? The position was that the U. S. Departments could not take over on Lease-Lend, so we had to go on spending some little while, and I believe that was in some extent met by --

Keynes: In so far as that has happened, that figure may be a little too high now.

Cox: Well, I don't know what date it happened, that is a factual question, but just by way of illustration, the allocations for copper and brass were just under fifteen million. For zinc, twenty million. For lead, nine hundred thirty-six thousand. Other metals and alloys, two million seven. Total, a hundred and thirty-five million. Now, there are a lot of those other items, machinery,
equipment, agricultural implements, road building equipment, electrical equipment, fire fighting materials and supplies, and so forth, and I don’t know just what the factual situation was as to that as of April 18. Those are just some which we picked out.

Phillips: Well, we can go into that quite easily.
Cox: May I look at this?
Bell: Sure. Well, Merle will give you a copy of that.
Cochran: They are looking for any extras now. I will have some photostats made if there are no more.
Cox: Now, that six sixty-seven also includes contracts placed since March 11, which can be taken over, which would decrease proportionately --
Phillips: Yes, we brought that under that head, too.
Cox: That is right.
Phillips: Well now, if we can return for a moment or two --
Bell: To what?
Phillips: I don’t recognize that fifty million figure. I never have been able to recognize it. My figure is twenty-four. We will check that up with the War Department. As regards D, now in the first place the date you asked us to work from was March 15.
Bell: Yes.
Phillips: I did have a look-see at the list myself, and I came to the conclusion there might be ten millions in that difference between the eleventh and fifteenth.

Bell: I remember there are one or two of the twelfth, but they didn't run into much money.

Phillips: Perhaps you remember we explained to you that we were pretty confident we had looked at every possible contract after we first began, but we didn't necessarily pick up every contract before the first of January. They seem to have done that thing with the Savage Arms contract, which might raise your seventy-eight to a hundred and three or something like that.

Bell: When was that entered into, after March 15?

Phillips: It wasn't signed until after March 15.

Keynes: Is that in addition to the ten?

Phillips: Yes.

Keynes: I mean that is twenty-five million dollars?

Phillips: Yes. On March - the correct figure for March 15 including my new Savage one, would be one hundred three as to the seventy-eight; and if we bring in further - and if my rough guess of ten millions is right, that makes it a hundred and thirteen, but I don't know that fifty figure at all.

Cox: Now, does your six sixty-seven figure include the gun contract?

Bell: Have you got a copy of the letter from the Secretary of War?
Cochran: I think so.

Phillips: All we have gotten is eight millions, and presumably it did afterward.

Cochran: How about the Remington Arms contract?

Phillips: I haven't been able to find it in our list. I have been inquiring.

Cox: Because you will probably get up to twenty-eight million dollars under Lease-Lend.

Phillips: What they are actually urging us to do today on that is to sign the contract, the War Department, urging us to sign the contract in order that the contractor can cover on the basis that we pay them the price which is about forty-five dollars a rifle and then the War Department steps in and fixes price at that and it is covered to that amount.

Now, I hadn't quite finished on my page two. Mr. Bell, there were two other cases I thought I would just single out. I merely mention them as a possible method of dealing with something if every other method was more difficult. I will read this one to you.

Curtiss-Wright, five hundred sixty engines. Now, the letter of intent was back in April, on the twenty-fourth. The first payment was made in October, on the twenty-ninth. The contract hasn't been signed even now.

Bell: I think it --

Phillips: And that is twenty-seven millions, it is a big one.

Bell: The point you would have to consider is whether or not it was in the billion four.

Bell: This contract went back to last October and the payment was made on October 29. The contract hasn't been signed yet. If the commitment was in the billion four which the Secretary gave up on the Hill, I don't see how you could take it over. That would be a question of determining whether or not it was in that commitment.

Phillips: Oh, no doubt it must have been in the commitment.

Bell: I would think so. It must have been in there.

Phillips: You are trying to apply a double test. You are trying to apply the test of - was it signed after March 11 and it must have been entered into after January 1.

Bell: Yes.

Phillips: I say this is clearly outside that double test, but conceivably it is one way of proceeding.

Bell: Give it half the test.

Phillips: I have got another of the same kind which is not quite so bad. The letter of intent was November 2. First payment was December 3. Brewster. That is another twenty million. So there is a possibility in each of those two.

Well anyhow, I have given you two. I would like to take up where they got that fifty from.

Bell: Well, in a letter --
Phillips: If it is - if that is right, then, of course, you have thirty-five more to put down there.

Bell: Well, Mr. Stimson said in his letter of May 20, that there was forty-nine million six hundred thousand dollars of War Department funds actually obligated for the purpose of entering into new contracts to replace certain British supply contracts.

Phillips: Could I have a copy of the letter with those words? I know what that is about.

Bell: You say you know what that is?

Phillips: No. I know what the twenty-four is. That is machine gun contracts.

Bell: It doesn't say a word about twenty-four.

Phillips: But if you would let me have just those words, Mr. Bell, I at least can check up with the War Department what they mean.

Bell: All right, I will give you a copy of this letter.

Phillips: I don't want that, I just want that passage and the date.

Bell: You just want the --

Phillips: The reference to forty-nine and the date.

Bell: Well, he says that since the date of March 27, Congress appropriated seven billion dollars to carry out the provisions of the Lend-Lease Act. And all of the four hundred twenty-seven million five hundred sixty thousand program which he referred to in a previous letter has now been taken over by Lend-Lease funds, with
the exception of ninety-seven, nine of the nine seventy-nine. Four billion six represents the funds used for the purpose of entering into new contracts to replace certain British supply contracts. Forty-eight million three hundred thousand represents the face amount of British plant facilities contracts which are being replaced with contracts by the Defense Plant Corporation. The forty-nine billion one is the only one where you only remember half of it. Would you like to have that quoted on a slip of paper?

Phillips:

Yes.

Keynes:

There is one point in it which I think ought to be emphasized. He stated first of all this figure of one million four - one thousand four hundred million which was outstanding on January 1. He was then questioned on the basis of orders placed up to January 1, on that question.

Mr. Taber said to him, "Now, are there any orders since the first of January to add?"

He replied, "I am not sure that I can answer that a hundred percent correctly, but it is my impression that the British have not placed large orders for several months.

"Mr. Taber: You do not know whether there are any since the first of January or not?"

"Mr. Smith: I am sure there are not any substantial orders of any kind, because they have not been placing orders for some months. There have been minor orders."

White:

He didn't say anything like that, but we fixed it up as much as we could and he remembers what he said.
Keynes: That is an incorrect statement of fact.

White: Well, we were between the devil and the deep sea there. His testimony as he had given it would have made it impossible for us to move, so we had - sometimes one is fortunate enough to get testimony before it is put in and going through and making corrections of grammatical errors or other errors, we introduced whatever qualifying factors there are; but unfortunately there were other statements which were followed by questions, et cetera., which could not be --

Keynes: You see all he committed us to meet out of our own resources were certain minor additions to the figure of one thousand four hundred.

Bell: There were two or three places where he made pretty definite assumptions.

Keynes: All on the assumption that the sum was minor. He didn't correct that. He said, "They will pay up to that amount."

Of course, that is only a minor addition we needn't bother about toward the one thousand four hundred.

Cox: But he did come to the major conclusion, even though based on a correct or erroneous statement of fact, that none of the Lend-Lease money would be used to bail out contracts placed before March 11.

White: That is what the Congressmen were interested in. They didn't care whether he placed much or a little. What they wanted to know was whether the Lend-Lease money was going to be used to take up past contracts.
Because you see, suppose he had said, "It is three hundred million." Then the question naturally would be, "Well, where is that three hundred million going to come from," because the balance sheet which he had shown us does not contain an amount of that magnitude.

That is right.

Harry, do you have the March statement of --

March revised statement?

Whose revised statement?

The British revised March 15 statement. Do you remember, they revised their figures?

I have it - he didn't leave that with us, but I have got the figures which he gave us. Did he leave it with you, Merle?

I may have it in my files. I haven't it here. If you don't have it, I will look and see.

What is the particular figure in question?

Listen, I am not Senator Clark. Come on, let me have a look at it. I am kidding you, Harry.

Did you write us a letter then, Phillips?

In March?

March 15.

No, I just came around immediately a day or two after Mr. Smith's testimony and saw the Secretary, you and I.

Yes, I know, but I am trying to identify the
documents. You had a long document which
you handed us then? If I could see it, I --

White:

No, I haven’t it. He was just reading it.

Cochran:

This March statement, you have a figure of
three hundred thirty-three million of U.K.
merchandise exports from U. S. not purchased
through BPM. What kind of things do those
include?

White:

This is after the Lend-Lease Bill.

Keynes:

You see, they had put in our commitments
of three hundred millions of this, and they
were putting the direct investments at five
hundred million more than they were in fact.
We thought we were eight hundred million
dollars better off than we were; but if we
had been as well off as Congress thought,
we would have been well prepared.

Cochran:

What figure of direct investments do you
refer to there?

Keynes:

Nine hundred. They really, in fact, come to
about four hundred.

Bell:

You say they will in fact come to about four
hundred?

Keynes:

Yes.

Phillips:

No, that is not right.

Keynes:

They have also come to less than this.

Phillips:

Yes, that is about right.

Keynes:

The five hundred millions were also ..... 
owing to a decline in the market since January 1,
which is quite appreciable. It is another hundred million, at least.

Cochran: A hundred on six? That would be a twenty percent --

Keynes: Fifteen percent. There has been --

White: Well, this has got nothing to do with that. This is a different subject.

Keynes: Yes.

White: This has nothing to do with it.

Bell: Well, Sir Frederick's point is that he took into consideration all of this - all of these items in preparing the April 18 statement.

Keynes: This April data sheet which was based upon the corrections of the old contracts has many particulars, and that statement did take account of these reductions because they did put in the amount of six hundred millions, which is the correct figure.

White: Which reductions does it take account of?

Keynes: The statement of Sir Frederick Phillips of April 18 ......

White: What they were including was anticipated purchases?

Keynes: Oh yes, that is quite a different subject.

Phillips: Not very relevant at this time.

White: That is right.

Phillips: I was saying while you were out, Mr. White,
that on one, two (a) I don't recognize that fifty War Department figure, but I understand I can get a copy of this letter and check it up.

Foley: They said several times that they were taking over and that the money hadn't been passed yet. There was a lot of work to be done.

Phillips: Well, if they will give me the number of contracts, I can easily fix that up. As regards to the next (b), I thought the seventy-eight could be pushed up.

White: Yes. We were doubtful as to whether there was anything between the eleventh and the fifteenth, but we noticed a couple of small ones and you were going to look up to see whether there were any more.

Phillips: I think it might be ten millions. We found one more case, and we think we can push it --

Bell: He thought it would be a hundred.

White: That would be very helpful, then.

Bell: That would be very helpful.

Keynes: That would be a hundred and thirty-five, then.

White: I don't even know whether this fifty million by the War Department is an actual amount or an approximate amount.

Cochran: Forty-nine, six.

Bell: Yes, the figure that McCloy mentioned in the letter.

They have given us that figure in two or three letters, Merle.
White: The forty-nine, six?

Bell: Yes.

Cochran: And Mr. McCloy gave it to me on May 17, before that letter was written.

White: This is the statement which gives us the definitive picture of the necessity to - the desirability of the British Treasury to increase their gold holdings to between two hundred and six hundred million dollars. We thought that might well be possible to accumulate it. I still am not clear. I don't see that there is anything in here that relates to that.

Keynes: It was because Mr. Cox was going back to the March 18 figures.

White: Only with reference to your anticipated --

Keynes: When we come to two, you see, the two hundred ten, we didn't take credit for in the March statement but we did take credit for in the April statement. Now, if you start in the April statement, you can't reckon that two hundred ten as available.

White: Well, where could you have taken cognizance of it? Maybe you did, but I don't see where it appears.

Bell: If you took it out of your dollar requirements and assumed that it would come under the Lend-Lease, under the April 18 statement, that is relief, isn't it?

Keynes: Yes, but it was a relief we had already assumed.
Phillips: It was after getting that relief that we thought to provide the balance we required would amount to the further sum of three hundred millions. If we hadn't made that assumption, we should have been out of the war.

Cox: Wasn't the Secretary's discussion on March 19?

Bell: Yes, March 19 he committed himself to relieve the British of three or four hundred million dollars commitments in this country.

Phillips: Yes.

Bell: Now, what he had before him at the time of those commitments was the March 15 revised figures. Now, isn't that relief up to this point?

Phillips: No, Mr. Bell, because the figure three to four hundred million really came from the Secretary. You will agree that the figure three to four hundred million came from the Secretary.

Bell: Yes, I agree with that. At least, I haven't found where any amount was stated up to that March 19 conference.

Phillips: If --

White: I thought you were not taking --

Phillips: Under Lend-Lease remains as it was in March, I should have had to represent --

White: Represent the payments and no merchandise payments in here.

Phillips: But the development of Lease-Lend had improved
our position a good deal between March and April, and when we came through with that statement in April, this became clear, that a sum of three or four hundred millions would about establish the balance we wished.

White: Yes, that is quite true. That is quite so.

Cox: Well, here is --

Phillips: And the three and four hundred millions amount and then again for the same figure in April. All I have said is --

White: In the estimate of this, we weren't going after the --

Phillips: If under the circumstances we now see in April --

Bell: Wait a minute, Harry. I don't quite get the statement you (Phillips) are making now. You say that you didn't ask for the three or four hundred million --

Phillips: I said we didn't suggest that figure in the amount. That was the figure the Secretary named. I said if matters, or financial position, had remained as it was in March, we should have had to represent respectfully that three to four hundred million was not enough in our opinion; but by the time we had reached April and Lease-Lend was working very well, of course, we could see our position was definitely better. Canada was all right, and we then thought the three to --

Cox: It was almost --

Phillips: Two hundred fifty and - to a certain date and six hundred --
Well, Sir Frederick, do I remember correctly the sequence? It was this way, that soon after the first, somewhere, or even a little before, I don't remember, that several points you raised — you thought, quite justifiably, that you were getting very low in your cash balance and you didn't feel that under all the circumstances it ought to be so low, and then later you suggested that you had hoped, expected, it would be possible to build that up somewhat and very early — maybe I am wrong, Merle, but I think even somewhere as early as November or December, you spoke of the desirability of having some gold reserve substantially more than appeared at the time, and when the figure of six hundred first crept in, I can't make sure; but certainly, definitely somewhere along in March.

December 19, Sir Frederick told me.

There was six hundred million in gold that you thought should be the minimum convenient working balance that you had and you thought that the working balance ought to be worked up then, but there was nothing more definite than some statements during some of the conversations. I think this was the first — either this or one of the documents earlier was the first indication that you said you would like to work up to a two hundred fifty million dollar cash balance and a gold reserve of six hundred million.

Now, there was no — in order to achieve that, there was no definite knowledge that we had that you could achieve that at that time. If I remember correctly, the Secretary at that time in the discussions said, "Well, the picture for the moment looks satisfactory." There was some improvement in March and April and, "Let's let that go for the time being."
The very next step in the evolution of the discussions on this point was the mention of the three or four hundred million which came from the Secretary.

Bell: 

In March.

White: 

That is as I remember, therefore I don't feel, maybe, quite right in saying that as the picture looked in March, it wasn't clear to you how you could build up that six hundred, nor do I remember whether it was at all clear to us, but the question was postponed because we said for the moment, things are getting a little better and the Secretary was going to re-examine it afterward, and in the next point at which the matter was raised - it was the three or four hundred million dollars which at the time, I think, we assumed would help correct part of the situation.

Cochran: 

Sir Frederick raised that after reading Harold Smith's testimony here. He came in and closed the door to --

White: 

That is true, but that was a continuation of the prior discussion in which the Secretary was going to consider the matter, but had not yet further discussed it, and I take it that Sir Frederick was concerned by the statement that that might stop, that consideration, so that the discussions were in process or at least they hadn't ended and the point had not been settled. So I am not sure that there was any difference of opinion with respect to that matter between us.

Phillips: 

No. I was going to answer what you said, Mr. White. In fact, the whole position looked absolutely hopeless until a solution was found for Canada. We didn't know that you had a
solution when we made that April statement to Canada, and we just suspected that something like that was afoot. That, of course, without it even now, would be absolutely hopeless.

White: There was another period at which the memorandum was presented saying it was impossible to pay both countries gold, and the question was which the Secretary preferred and you remember, Dan, that question was for the moment postponed, because the Secretary at that time thought he might be able to work out something.

Bell: With Canada.

White: With Canada. So that there was no point at which the question was definitively determined. It was all in the process of discussion, and it might very well have been in your minds and you stated that there was this balance to be built up and it wasn't clear how it was to be built up, and from the Secretary's position, he was examining it point by point to see how the immediate questions could be solved. I think that is more or less the history of the case.

Phillips: I think that is quite right.

White: Whether this would fit in in any way with that, I don't know.

Cox: What is the - what was the dollar amount of the relief since the March statement by Lend-Lease operations, do you know?

Phillips: Amount of dollar relief?

Keynes: What is the March statement? That was the statement made --
Cox: As I understand --

Keynes: There are all sorts of statements.

White: The March statement is a rather curious way to refer to it. Let me explain, because I think Mr. Cox got it from us. There was a January statement as to your anticipated needs and dollar requirements made some time in December, you remember, and which appeared in the statement that was given to Congress. In that statement there were indicated how much merchandise you expected to buy and what you expected to sell. In March those figures were revised in the light of the then altered situation. It was two months later. You increased your anticipation of purchases and there was some decrease in your anticipated revenue, all again independent of the Lend-Lease arrangement. That is what he has reference to. I don't know what date that was.

There was a statement which Mr. Allen had. He didn't leave it with me, so I don't know whether it had a specific date on it. But there was a re-evaluation of the current - of your anticipated requirements and anticipated needs for the year 1941.

Bell: That was in March?

White: In March, but it was again exclusive of and it did not take cognizance of the Lend-Lease arrangement.

Keynes: You see, there were enormous changes in many figures on both sides of the account. At that time I don't think we placed any reliance in the Lend-Lease, because Congress at that time hadn't passed it, had they?

Cox: No.
Keynes: But on the other hand we thought we had.... Then the other figures were all so different - all the figures were different, you see.

Cox: Well, if you look at the January - have you got a copy of the January statement?

White: I have, yes. At least, I have the essence of it. If it isn't satisfactory, I can get it.

Bell: It is difficult for me to see as to why all of this change isn't for the better.

White: That is what I don't see.

Bell: And all of the things we have taken over under Lend-Lease such as the Canadian and --

Cox: Well, here is --

Bell: Isn't relief.

Keynes: There is one point, if this is clear, that the three to four hundred is agreed to be adequate on the basis of this statement, the April 18 statement.

White: I don't think that was in the picture.

Bell: No, it was not.

White: It may have been in your mind. I don't think that was in the Secretary's mind.

Bell: It is a month after the --

Keynes: Before going back --

White: That is right, it couldn't have been.

Keynes: The availability of our own marketable securities and direct investments is put
in at one thousand five hundred sixteen million dollars. That is about — well, that is seven or eight hundred million too high.

White: A billion and a half is seven or eight hundred million too high?

Keynes: Yes.

White: Well, I wonder, Mr. Keynes, if we are not discussing somewhat two different things. Does this seem to make any sense? You are discussing at the moment the question of your anticipated cash position as to whether or not under the present circumstances you were going to have a certain amount of — what you would regard as conveniently adequate cash at a certain point.

Keynes: Now, for a good many weeks they have believed in the theory, one thing which was certain was that we were to be three or four hundred million better than this statement that we put in, and that is the thing they have put their firm faith in. If that was related to other dates, whether January 1 or March 12, all their calculations would have gone by the board, you see. It is quite true that we are enormously better off than we were on January 1, you see, since Lend-Lease has been brought up.

Cox: It seems to me that you have got two different problems. One is that on March 19, as I get the picture second hand, a discussion was had with the Secretary and he said, as of that date, "I will see to it that you get three or four hundred million dollars worth of relief."

Phillips: Out of these old commitments.

Keynes: Not by having a generous treatment of Lend-Lease.
Bell: He said three or four hundred million relief from your dollar requirements in the United States.

Keynes: And you think that is satisfied by lend-leasing food and other things?

White: I don't know.

Cox: As far as I can gather from the January statement and the thing that is tantamount to the March picture, there is between five hundred million and a billion dollars worth of relief.

Keynes: As compared with what?

Cox: As compared with what you had on your statements in January and March.

Keynes: Yes, but then you would --

White: I think that is the difference of opinion. You are speaking of relief, and the question is relief from what? You are figuring two different things.

Cox: Right. Now, I was going to separate the problem. Over and above that kind of relief, it may very well be that you need and ought to get additional relief, that is what I understood the discussion - the difference between the three hundred million and the six hundred fifty million.

White: Well, that is what I was trying to suggest, and I wonder whether that isn't a way out, Mr. Keynes, that that point of the three hundred or four hundred million relief was considered relief from certain obligations which were - which then appeared to be the situation as of that date. Now, I don't think that that necessarily carries with it
the idea that that corrects your cash position.

Cox: Oh, no.

White: Your cash position still remains to be examined.

Keynes: Well, we have certainly been wasting our time. If this three hundred - three to four hundred million of the - what have we been wasting our time about this while if it was provided long ago?

White: It wasn't provided.

Keynes: Ways have already been found to provide it a long time ago.

Bell: Some of it, I suppose, came along automatically.

White: I see. You mean that they had had it in mind to buy the things under the Lend-Lease and so they were providing the relief without knowing it and just discovered it?

Cox: No, but we worked on the same philosophy from the Lend-Lease end and that is that in every place where we can purchase something which you normally would have to pay dollars for, we will do it, even to the extent of taking over contracts if it doesn't run afoul of the Budget Director's statement and so forth.

Now, the Remington Arms case is a typical illustration. Your obligation would be thirty-three million estimated, if you went ahead. If we placed the contract, your obligation will probably run about ten million to make up the differential.

Now, those are cumulative items.
Keynes: I will put it a simpler way. We submitted this statement to you showing what we thought the position was as of April 18. Since then we believed that we were going to be put between three and four hundred million better than that.

White: Not since then; you mean before then, March 19.

Keynes: No, no, this is what we thought the position was on April 18 and we have been believing ever since then that we were going to be two, three, and four hundred million better than that and we have told that to London and we have been working on that hypothesis. You are now telling us that that was a gross misapprehension on our part.

Bell: I don't see how you could arrive at that conclusion at that time because your situation was entirely different when the Secretary told you he would give you three or four hundred million relief. On the basis of this statement, you might never get this relief, because we could give it to you now and in July you could come along and say, "Well, our situation has changed entirely and the relief you gave us didn't do any good," so we have got to have some stopping place along here.

White: Well, Dan, I am wondering whether this is what Mr. Keynes has in mind. Let's assume on March 19 when the Secretary spoke of that relief, they accepted that as a fact, a way as to how it would be worked out was in abeyance, but they accepted it as a fact that they were going to be relieved of three or four hundred million dollars of contracts. They made a recomputation as of April, and they say, "Now, what are the circumstances? We have certain commitments. We know that the Lend-Lease is going to buy, according to
this - "I am paraphrasing this, paraphrasing the thoughts, not your words - "the Lend-Lease is going to buy everything. Therefore, we will not include that as part of our commitments, you see, so we don't have that commitment because we are already assuming that the Lend-Lease is going to take it. On the other hand, we were told, and we do expect, the three hundred and four hundred million relief. Therefore, our picture is, three hundred to four hundred million better than this when the specific ways are found of finding that relief," so that is the explanation of this.

Now, we were figuring from the point of view of how can we find three or four hundred million relief from your obligations which we interpreted as outstanding before the Lend-Lease, and that is the difference.

Bell: Yes.

Keynes: I never have seen the March statement. I suppose I have.

White: The March statement is merely a - it is too dignified a name for it. It is merely the revamped figures of the January statement.

Keynes: Was that statement ours?

White: Yes, we got the information from you.

Keynes: After January 1 the Lend-Lease Bill was produced and therefore we are better off.

Cox: The Lend-Lease Bill was passed on March 11. As I get the picture, the discussions were had with the Secretary on the basis of March 19, and that was based --

Phillips: Those figures were never mentioned between me
and the Secretary in that discussion, Mr. Cox. Exactly what happened is that the next day or the day after Mr. Smith gave his evidence, I came around to the Secretary and I mentioned that the thing had closed the door against your taking over any existing commitments. It was then he made his statement, was good enough to make his statement to me, and that statement to me was clearly connected with taking over existing commitments. In fact, he specified that some had been done by the RFC and some by the War Department.

White: In other words, they would say you are counting things twice. They expected that under the Lend-Lease arrangements they would take over all these purchases as indicated by this April 18 statement.

Cox: They didn't know that in March. They couldn't possibly have known it in March.

White: Oh no, not in March. In March they were concerned exclusively - well, I don't know what they thought in March, but in March the three or four hundred million had to do with their commitments.

Bell: You would think that even if we did take over their existing contracts, and relieve them to the extent of three or four hundred million dollars, they would use that three or four hundred million dollars to meet other commitments in the United States or thereby build up their balance.

White: Which they intended to do. I am paraphrasing partly to clarify my own mind. But then after the Lend-Lease Bill had passed, they want to use this three hundred million dollars to pay past commitments or, vice versa, to be relieved of those commitments, but they assumed that one
their commitments would not be the purchase of these commodities which you say you are going to relieve them of because they say they took that for granted or they understood that would be so.

Cox: It seems to me you will still have two different problems. I don't see how you possibly could have assumed that on March 19.

White: They didn't.

Phillips: Mr. Cox, there is a complete misunderstanding. At no time have we said or suggested that the mere fact that three hundred and four hundred million of our existing commitments you were going to take over from March 15, whatever the date was, would have made our position tolerable. If after that, if after making that statement, the Secretary had gone on to ask me, "Does that make your position sound?" I should have been compelled to answer, "No. I see no possibility of making it sound until Canada has been settled, until we see how the Lease-Lend works." Then by the time we reached Canada, we thought that was by way of being settled and we had seen how Lease-Lend was going, then it did appear that a figure of the kind mentioned would give us a certain sized balance, two hundred fifty millions by August and --

Cox: That is why I think there are two different problems, because at that time the Secretary said he would give you three hundred million dollars worth of relief. He, I suppose, didn't assume that that was going to give you all the relief you wanted, nor did you assume that.

Phillips: Oh no, not for a moment.

Cox: As a matter of fact, from March 19 to April 18
you had already received decided relief by reason of the Lend-Lease operation.

Keynes: This happened before I was here. I thought it was like this, that Mr. Harold Smith's evidence was a great blow because we thought we were going to get at any rate the January 1 commitments in, even if not the others, which was of the order of three hundred million.

Well now, the Secretary gave some consolation to Sir Frederick, that - by mentioning something of the same order of magnitude but he didn't in fact make it a very firm promise until a much later date because that hadn't - we in London weren't relying on that at the date when I left London. While I was on the seas, Sir Frederick Phillips had another interview with the Secretary and he then at that date, which is about May 1 or thereabouts, after this April thing, then he had what he thought was a really firm promise, and he communicated with the Treasury and the first news I got of that was when I arrived here in May. That was made after the April 18 - and had been in the hands of the Secretary for about a fortnight. Is that about right?

Phillips: That is right.

Cox: I don't know, I don't see how he could execute that practically because --

Keynes: That has been the whole problem that has been causing the trouble.

Cox: Because looking at the picture from March 19 on, as dour as it looked in terms of commitments and so forth, no one at that time, it seems to me, could have anticipated how much was going to be appropriated or how much was going to be spent for two major items, for
example, BPM purchases of things like steel and so forth, then your other U.K. purchases outside of BPM, nor the dollar requirements to be paid to Canada for materials, for example, so that in that jump from March '19 on I don't know what the precise dollar amount of relief is, but it certainly is well in excess of three hundred million.

Keynes: But it was precisely the difficulty of carrying out that assumption and bringing everything under the Lend-Lease that brought me here. You see, that - when we began work out in London, we got onto that question.

White: That is only three months.

Cox: The reason it seems to me there are two different problems, it seems to me --

Bell: Six fifty --

White: Oh, this is carried on. Six fifty --

Cox: How can you get additional relief now to make your situation more tolerable because - relief to make your situation more tolerable because it seems to me you are now back on a legalistic argument based in part on a different approach from both sides as to what the March '19 understanding was.

White: Well, isn't this probably a compromise or a way of approach? The problem is, the Secretary made a commitment, as he saw it, from the then existing situation.

Bell: That is right.

White: This meets that. That may not at all solve --

Bell: Your figures subsequently changed and you have got another situation.
And I have got a situation which still - you still have a situation that --

Yes.

.....needs examination and help, and you can go on from there.

I do think if we admitted to London that that did satisfy the Secretary’s undertaking - that undertaking reached us about May 1.

March --

That was when it was made, wasn't it?

March 19.

But it was repeated to me on May 31.

Yes. I can see where there was room for some misinterpretation, but from the Secretary's point of view when he first made it in March, he would have said, "We have got to find three or four hundred million dollars relief."

Now, at that time very definitely we thought you were going to spend - I mean, we didn't think, we got it from you, you were going to spend several hundred million dollars outside the Lend-Lease. But he said this after we had made the commitments.

Well, if he were to meet it out of the commit- ments, then there wouldn't be the task of finding how to take these over under the Lend-Lease. Then I don't see that - unless you were going to do it anyway.

We can merely say we misunderstood the position, very seriously.
Cox: My own judgment would be, the thing to do would be to proceed from here on out.

White: See how much more you can get.

Cox: All the relief you can get, forgetting what the past history is, and I think it would be very helpful, for example, if we could get on those BPM purchases what those contracts were for and see the various ways in which we can pick them up under Lend-Lease and see how many of them.

Bell: It seems to me that our first task is to meet the Secretary's commitment of three or four hundred million dollars. That we ought to wipe off the books some way, either through this process or some other process. I think this probably meets it.

Now, where we go from there is another problem and we pick up from that and go on, isn't that right, Oscar?

Cox: Yes.

Bell: And we see how much relief we can get from there on by picking up other items and certainly whatever you do on that is part of the six hundred fifty that you have been talking about. I think it is unfortunate that the Secretary talked about three or four hundred million dollars on March 19, when he was talking about your situation at that time, and you come along April 18 and assume that you were going to get the three hundred million when you had taken everything else into consideration. The two things are not brought together. I don't think anybody in the department got the picture as you have it at that time.
White: No, this is the first --

Bell: I didn't get that picture that you had in your mind.

Phillips: Perhaps I haven't - I haven't got the whole of my papers with me, but I can show you almost the exact words that the Secretary used in March and in his subsequent statement in May.

Cochran: Is that the first of May?

Phillips: I can almost remember the words used in March, which were that relief was going to be given to the extent of something between three and four hundred millions. It was going to come partly from the RPC taking over our plant facilities and partly from the War Department dealing with the contracts. Those were almost the words.

White: That is correct. That is true. So you regarded that three to four hundred million as relief and - relief of those commitments and in no way involving any subsequent actions under the --

Phillips: I still thought our financial position was pretty hopeless, but by the time we got around to April, it was improving.

Cox: Let me ask you this at that time in terms of interpretation. After the Lend-Lease Bill was passed and before the Appropriation Act was passed, the BPC had about a hundred million dollars worth of contracts which they felt had to be immediately placed, and as I recollect it, they cleared with you and you said, "Go ahead." Then we worked out this condition which picked up all of those. Now, was that considered part of the relief?
Phillips: I can’t see how it would be relief. That was simply a device by which Lease-Lend was brought in somewhat sooner than otherwise it would have been.

Cox: But on March 19 you had to have - I mean your position at that time was that you would have to place these contracts and make commitments to the extent of approximately a hundred million dollars. It wasn’t until nearly a week later that this conditional letter of intent was worked out, and when you say the Secretary had in mind relief by RFC, the War Department placing of contracts, what I was trying to find out was what you thought he meant.

Phillips: Dealing with existing commitments.

Bell: Of course, I think the Secretary at that time had the same thing in mind that you did, that you would not get relief under Lend-Lease or these other things that you had out here on the side. I think he was talking your language at the time and after it was all over and we got to thinking about it, relief from one dollar payment was as good as another. That is to our way of thinking and that is where the difference has grown up.

White: Well, isn’t the problem one not so much of attempting to reconcile what very apparently is a misunderstanding as to the situation but rather the major problem remaining, irrespective of your understanding and our understanding, the major problem is that of trying to work out something which will put your Treasury cash position as close to the level which you felt right along was the necessary working level and see how quickly -

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how you can approach that level. I think if we get away from the other fact, because apparently there is an irreconcilable difference of interpretation.

Bell: Yes, but there is quite a bit of relief that can be granted under this method, Oscar.

Cox: I know it.

Bell: Now, you may get around to the point where you can even give them some relief on taking over contracts, but right now for political reasons it is impracticable to do very much of that.

Cox: For example, let me give you an illustration. On some of the things that can probably be done, that is. They have a contract with Remington Arms to produce five hundred thousand thirty calibre rifles. They have already paid down in terms of capital investment, training of employees, and so forth, four million eight. Now, they have a penalty clause up to a maximum of a million dollars or two hundred and two dollars and a half a rifle on cancellation. They can very well say to Remington today, for example, "We just don't have the dollar resources to fill out that contract. We will cancel it."

Now, that is the end of that commitment, four million eight. Now, we are now getting up a request for an allocation of Lend-Lease to place an order for thirty calibre rifles and the manufacturer will probably exact an obligation from the British to pay the differential between what they were to pay under the contract and what the Army will pay, which will probably --

Bell: You can get it cheaper, can you?
Cox: The Army won't pay cost plus five dollars a rifle. They will make a flat price of forty-five dollars a rifle. That will relieve them in the amount of twenty-eight million dollars, approximately.

There are other contracts of that type in which you can do that kind of thing, and I think the thing to do if we can get a look at all your contracts, we can break them down and see what the picture is and what can be done on them.

White: Then I would like to see something further, again directing our attention for the moment towards a larger problem which remains. If we could again - if you could again re-examine your cash position and your anticipated position. The last time was April 1, and you remember at that time you made it four months, up to August.

Now, it is now practically July. If you could from July 1 or on July 1 or June 1, whichever you prefer, again make a similar calculation as to what your position would be as of the end of the year, then that will give us the basic picture of what your cash position --

Phillips: Tell us how Lease-Lend is going to work. You will have to tell us how Lease-Lend is going to work.

White: Well, I take it that that information you (Cox) can give them in order to enable them to figure that out.

Cox: We can tell you how it has worked today on specific items and a prediction as to how it will work on other items.
Phillips: Well, I am not completely worried about the U.K. side of it but about the Dominion side of it.

Keynes: That we can dispose of separately. I don't think the first statistics will be very different from April 18. We have been watching that very carefully. We have now got about two months more to realize results, you see.

White: You could project that until the first of the year.

Keynes: It looks as though it was running pretty accurately and what we could realize from the market securities and direct investments, if the Jesse Jones goes through, we will just about realize the figure - that looks like it would be just about right. I don't think we can give anything materially better than that.

Cox: But the major difference would occur, probably, in the contract figures, in the payments due.

Phillips: Oh yes, that is to say that for these last two months the payments under the contracts have not been --

Keynes: That doesn't make any difference.

Phillips: All that means is that the amount remaining to be paid is somewhat bigger.

Cox: But the time factor may be different.

White: Whatever the changes may have been, I mean if you re-examine the situation as of June 1 and say that this is the situation as of June 1, this is what it looks like now - again we all are - know the difficulties
of estimating and the fact that the situation changes, but surely you must have some such estimates in mind when you say, as you have in the past, that your cash position might be such and such to take care of contingencies. You must have some projected estimate.

**Keynes:** How can we possibly do better?

**White:** Better than what?

**Keynes:** Than our previous estimate.

**White:** You haven't made any yet.

**Keynes:** Oh yes, in the April 18 --

**White:** You made it up to August 31.

**Keynes:** Well, we can carry that on.

**White:** Yes, we will, that is all I mean.

**Keynes:** We have done that already.

**White:** Oh, you have?

**Phillips:** I am not sure we gave them to Mr. White.

**Keynes:** It won't take very much.

**White:** I mean we can merely project it to the first of the year and if we can have a similar statement such as was prepared before, in the light of whatever new situations there are, the uncertain factors with regard to what can be purchased under the Lend-Lease, you can settle whatever you can and then say that these are items which total "X" million, but which there is uncertainty on; if they can be purchased under Lend-Lease you won't have to buy them. If they can't
be purchased under Lend-Lease, you will have to buy them and then with those - with that much data, I think we can continue to try to go to town and give as much - bring it as close to the figure which you feel is your reasonable working balance as possible.

In other words, getting back to the same problem.

Bell: Oscar, what do you think in addition to the statement we gave you the other day as to the contracts entered into? Do you want all of their contracts that are now outstanding?

Cox: Yes, I would like to see what they are. Not all the contracts, I don't want the --

Phillips: I wasn't quite sure of one thing you said, Mr. Cox. If you are trying to build up a balance in the end, there will be a balance in our hands after all these existing commitments have disappeared, quite frankly.

Cox: I understand that.

Phillips: We think that is absolutely necessary, and therefore the deferment of the commitments doesn't alter our picture.

Cox: Oh yes it does. That time factor makes an essential difference because your heavy rate of displacement of contracts - all your estimates that I have seen have been based on an annual basis or a part of an annual basis.

Now, beginning certainly with March 27, the rate of the replacement of contracts vis-a-vis revenues has been completely different.

White: Oscar, they have already assumed on January 1
of last year, they assumed that any further placing of contracts here, you see - I mean, they assumed that at that time their assets - their current revenue was, let's say, approximately - we will ignore a plus or minus a hundred or two hundred million dollars - with approximately only enough to meet their current expenditures. Therefore, what you are estimating as a diminution in the rate of expenditure on past contracts merely means that they have that money a little bit longer. It doesn't, assuming again that their current receipts and revenues are not altered, alter their position.

Cox: No, it doesn't, Harry, because it depends on when you want to have this working balance.

Keynes: But Mr. Cox, sir, honestly we simply can't calculate that. In May we made about thirty million dollars less on old commitments than the estimate. Now, when those thirty millions are going to come up, whether it is this month or next month, how possibly could we know?

Cox: If you look at your contracts at any time --

Keynes: What we are told is the date at which we are expected to pay or a thing we invent for ourselves. Which are we to take? If we take the invented thing, that is all we have given you. But we can't give you any more.

Cox: No, I would take one date which is subject to a plus or minus margin of error and that is, if you have a contract for aircraft or guns, there are certain scheduled payments. They may be either payments in point of time, every two months or three months, or they may be payments on delivery or they may be progress payments.
Now, the best thing you can do is to take the contracts and figure out from July to December 31 when those payments were due.

Keynes: We have done that.

Cox: Yes, but the situation changes.

White: So that those payments take a little bit longer, is that it?

Keynes: You had better make your own guess on that, how inefficient you think the manufacturers will be.

Bell: We haven't anything beyond August 31.

Cox: That is right.

Keynes: We could give you that.

Cox: We haven't any estimate beyond April 18.

Bell: Well, but that was up to August 31.

White: They estimated up to August, but one thing that is not clear, Oscar, I don't quite see what you have in mind. Let me ask this question and then you can answer it. Let us assume that upon a re-examination of their contracts as of the present and in the light of what has happened in the past few months, they say that instead of having paid for that one billion four by - well, it wasn't all due at the end of '42. There was about a hundred and fifty million which was due later. In view of the delays of shipment and one thing and another, instead of having that total amount paid for by March, 1942, which was the schedule we have been operating on, we now find that we will not have to pay for that billion four
until three months later or four months later, let's say. Now, it is quite true that during that period from March 1942 to June or July 1942, assuming that it was four months, they will have an added cash balance. I take it the point that they are stressing is that that is not their concept of added balance because it is a commitment which is merely postponed a few months.

However, if what you have in mind is a postponement of commitments, not by a few months but by a few years, then I think your position is well taken.

Cox: You have got several problems. Here you have got six hundred seventy million dollars in a period from April 1 to August 1. Right?

Keynes: Yes.

Cox: Now, it seems to me that would break down into several possible categories. A, the things which have been completely terminated, there are no more obligations at all.

Phillips: Are being paid off?

Cox: Are either being paid off or picked up or canceled or being picked up under the Lend-Lease contracts after cancelation.

Keynes: Well, that is a real relief, you see.

Cox: Well, I don't know. That is a question of fact. I don't know whether there are zero of those items --

Keynes: Mr. Cox, how are we to know whether this time is to increase or diminish? You see, that is exactly what we are asking, because it may be that with the tremendous weight of the new
orders, manufacturers will get going. If we have failed to pay thirty million in May which we expected to pay, it may be that at quite an early date we will pay thirty millions more than we expected. That could go on forever and ever.

White: If Mr. Cox is correct in assuming that there may be a very considerable time lag - is that your point?

Cox: Suppose you have got a contract for aircraft and they are two hundred eighty planes behind schedule and your payments are due on the delivery of the planes.

White: Right.

Cox: And you know what their rate of production is and you can allow yourself fifty percent margin of error. You can figure out the minimum of the postponed payments.

White: But what are you deducing there?

Bell: If these payments are delayed beyond, say, a given date, it gives you more time in which to take over other things and they get relief --

Cox: That is one of the things, but this statement is made on an annual basis of your obligations from April 1 to August 31, and I gather the other comparable statement is from July 1 to December 31, 1941.

White: Yes.

Cox: Now, if you had in this period on the prior estimate, say six hundred million to pay, and because of postponements and things that are left out, only four hundred million to pay, then it is a different picture.
White: Except how long is that two hundred delay in your - what are you judging, a matter of months, of weeks?

Cox: Suppose it is everywhere from one month to three months.

White: I would say from their point of view the possible delay of payments of from one to three months has a significance in meeting the day to day bill, but I take it they would be hardly warranted assuming that the fact that they can keep a few hundred million dollars, if it is as much as that, for two months, doesn't solve their problem but --

Cox: No, of course, not, Harry, but the point is this, that when you talk about building up a balance of - whether it is three hundred million or six hundred fifty million, you have got to take into consideration the time factor.

White: Your point is that the entire program may be so delayed that they may have on hand anywhere from "$X" to "$Y" dollars for a couple of years?

Cox: Looking at payments beginning with January 1, they should go like this (indicating curve upward).

Keynes: Who can guarantee that we won't get much stuff? It may be eased. You are asking the Treasury to gamble on the stuff not coming along, and do you think that is a safe gamble?

Cox: No.

White: He is not asking for a gamble. I take it he is asking merely a re-estimation of the situation to see what it will look like.
Keynes: How can he?

Cox: Will you let me talk to your lawyer, and I will show you how it can be done.

Keynes: Now our lawyer is going to do this.

Cox: First, those have dropped out because the curtain has been drawn. Second, you get those --

Keynes: Those aren't real relief, if they exist. If there are commitments which evaporate, that is a genuine deduction; and if they are important, that is --

Phillips: That is the other one and another with Remmington which is under consideration.

Keynes: Those we can deduct when we ascertain what they are.

Bell: Well, is there somebody that can take these contracts and go over and talk to Mr. Cox?

Phillips: Six or seven thousand contracts? Even if you take contracts for over a million, it is still a lot of contracts.

Bell: Well, we have got a problem to meet the same as you have, and it doesn't make any difference how much trouble there is, I think we have got to work on it.

Cox: What they are doing now, for example, you take a contract like the Savage one, I am not so sure that that one can't be picked up under Lend-Lease. It just happens to come to us. We want to look at them all.

Phillips: That would take a long time.
Cox: Well, it depends on how you define a commitment. I think looking at the contracts is one way you can find out --

White: That is the one there.

Phillips: Whether we can find anything more on the lines of Remmington or Savage whereby some special arrangement which exists now would be --

Cox: That is right, and also I think you ought to have the figures on what the six sixty-seven means as of July 1 projected to the end of the year.

White: I think that --

Phillips: I am not --

White: I think that in restating the position as of June 1, and a careful estimate again of the position by quarters until the end of the year or projected beyond, if you like, whichever it is, will provide the basis for going forward and re-examination of --

Keynes: Well now, must you - I don't want to stay in Washington indefinitely. Need we delay the other explorations meanwhile, because there is no possibility of this filling the gap. If we go now into these fresh statistics, wait until you see them. By then we will want some more. I think we really ought to begin to try to --

Cox: Oh, I think you ought to do them simultaneously. I wouldn't wait for the statistics to pick up on the arms contracts.

Keynes: That is what I was thinking of.
In doing these figures I assume that these are right, subject to checking that War Department figure. Is that right?

I would say that those figures are minimum figures as of March 19.

I am assuming definitely that you are going to take over contracts entered into after March 11.

In so far as they possibly and practicably can be taken over.

Oh, well now --

Oscar thought he could take over the majority of them.

Well, how do we know what figure to use, then?

Well, use the same figure we have, using eighty or a hundred million dollars. I don't care what you use. God, if we get within twenty-five million of this thing - we have put down four hundred thirty-eight million so we could have a margin of one way or the other.

Well, the Secretary cleared that with Mr. Hopkins and he said in so far as it humanly could be done they would be taken over and a spot check on them shows no controversial items, I think.

Have you seen this table?

Yes.

You think the majority of them will go?

Yes.
Bell: How much was the Vultee?
White: Twenty-five million, wasn't it?
Cox: Just as a wild guess, I would think it would be over the figure, but I don't see any controversial items like oil or any of that kind of thing.
Phillips: These are the ones over fifty thousand dollars.
Cox: Yes.
Bell: And we left out the Vultee contract, Oscar. The Secretary said he wouldn't put that in a statement.
Cox: Is the Vultee included in the six sixty-seven million in --
White: There is something peculiar. If this figure of April 18 is correct, which you didn't expect us to buy anything outside the - expected us to buy everything - excuse me. That you expected the Lend-Lease to take care of everything. How do you explain the figure of six hundred fifty million that you have got in your --
Keynes: That is precisely it, because that is still not too optimistic.
White: I didn't make myself clear, Mr. Keynes. In your April 18 estimate, there is no provision for purchases by your government of goods here. There are some services of a small amount of forty-five million or something of that sort. If I correctly remember, you said your explanation of that was that you had anticipated and assumed that the Lend-Lease would buy all the items which you had anticipated buying.
Phillips: For the U.K.
White: Yes. Now, in your letter, Mr. Keynes, which I think was dated later, I am not sure, you indicated a sum of approximately, I think, two hundred million a year of goods that you would have to buy in the United States outside of the Lend-Lease.
Keynes: That is right.
White: Then how - I find it difficult --
Keynes: After we had considered this in the light of the munitions difficulties, we found it would be to our mutual advantage that some items that would come within should be without and that meant an additional provision had to be made. If we always considered those outside, then I shouldn’t have --
White: I see. In other words, that was the justification for your wanting --
Keynes: We found that it wasn’t fair to either party to try and bring everything under Lend-Lease.
Phillips: That wasn’t the only justification.
White: There were two others, yes.
Keynes: It would be two hundred, which by the way, I have reduced now as I --
Cochran: Yes.
Keynes: It is a smaller figure.
Bell: But most of those items Mr. Cox thought could come under Lend-Lease, most of the two hundred.
Keynes: Well, I don't think they can. As I say, the two reasons are - make it practically hopeless.

Cox: Such as? You mean outside the oil payments and the payment made --

Keynes: Have you seen my revised statement? I sent Mr. Bell a revised list which reduced the two hundred to a hundred and fifty by cutting out fifty which you were now satisfied could be brought under your Lend-Lease, and the others, I am so advised, will be difficult or impossible.

Cox: What is included in the others?

White: Well, isn't that part of your problem of giving further relief?

Cox: That is right.

White: From which you don't intend - in other words, you don't intend to stop at this point, so if you can find mutually satisfactory ways to get relief on that, fine, there is no objection to that.

Bell: The original estimate that you submitted totaling a hundred and ninety-nine million, Mr. Cox thought everything could come under the Lend-Lease except the one item of thirty million dollars.

Keynes: I think it could.

Cox: All politically and legally.

Keynes: Yes. That was the interpretation. We weren't including in this things which were legally and politically impossible. If things which
were legally and politically impossible --

Cox: Now, what are these machinery components?

Keynes: Well, if you have got my figures there, let's look at them.

Cochran: Here is the previous one.

Keynes: It comprises a number of things, electrical heating and lighting operations, boot and shoe making machinery, hydraulic and pneumatic machinery, prime movers, scientific instruments, and so forth.

Cox: What is the objection to having those under Lend-Lease?

Keynes: There are an enormous number, thousands of items, which are at present ordered by British firms from American firms, and we don't think we could under many months and without a very large staff assemble those and place them through the machinery of Lend-Lease at our end, and I think the decision has been since, and I am still more firm, that it is just impossible.

Cox: Well, why can't you get the stuff?

Phillips: There is a war on.

Keynes: Going to the very root of the thing, these are items which -- it appears to be extremely foolish to try and bring them under Lend-Lease. There are all sorts of troubles. You would be shifting documents, getting them distributed to the manufacturer who wants them. Suppose a chap is ordering some spare parts for a particular machine he has from the American supplier. It goes through the machinery at both ends.
Cox: Well, I should think that would depend a lot on what the machinery was and the components.

White: Well, Oscar, isn't that something you were going to pursue?

Cox: Oh yes.

Keynes: I mean, you can say that we just don't have the money but I don't think you can say that we can do this.

Cox: Well, I was going to say that --

Keynes: Therefore, we haven't got the money. That is our decision, that we can't do it.

Cox: Well, here the only question I am raising is whether this can't practically be revised again, because originally, for example, you had road vehicles, including five pumps --

Keynes: Yes. Well, those we have got out.

Cox: Well now, we have already made an allocation for that and it is going through. It seems true on agricultural equipment.

Keynes: That also I have cut out.

Cox: Then we have other miscellaneous machinery and components of which nearly three million have been allocated already and there is some more in the works. Now, what about your chemical, manufacturers and drugs, what are those?

Keynes: Those are - no. On certain chemicals, manufacturers and drugs, those are innumerable items. There are all kinds of medicines and things. We have excluded from this certain items which are --
What kind are excluded?

I can't say. I can find out by going to the chemical people.

Well, I think if you review down these on detail within the limits of administrative practicability --

We shall have to do that to the best of our ability. The only thing is that we can't on any broad lines do this. We shall cut out all that we can and you can look into our office at Whitehall - obviously we shall do all we can.

That is not the point. All I am saying is that either you or one of your men can sit down with one of our people from the detail and let's assume it is either belladonna or some other medicine and we take your judgment on administrative difficulties.

I haven't included in the revised list about two millions which I am told are possible on one item or another. I think it was on machinery or something. It is possible to put that down.

On the other hand, you see these - you must have a margin over a year .... I have been going over this the way that this has been brought from two hundred to a hundred and fifty besides, as we described, and of course, we shall be too glad to do that. I think really it has had a pretty ...... in London and here.

Mr. Keynes, I don't think that there are alternative ways, at least as I get Mr. Cox' position and Mr. Hopkins' position, they
don't feel there are alternative ways of presenting - of increasing your cash position. If there were, then I think it might not - you say that even though something of this might be done, the other way is simpler and easier.

There is, I gather, only one way and they want to push that way as far as possible to increase your cash position because I take it that they feel that in addition to the items made that the one open end in which they can continually supplement or continually reduce your commitments is through this or through the taking over of such contracts --

Keynes: That is what I wanted to follow up, but I don't think that below my hundred and forty - I have revised it - I don't think there is very much I can do. The much more hopeful line is the Dominions.

Bell: Well, that really doesn't amount to very much.

Phillips: Oh yes.

Bell: I thought you said it doesn't amount to much awhile ago. I was surprised at the figure you gave.

Keynes: I am sure it will amount to fifty a year. In fact, it will amount to a hundred.

Bell: That is not very much money. Fifty million a year for your Dominions? I was amazed.

Keynes: But there again, how you can --

White: I was going to ask pounds or dollars, until I remembered that story, the story of a man
who had a British client.

Cox: The client was Sir Joseph Devine. Levy never practiced law very much, but he also fixed the fees and his partner tried a case for Sir Joseph Devine; and when the case was finished, he was quite satisfied and he said, "What will the fee be?" And Stanfield said, "I don't know. Let's come in and see Levy. He fixes the fees in his office."

They talked a little while and Levy said, "Well, how about ten thousand?" And Sir Joseph Devine said, "Pounds or dollars?" And Levy said, "Why, pounds, of course."

White: I was afraid to say forty million pounds or dollars.

Keynes: I assure you these are dollars.

Bell: When you get this to pounds, that is different.

Phillips: The whole imports of the sterling part of the Empire from the U.K., excluding the U.S., is figured somewhere around five hundred eighty and the exports are four hundred, giving you the hundred and - now five hundred seventy-five.

Cochran: I will take that one there.

Cox: Let me ask you this question in terms of just Canada alone. As I understand it, when they buy, let's say an aircraft engine in this country and put it into an airplane that goes to the U.K. and they use dollars, you have made them good by the same amount of dollars, haven't you?

Phillips: Oh, we tried to last year, but we went bankrupt on that last December, almost as soon as I
came over here, and since then we haven't paid Canada anything. We can't.

Cox: Now, Canada has paid dollars, then, to those accounts, is that right?

White: She did in the past, but the new arrangement which you have is intended to give them relief on that.

Cox: That is what I mean. Now, how much in dollar amount do those kind of payments amount to for Canada alone?

Phillips: Two hundred million dollars relief to Canada.

White: There still is six hundred fifty million dollars, roughly, dollar payments, due from U.K. to Canada, which is still - now, this was one of the things that was supposed to make that easier, so if you raise that up they will raise the figure.

Cox: Oh, I wasn't raising that up, I just wanted to find out what the facts were.

Keynes: I think there is to be considerable protest to be made by lend-lease articles which we put - there are other commitments in that April 18 statement apart from exports to the U.K. which I think might be lend-leased and I am trying to get a list of those, and it is difficult to get from London exactly what I want.

You remember in the case of Australia we had very adequate figures. In the case of South Africa, it was also troublesome. I think they probably have a good many imports on which we have no figures.
In the case of India, they are hard to get. You see, it takes such a frightful time to get itemized lists of the year’s program. They have no machinery there. All of the things that are now being privately imported, you see - it is almost impossible for me to frame an estimate of what they are and which would be suitable for Lend-Lease excepting in certain categories like steel and oil and motor vehicles.

Therefore, I was trying to concentrate on those three. There is rather a good case for Lend-Lease and one might be able to get some figures. I have pretty good figures for steel covering the whole field. The figures for merchant vehicles and oil are really rarely........ Australia. There is something to be left there, and I think that there are other things...... but work it easy up to the necessary total, I think.

The other point is, of course, if you could be sure of a different situation than there is in Congress at the present date in regard to this - one year, rather than two, then the problem becomes very much more simple. But that wouldn’t comfort our people at all, you see, unless they really had a feeling that would happen. It was just a hope. It wouldn’t give them that comfort. I don’t like to talk......

Well, what you want and what we want is an estimate of their cash requirements for the next six or seven months and then we want somebody working at the same time with Oscar on how many contracts can be taken over and what relief can be given on both sides. Well, through this method we have put up here if there is any additional relief that can be granted, we will do it, isn’t that right?
White: That is it.
Bell: Someone can start on the contracts right away, I take it, Oscar.
Cox: Oh yes.
Bell: If you have got someone you can designate?
Phillips: Have you got any in mind other than those rifle contracts?
Cox: No, because I haven't seen them. I don't know what is in them.
White: You see, I think it is quite apparent there is every desire to take as many of those up as they can within the framework of what they regard as the political limitations, so the more of those things that they find, I imagine the more pleased they will be.
Keynes: Is there any field left for canceling contracts and then reinstating them under Lend-Lease?
Phillips: We tried it on a small scale with steel.
Bell: He just mentioned the rifles.
Cox: The rifle cases are an illustration of that.
Phillips: The Savage rifle, I may have got in that - that was the correction I gave them, raising the seventy-eight to a hundred and three, and I don't know about - I haven't got that in, but that isn't a very big thing. It is fifteen or twenty million dollars.
Cox: But it is a question of how many of those --
Keynes: This question, whether any of these contracts like steel, if they run for longer than three
months, there might be room there, for these zinc contracts or brass contracts.

Cox: Would you have running contracts for oil?

Phillips: Well, those contracts for rifles - a man buying a --

Keynes: They weren't made through BPC at all.

Cox: They are still five dollars off.

Phillips: Oh yes.

Keynes: We would find out about those Remingtons.

White: Oscar, is that a closed book about the question of taking over the contracts, has that been decided? Because I mean after all, they have a point that the relief which was stated definitely was in terms of those contracts. Is that a closed door?

Cox: I gather it is on the policy end, Harry, unless you can - you see, Smith said, as I understood it, that they wouldn't take out the British on commitments made prior to March 11.

White: Yes. I am not giving the basis for it. I mean, is that door closed?

Cox: I am going back. When you say the door is closed, I don't think it is completely closed because --

Bell: But you have to be careful of the kind of contracts you want to take over, where you begin and end.

Cox: That is right, and if there isn't - it depends on how you define a commitment. Now, if the
British commitment terminates at point "X" on a cancelation or by reason of a non-exercised option, it may very well be that they can just call the whole thing off on a cancelation and the Army steps in and picks it up from there out, you see.

Bell: Yes.

Cox: That depends on an analysis of a contract, whether it was out on a letter of intent, which there may not be even a legal binding obligation to begin with.

Keynes: Mr. Smith said so many funny things. Well, you can add anything you like.

White: You could add the pluses or the minuses and strike a pretty good balance.

Keynes: Mr. Smith said so many funny things. Well, you can add anything you like.

White: You could add the pluses or the minuses and strike a pretty good balance.

Keynes: Yes, "it is not contemplated that any of the seven billion is to be used for that purpose."

Well now that - "orders that have been placed by the British Purchasing Commission are to be paid for, I understand, by the British out of their dollar assets."

Now, no date is mentioned there. When you go back you will find that what he meant was that - January 1 and that he didn't bother his head about what happened after, because it was small. Now, at what point --

Cox: He said before the act was passed, too.

Bell: Yes, he made a definite statement some place.

White: Legally you might make a case, but unfortunately Mr. Smith would probably say, "That was the intent of Congress and what was my intent when
I made the statement and what did they think I was saying?"

**Keynes:** Well now, I should have thought that, bringing that to Phillips' case, the October contract hadn't been signed. I don't know. They have committed themselves up to the passage of the Lend-Lease Act. You can cut out Phillips' October contract without interfering with either of those. Cut out, we should still be meeting out of our own resources fourteen hundred plus a minor amount and we should not be relieved of anything we had committed ourselves to after the Lend-Lease.

**Cox:** You have two courts of appeal without a fair chance to argue in either one of them. The first is the Budget Director himself in terms of allocating funds, and every time we put through one that is remotely questionable he says - his whole office says, "Does that run afoul of my statement in appropriations?"

And the second one is, a less important one, I think, in terms of likelihood of being raised, and that is Congress; but they may come back at you in the next appropriation bill and say, "Well now, let me read, Mr. Smith, what you testified on March so and so. Yes, have you conformed with that?" And put Mr. Smith in a very embarrassing position if he said no.

Then fellows like Taber are inclined to do that.

**Phillips:** Well, I don't like to keep on harping back to that statement made by the Secretary on March 19, but I am quite sure that Mr. White will bear me out that the Secretary on that date, not only said all the things I have completed already, but also said he had the approval of the President.
Well, I think we all remember that statement.
I am not quarreling with you.

On the other hand, Phillips, I think it is unfortunate that you hold him to his exact words when at that time, of course, he didn't know any more than you did about what were the nature of the items that would come under Lend-Lease. The only thing that he had in his mind and you had in your mind was the contract commitments.

Can somebody start working with Cox pretty shortly on the contracts?

I can do that.

Well now, what about these two odd cases I gave you, the October one and the November one?

You will have to look into those, won't you, Oscar?

Yes.

Those two big ones.

The first payment was on December 3.
I. Already provided and which can be immediately provided:

2. Plant and Equipment (UK)

(a) Already purchased ........................ $ 25,000
(b) Can be purchased .......................... $ 100,000

2. Supply contracts:

(a) Already taken over by the
   War Department ............................ 50
(b) Invoiced into the British after
   March 11, 1943, which can be taken
   over by the War Department .......... 250

II. In addition to the above, relief can be given by taking
    over under Leases some of the payments which
    the British had originally contemplated making out of
    their dollar resources, such as

(1) Oil to be purchased during the next six
    months in the United States and from
    American sources outside the United
    States, merchandise inside the United
    States, and shipping services ............ $ 250

Total ........................................... $ 435,000

Possibly additional relief could be given on the same basis.

June 12, 1943
Letter from Phillips dated April 18 filed under that date.
June 12, 1941
4:35 p.m.

Dean Achenson:

Hello.

Hello, Henry.

Yes, Dean.

Did Ed Foley....

Yes, he phoned me and I believe he's over now at Justice.

Yes.

But he told me the story and I was just tied up and I told him to go on over after he had talked to you, and just to make sure that...

Fine. Well, I think that what Bob said to me will be satisfactory.

Good.

He's re-affirmed what you had said he did not in any way want to interfere with the operation of freezing, didn't want to take it out the Treasury or operate it himself or anything of that sort. He did have obligations about alien property and he wanted to have all the information that there was available and the right to get further information as it bore on that problem and I said that as I understood it, you had no objection to that whatever. And I said as a practical matter I thought that the simpler thing to do was to give Secretary of Treasury and the Attorney General power to call for reports and that with this liaison we'd have between the three departments, the simpler thing to do was to start in with having the Treasury
issue these orders and getting all
the reports, he could have copies
of all the information so his
fellows who were working over there
with you – then if there was anything
such as a report of cash which was
hoarded that the FBI could do particu-
larly well, probably the FBI would
be chosen as the instrumentality to
do that.

HMJr: I think they are doing it now as
far as I know.

A: Yeah.

HMJr: As a matter of fact I think they are
doing it, they have been begging us
to take it over as I understand it.

A: Yeah.

HMJr: They have some 50 men assigned to
this. They are asking us so that
they would relieve them.

A: Yes.

HMJr: At least that's the situation.

A: I think that can be worked out
perfectly satisfactorily.

HMJr: Well, you'll find this behind you,
ready to cooperate.

A: Well, that's fine, Henry. I'm very
excited and pleased about this. I
think we really are going to make
some headway this time.

HMJr: Well, once it goes through, we'll
have to open up a bottle of wine.

A: (Laughs) All right, we'll do it
together.

HMJr: All right. Goodbye

A: Thank you, Henry.
June 12, 1941
4:47 p.m.

HMJr: My heartiest congratulations.

Robert Jackson: Well, thank you a lot.

HMJr: I'm most pleased.

J: Well, I think I'll enjoy the work more than I do work that has so much administrative work in it.

HMJr: I see.

J: I like the legal end of the job and I think it'll be very pleasant.

HMJr: Well, I wish you all kinds of success and I am sure you will have it, be a great addition to the Court.

J: Well, thanks a lot, Henry. I appreciate that a lot.

HM: I just wanted to tell you what.

HMJr: I would expect you to feel that way, frankly (laughs)

HMJr: well, I'm sorry, I'll miss you - I'll miss when I look over on the left - I don't know who I'll have to whisper to now.

J: Well, I don't either, but you see you have to be careful who you bring into your department because you can't tell where they'll go. (Laughs)

HMJr: That's right. All right, now.

J: Well, I'll be seeing you. Goodbye, Henry.

HMJr: Oke doke.
TO Secretary Morgenthau
FROM Mr. Kamarok
Subject: Airplane Deliveries

All of the airplanes reported as shipped in the last statement went to England. For the past six weeks, England has received the bulk of the plane deliveries reported: 261 in this period going to England, 75 to the Middle East and 75 to the Far East.
Airplane Shipments to the British
(From February 1 to June 8 by air
January 11 to May 17 by sea)

Table A. - Shipments by Area

<table>
<thead>
<tr>
<th></th>
<th>Latest Week</th>
<th>Total Reported To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>To the United Kingdom</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light and medium bombers</td>
<td>37</td>
<td>386</td>
</tr>
<tr>
<td>Heavy bombers</td>
<td>2</td>
<td>40</td>
</tr>
<tr>
<td>Naval patrol bombers</td>
<td>7</td>
<td>57</td>
</tr>
<tr>
<td>Pursuit</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Total to United Kingdom</td>
<td>46</td>
<td>492</td>
</tr>
<tr>
<td><strong>To the Middle East</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light and medium bombers</td>
<td>0</td>
<td>136</td>
</tr>
<tr>
<td>Pursuit</td>
<td>0</td>
<td>285</td>
</tr>
<tr>
<td>Total to Middle East</td>
<td>0</td>
<td>401</td>
</tr>
<tr>
<td><strong>To the Far East</strong></td>
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<td></td>
</tr>
<tr>
<td>Light and medium bombers</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Naval patrol bombers</td>
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<td>8</td>
</tr>
<tr>
<td>Pursuit</td>
<td>0</td>
<td>55</td>
</tr>
<tr>
<td>Trainers</td>
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<tr>
<td>Total to Far East</td>
<td>0</td>
<td>192</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light and medium bombers</td>
<td>37</td>
<td>528</td>
</tr>
<tr>
<td>Heavy bombers</td>
<td>2</td>
<td>40</td>
</tr>
<tr>
<td>Naval patrol bombers</td>
<td>7</td>
<td>65</td>
</tr>
<tr>
<td>Pursuit</td>
<td>0</td>
<td>397</td>
</tr>
<tr>
<td>Trainers</td>
<td>0</td>
<td>55</td>
</tr>
<tr>
<td>Grand Total</td>
<td>46</td>
<td>1,085</td>
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</table>
Table B. - Shipments by Types

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>Latest Week</th>
<th>Total Reported To Date</th>
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</thead>
<tbody>
<tr>
<td>Boeing B-17</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Brewster Buffalo</td>
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<tr>
<td>Consolidated Catalina Liberator</td>
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<td>65</td>
</tr>
<tr>
<td></td>
<td>2</td>
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<tr>
<td>Curtiss Tomahawk</td>
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<tr>
<td>Douglas - Boston</td>
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<tr>
<td>Glenn Martin Maryland</td>
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<td>Lockheed Hudson I</td>
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<tr>
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<td>11</td>
<td>57</td>
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<td>Lockheed Hudson III</td>
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<td>Lockheed Electra</td>
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<td>North American Harvard II</td>
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<td>United Chesapeake</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>46</td>
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Grand Total - All Types
Table C. - Plane Deliveries to the British by Weeks

<table>
<thead>
<tr>
<th>Week Ended</th>
<th>Light and Medium Bombers</th>
<th>Heavy Bombers</th>
<th>Naval Patrol Bombers</th>
<th>Pursuit</th>
<th>Trainers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 8*</td>
<td>22</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>25</td>
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<tr>
<td>Feb. 15*</td>
<td>42</td>
<td>-</td>
<td>-</td>
<td>100</td>
<td>-</td>
<td>142</td>
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<tr>
<td>Feb. 22*</td>
<td>35</td>
<td>-</td>
<td>-</td>
<td>27</td>
<td>-</td>
<td>62</td>
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<tr>
<td>Mar. 1*</td>
<td>7</td>
<td>-</td>
<td>5</td>
<td>25</td>
<td>-</td>
<td>37</td>
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<tr>
<td>Mar. 8*</td>
<td>16</td>
<td>-</td>
<td>3</td>
<td>10</td>
<td>-</td>
<td>29</td>
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<td>Mar. 15*</td>
<td>26</td>
<td>1</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>31</td>
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<tr>
<td>Mar. 22*</td>
<td>17</td>
<td>-</td>
<td>2</td>
<td>22</td>
<td>-</td>
<td>41</td>
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<tr>
<td>Mar. 29*</td>
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<td>-</td>
<td>3</td>
<td>18</td>
<td>-</td>
<td>46</td>
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<tr>
<td>Apr. 5*</td>
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<td>-</td>
<td>7</td>
<td>73</td>
<td>-</td>
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<td>Apr. 12*</td>
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<td>2</td>
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<td>-</td>
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<td>Apr. 19*</td>
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<td>4</td>
<td>5</td>
<td>-</td>
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<td>Apr. 26*</td>
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<td>3</td>
<td>-</td>
<td>28</td>
<td>56</td>
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<td>May 3*</td>
<td>61</td>
<td>1</td>
<td>2</td>
<td>15</td>
<td>27</td>
<td>106</td>
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<tr>
<td>May 10*</td>
<td>36</td>
<td>1</td>
<td>8</td>
<td>10</td>
<td>-</td>
<td>55</td>
</tr>
<tr>
<td>May 17*</td>
<td>61</td>
<td>13</td>
<td>7</td>
<td>19</td>
<td>-</td>
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<td>May 25*</td>
<td>30</td>
<td>10</td>
<td>-</td>
<td>25</td>
<td>-</td>
<td>65</td>
</tr>
<tr>
<td>June 1*</td>
<td>28</td>
<td>5</td>
<td>5</td>
<td>21</td>
<td>-</td>
<td>59</td>
</tr>
<tr>
<td>June 8*</td>
<td>37</td>
<td>2</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>528</td>
<td>40</td>
<td>65</td>
<td>397</td>
<td>55</td>
<td>1,085</td>
</tr>
</tbody>
</table>

* The date given is for shipments by air. Shipments by water start three weeks earlier. That is, the statement reporting the shipment of planes by air for the week ending June 8 would report the shipment of planes by water for the week ending May 17.
June 12, 1941.

PERSONAL AND CONFIDENTIAL.

Dear Mr. Secretary:

On June 6 you telephoned Secretary Morgenthau to get information about tankers in American ports as well as American-owned tankers under foreign registry.

The first-named report was delivered to your office on the evening of Friday, June 6. I am attaching hereto a photostat copy giving a list of tankers of 1,000 gross tons and over under foreign registry owned by American companies and their affiliates as of May 1, 1941. This tabulation was obtained from the Maritime Commission which was in process of preparing it at the time of your call to the Secretary. Information received orally from the Maritime Commission is that every effort has been made to include all vessels under foreign registry owned by American companies and their affiliates and, while it probably does not err on the side of omissions, it might possibly contain names of vessels lost as a result of hostile action and whose loss has not yet been reported.

Sincerely yours,

(Signed) Herbert E. Gaston

Herbert E. Gaston,
Assistant Secretary of the Treasury.

The Honorable Harold L. Ickes,
Secretary of the Interior,
Washington, D. C.

Enclosure.

File 40

Regraded Uclassified
## Tankers 1,000 Gross Tons and Over

### Under Foreign Registry Owned by American Companies and Their Affiliates

As of May 1, 1942

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Flag</th>
<th>Type</th>
<th>Gross Tons</th>
<th>Disp. Tons</th>
<th>Barrel Cap.</th>
<th>Age</th>
<th>Year Built</th>
<th>Oil</th>
<th>Remarks</th>
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### Remarks

- **Navy-Zeev Oil Co., Inc.**
  - British
    - 12: 10,516 (15,163) 128,894, 1 1938, 1,100
  - Belgian
    - 11: 3,404 (4,640) 36,100, 13 1930, 270
- **Petroleum Shipping Co., Ltd.**
  - Panamanian
    - 10 1/2: 7,794 (13,445) 97,760, 25 1936, 1,256
  - Belgian
    - 11: 5,179 (8,160) 82,500, 1 1938, 1,100
  - Venezuelan
    - 10 1/2: 5,367 (8,160) 82,500, 1 1938, 1,100
  - Belgian
    - 9: 5,367 (8,160) 82,500, 1 1938, 1,100
- **Navea, Am. "Navea Transport"**
  - French
    - 10 1/2: 6,367 (9,165) 68,813, 20 1922, 1,949
  - Belgian
    - 10 1/2: 5,367 (8,160) 82,500, 1 1938, 1,100
  - Belgian
    - 9: 5,367 (8,160) 82,500, 1 1938, 1,100

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*Regraded Uclassified*
### Tankers 1,000 Gross Tons and Over

Under Foreign Registry Owned by American Companies and Their Affiliates

As of May 1, 1934

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Regraded Unclassified
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<td>13</td>
<td>1928</td>
<td>1,530</td>
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<td>94,099</td>
<td>140,599</td>
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<td>Norwegian Petroleumi per Trasporti di Petroleo a Derivati</td>
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<td>11/1</td>
<td>8,350</td>
<td>12,710</td>
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<td>1,685</td>
<td>2,345</td>
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<td>19</td>
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<td>1927</td>
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<td>9/2</td>
<td>5,911</td>
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<td>205</td>
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<td>13,360</td>
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<td>21</td>
<td>1920</td>
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<td>8,005</td>
<td>13,360</td>
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<td>21</td>
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<tr>
<td>Total</td>
<td></td>
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<td>32,015</td>
<td>50,130</td>
<td>1,927</td>
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Reported to have been seized by Mexico.
| Vessel        | Speed | Flag    | Gross Tons | U.T. Tons | Barrel Cap. | Age Built | Year (Tons) | Bunkers (Tons) |
|--------------|-------|---------|------------|-----------|-------------|-----------|-------------|----------------|----------------|
| Liberty      | 11    | Panama  | 9,265      | 8,700     | 650,000     | 2         | 1934        | 3              | 177            |
| Tokio        | 12    | Panama  | 10,844     | 10,460    | 830,000     | 22        | 1934        | 3              | 1,740          |
| New York     | 12    | Panama  | 11,194     | 10,425    | 100,000     | 25        | 1935        | 3              | 1,740          |
| Beaufort     | 10    | Panama  | 6,240      | 6,040     | 780,000     | 24        | 1935        | 3              | 1,740          |
| Manhattan    | 10    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| West Indies  | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| Jamaica      | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| Cuba         | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| Porto Rico   | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| Dominica     | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| St. Kitts     | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| Nevis        | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| Antigua       | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| Barbados     | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| St. Vincent  | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| Grenada      | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| St. Lucia    | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| Montserrat   | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| British West | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| British      | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| British      | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| British      | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| British      | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |
| British      | 12    | Panama  | 6,240      | 5,840     | 780,000     | 24        | 1935        | 3              | 1,740          |

Total: 41

Lago Petroleum Corp.

Avila

Venezuelan

Ayrila

Esso Caracas

Younta

La Salima

Tamara

Total: 5

Lago Shipping Co., Inc.

Ambrosio

British

Arido

British

Sacharieno

British

Rosican

British

Gurriero

British

Esso Panama

Noisened

Intelego

Invernada

Inverdana

Inverona

Mallacay

Nemco

Chambliss

Ferdinane

Punta Gorda

Quebecure

Sabalita

San Carlos

San Nicolas

Tasafera

Tia Juana

Tamanota

Total: 22

Regraded Unclassified
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<td>Netherland</td>
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<td>85,730</td>
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<td>6,765</td>
<td>12,780</td>
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<td>Dutch</td>
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<td>16,207</td>
<td>11,955</td>
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<td></td>
<td>22,056</td>
<td>24,160</td>
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<td>French</td>
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<td>38,260</td>
<td>15</td>
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<td>2</td>
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<td>12,107</td>
<td>17,963</td>
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<td>5,140</td>
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<td></td>
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<td>27,206</td>
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<td>83,684</td>
<td>101,366</td>
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<th>DWT. TONS</th>
<th>BARELL GAP.</th>
<th>AGE BUILT</th>
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<td>3,156</td>
<td>21,920</td>
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<td>Norwegian</td>
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<td>17,563</td>
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<tr>
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<td>11</td>
<td>3,232</td>
<td>17,350</td>
<td>132,543</td>
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<th>DWT. TONS</th>
<th>BARELL GAP.</th>
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<td>9,830</td>
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<td>Grand Total</td>
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Adapted by Standard Oil Co., Inc. and Standard Oil Co. (New Jersey)
Arrival in Hong Kong of Mr. A. Manuel Fox, American Member of the Chinese Currency Stabilization Board, and party.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to report the arrival on June 6, 1941 in Hong Kong of Mr. A. Manuel Fox, American Member of the Chinese Currency Stabilization Board, Dr. William H. Taylor, alternate member and Mr. Walter F. Freze, assistant. (See our telegram Number 205, June 9, 3 p.m. from Fox).

Mr. Fox handed a written statement to the press upon his arrival. An item in the SOUTH CHINA MORNING POST of June 9, 1941, is representative of the press reports based on this statement. However this item contains the incorrect statement (not made by Mr. Fox) that Mr. Cyril Rogers is the British member of the Board. The nomination of Mr. Rogers has not yet been agreed to by the Chinese Government.

I introduced
I introduced Mr. Fox first of all to the American bankers in Hong Kong, arranging private interviews with the managers of the Chase Bank and the National City Bank of New York. Later, similar interviews were arranged for the chief manager of the Hong Kong and Shanghai Banking Corporation and other British bankers. The leading Chinese bankers had nearly all left Hong Kong for Chungking.

The only public gathering for this party was a luncheon at the American Club on June 10th. Mr. Fox's speech on that occasion was reproduced in the SOUTH CHINA MORNING POST of June 11, 1941.

Mr. Fox and party left by air for Chungking on June 12, 1941.

As may be noted from the two enclosures, the impressions left by them on this community may be summed up as follows:

(1) The much heralded stabilization is only one of three ways in which America will help China, the other two being the Lease-Lend Plan and the loans against commodities such as tung oil, tungsten and tin;

(2) The main objective is to win the war, in which the three great democracies, China, Great Britain and America, must cooperate;

(3) Means of cooperation will be worked out as soon as the necessary investigation and inspection can be made;

(4) The party comes to China with no quick remedies or preconceived ideas of aid, is tied to no particular faction either in China or America and will work with a free hand.

Respectfully yours,

John H. Bruins
American Consul

Enclosures
Enclosures:

1/ From SOUTH CHINA MORNING POST
   June 9, 1941.

2/ From SOUTH CHINA MORNING POST
   June 11, 1941

In quintuplicate to the Department
Copy to Embassy, Chungking
Copy to Embassy, Peiping

Soo.

JHB:MM

Copy: 16 7/8/41
CHINESE CURRENCY

American Expert Explains Stabilisation Plans

CHUNGKING'S GREAT ROLE

The Currency Stabilisation Fund agreement between the United States and China is aimed at establishing the Chinese National Yuan in terms of the U.S. National Dollar. It forms part of a co-operative movement between two great Democracies which are working together in many ways to preserve the last free place as a great British Empire.

The Currency Stabilisation Fund Committee, in a Press statement on Saturday, Mr. Fox arrived by the Colony on the 13th of this month and on his way to Chungking.

He said that not only was the United States making every effort to make war materials available to China in quantities sufficient to support China's export-offensive, but that also was being done planning ways and means of getting the materials to China.

Mr. Fox explained that effective aid to the Chinese was being done in three ways, by making war materials available to China, without funds, by the sale of materials and supplies which ordinarily would not be obtainable with funds under the Lend and Lease Act. Export-Import Bank loans enabling China to buy American war materials, and, thirdly, the monetary stabilization fund enabling China to subsidize her currency and make commercial credit available.

Real Interest in China

The United States, he said, was very much interested in China, from the highest Government officials down, and there was no reason why the aid should continue to increase.

The stabilization fund, he said.

Enclosure No. 1 to Dispatch No. 954

dated June 12, 1941, from Consul John H. Fruina, Hong Kong, on the subject: "Arrival in Hong Kong of Mr. A. Manuel Fox, American Member of the Chinese Currency Stabilization Board, and party."

SOUTH CHINA MORNING POST

June 9, 1941.

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Regraded Unclassified

AMERICA AND CHINA

Currency Expert Guest Of Honour at Luncheon

SOLVING PROBLEMS

Mr. A. Manuel Fox, the United States Government's representative in the United States and Hong Kong, Mr. William H. Taylor, alternate member on the Board, Mr. Walter F. Love, President, and Mr. Fox, who arrived in Hong Kong last Friday en route to Shanghai, were honored guests of the American Club yesterday.

Of American members of the club and guests were present at the luncheon, prominent among them being Mr. A. C. Lawrence, Chairman, Mr. J. A. Campbell, President, Representative of the Bank of America, Mr. H. B. Burns, Acting American Consul-General in Hong Kong, Mr. Robert Ward and Mr. J. C. F. Crum, Jr., American Consul, and Mr. Walter W. Hoffmann, American Vice-Consul.

Mr. Fox gave the principal address and said:

"President, Mr. Consul and members of the American Club: I wish to express my sincere thanks for your kind reception and entertainment. May I also take this occasion to extend congratulations and congratulations to our many Chinese and American friends. We were fully aware that we were facing many difficult and complex problems, but we are now confident that these problems have been met in a friendly and cooperative spirit which you have generously shown towards us, and we are extremely grateful.

It is a pleasure to meet you and discuss the problems of our countries.

Mr. Fox went on to discuss the relationship between America and China, emphasizing the importance of maintaining a strong and healthy relationship between the two countries. He noted that the United States and China have a long history of trade and cultural exchange, and that it is important to continue this tradition.

He also discussed the challenges that both countries face, including economic sanctions and tariffs, and emphasized the importance of working together to find solutions.

Mr. Fox concluded his speech by expressing his hope that the relationship between America and China will continue to grow and flourish in the years to come.
CONFIDENTIAL.

Subject: Supplemental Confidential Remarks of Mr. A. Manuel Fox, American Member of the Chinese Currency Stabilization Board, made to American Business Men in Hong Kong on American Financial Policy toward China.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to supplement my despatch No. 934 of June 12, 1941, regarding the sojourn in Hong Kong of the party headed by Mr. A. Manuel Fox, American member of the Chinese currency stabilization board.

Among some of the leading American business men in Hong Kong, Mr. Fox let it be discreetly known that it is his intention to utilize America’s financial strength in favor of China in a cooperative and inoffensive manner as contrasted with the British "mailed fist" attitude in the Orient during the last fifty years. This, in his opinion, is not only the best way to secure China’s effective continuance in its war effort, but also the best way to secure maximum advantage to American business interests in the later period of reconstruction.

Respectfully yours,

John H. Bruins
American Consul

In quintuplicate to the Dept.
Copy to Embassy, Chungking
Copy to Embassy, Peking
500,
JEB:10M
eh:copy
TO

Secretary Morgenthau

FROM

Mr. Cochran

STRICTLY CONFIDENTIAL

Upon drafting the attached letters I telephoned Mr. Fehle. He had asked the Netherlands Legation for any information which they may have on this subject. Up until noon today he has not yet received any new data. He was in touch with the Department of State yesterday before approving the last of the three transfers. The State Department, in turn, had talked with the Dutch Legation. Fehle said that Nessre, Hornbeck, Peis, Hamilton and Hiss (of Dean Acheson’s office) had all agreed to placing no obstacle in the way of this latter transfer. The State Department is considering an instruction by cablegram to its officer in Batavia requesting a report.

Since dictating the above Mr. Fehle has telephoned me, at 12:05. He said that the Commercial Counselor of the Netherlands Legation had called him back to report the receipt of a message from Batavia to the effect that the Javanese authorities considered the transactions under reference as of normal character and that they had no objection thereto. The Netherlands Legation here is communicating further with the Javanese Trade Commissioner in New York on this subject.

Mr. Fehle told me further that the $14,000,000 under reference had been deposited to the credit of the Yokohama Specie Bank with the Guaranty Trust. On June 1 the balance in this account was $5,000,000. The balance today, after the deposit of the $14,000,000, is approximately $14,000,000. There have thus been withdrawals from the account of approximately $5,000,000 since June 1. The principal out-payment, amounting to $1,500,000, was a transfer to the Bank of California to the credit of the Yokohama Specie Bank. The Guaranty said the other $3,500,000 of withdrawals were scattered.

Regarded Uclassified
STRICTLY CONFIDENTIAL

Dear Mr. President:

May I invite your attention to the fact that from June 3 to June 11 there have been consummated three transfers from the Bank of Java's Dollar account at the Federal Reserve Bank of New York to the New York agency of the Teheran Specie Bank, for the account of the latter's Tokyo office. These transactions totaled $2,000,000. The Treasury will continue to observe whether there may be a tendency on the part of the Japanese to withdraw funds from Java.

The foregoing information is being conveyed also to the Secretaries of State, War and Navy.

Sincerely yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

The President,
The White House.

By Messenger

[Handwritten note: 6/12/41]
JUN 12 1941

STRICTLY CONFIDENTIAL

Dear Mr. President:

May I invite your attention to the fact that from June 3 to June 11 there have been consummated three transfers from the Bank of Java's dollar account at the Federal Reserve Bank of New York to the New York agency of the Tsubame Specie Bank, for the account of the latter's Tokyo office. These transactions totaled $114,000,000. The Treasury will continue to observe whether there may be a tendency on the part of the Japanese to withdraw funds from Java.

The foregoing information is being conveyed also to the Secretaries of State, War and Navy.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President.

The White House.

By Messenger

Regraded Unclassified
Sincerely Confidential

Dear Mr. Secretary:

May I invite your attention to the fact that from June 1 to June 11 there have been consummated three transfers from the Bank of Java's dollar account at the Federal Reserve Bank of New York to the New York agency of the Yokohama Specie Bank, for the account of the latter's Tokyo office. These transactions totaled $14,000,000. The Treasury will continue to observe whether there may be a tendency on the part of the Japanese to withdraw funds from Java.

The foregoing information is being conveyed also to the President and the Secretaries of War and Navy.

Sincerely yours,

Secretary of the Treasury.

The Honorable,

Cordell Hull,

Secretary of State.

By Messenger.
SECRET CONFIDENTIAL

JUN 12 1941

Dear Mr. Secretary:

May I invite your attention to the fact that from June 3 to June 11 there have been consummated three transfers from the Bank of Java's dollar account at the Federal Reserve Bank of New York to the New York agency of the Yokohama Specie Bank, for the account of the latter's Tokyo office. These transactions totaled $14,000,000. The Treasury will continue to observe whether there may be a tendency on the part of the Japanese to withdraw funds from Java.

The foregoing information is being conveyed also to the President and the Secretaries of War and Navy.

Sincerely yours,

Secretary of the Treasury.

The Honorable,

Cordell Hull.

Secretary of State.

By Messenger 417
JUN 12 1941

SECRETLY CONFIDENTIAL

Dear Mr. Secretary:

May I invite your attention to the fact that from June 3 to June 11 there have been consummated three transfers from the Bank of Java’s dollar account at the Federal Reserve Bank of New York to the New York agency of the Teikokuma Specie Bank, for the account of the latter’s Tokyo office. These transactions totaled $14,000,000. The Treasury will continue to observe whether there may be a tendency on the part of the Japanese to withdraw funds from Java.

The foregoing information is being conveyed also to the President and the Secretaries of State and Navy.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

Henry L. Stimson,

Secretary of War.

By Messenger

EKG: Leg 6/12/41
SECRET CONFIDENTIAL

JUN 12 1941

Dear Mr. Secretary:

May I invite your attention to the fact that from June 3 to June 11 there have been consummated three transfers from the Bank of Java's dollar account at the Federal Reserve Bank of New York to the New York agency of the Tokohama Specie Bank, for the account of the latter's Tokyo office. These transactions totaled $13,000,000. The Treasury will continue to observe whether there may be a tendency on the part of the Japanese to withdraw funds from Java.

The foregoing information is being conveyed also to the President and the Secretary of State and Navy.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

Henry L. Stimson,

Secretary of War.

By Messenger 4/17

ENG: Sep-6/12/41

Regraded Unclassified
JUN 12 1941

CONFIDENTIAL

Dear Mr. Secretary:

May I invite your attention to the fact that from June 3 to June 11 there have been consummated three transfers from the Bank of Java's dollar account at the Federal Reserve Bank of New York to the New York agency of the Telshem Specie Bank, for the account of the latter's Tokyo office. These transactions totaled $14,000,000. The Treasury will continue to observe whether there may be a tendency on the part of the Japanese to withdraw funds from Java.

The foregoing information is being conveyed also to the President and the Secretaries of State and War.

Sincerely yours,

(Signed) E. Morgenthau, Jr.
Secretary of the Treasury.

The Honorable
Frank Knox.
Secretary of the Navy.

By Messenger.

HMG: 124-6-12/41
SECRET CONFIDENTIAL

Dear Mr. Secretary:

May I invite your attention to the fact that from June 3 to June 11 there have been consummated three transfers from the Bank of Java's dollar account at the Federal Reserve Bank of New York to the New York agency of the Yokohama Specie Bank, for the account of the latter's Tokyo office. These transactions totaled $15,000,000. The Treasury will continue to observe whether there may be a tendency on the part of the Japanese to withdraw funds from Java.

The foregoing information is being conveyed also to the President and the Secretaries of State and War.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

Frank Knox,

Secretary of the Navy.

By Messenger

EHO: Sep-6/12/41
TO: Secretary Morgenthau
FROM: Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

- Sold to commercial concerns: £191,000
- Purchased from commercial concerns: £11,000

Open market sterling was quoted at 4.03-3/4, and there were no reported transactions.

The Canadian dollar again moved off to close at 12-1/8% discount, as against 12% last night.

The Cuban peso, which has been reacting of late from the current high of 5/8% discount reached on June 6, experienced some recovery today. The closing quotation was 1-1/4% discount, as compared with yesterday's 1-1/2%.

In New York, closing quotations for the foreign currencies listed below were as follows:

- Swiss franc: 2321-1/2
- Swedish krona: 2385
- Reichsmark: 4005
- Lira: 0526-1/4
- Argentine peso (free): 2375
- Brazilian milreis (free): 0505
- Mexican peso: 2070

In Shanghai, the yuan was again unchanged at 5-3/8¢. Sterling remained at 3.92.

We purchased $502,000 in gold from the earmarked account of the Central Bank of Peru.

The State Department forwarded a cable to us reporting the following gold shipments from England, for sale to the New York Assay Office:

- $29,000 shipped by Lloyd's and National Provincial Foreign Bank, London, to the Bank of London and South America, New York.

Total: $37,000
In London, a price of 23-3/8d was again fixed for spot and forward silver, equivalent to 42.44¢.

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

We made one purchase of silver amounting to 50,000 ounces under the Silver Purchase Act. This consisted of new production from various foreign countries, and was bought for forward delivery.
PERSONAL AND SECRET. 

June 12th, 1941

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

The Honourable

Henry Morgenthau, Jr.,

Secretary of the Treasury,

Washington, D.C.
Copy of telegram from London dated June 10th, 1941.

1. During the action off Sidoa with French destroyer P.M./9th, Jazis was hit in the boiler room and is being towed into harbour. Isis, Jackal and Hotspur chased French Destroyer into Beirut.

2. During the night raid on Alexandria 7th/8th, 1 Greek merchant ship was set on fire. Damage caused to the town and warehouses. Civil population calm and orderly, evacuation proceeding.

3. British submarine has torpedoed armed merchant cruiser in Benghazi, where 3 merchant vessels were also seen.

4. Coastal command reconnaissance considerably reduced by the weather on the 9th, but during the morning a Beaufort attacked 5,500 ton merchant ship alongside outer mole La Pullice. Six bombs dropped from less than 100 feet. One direct hit claimed on the stern of vessel. Remainder on mole alongside.

5. Syria. On the 8th aircraft co-operating with army and naval forces started large fire in aviation petrol stores at Beirut. Also bombed aerodrome at Damascus, Rayak and Esh Hit. Hangars hit, number of aircraft destroyed or damaged.

6. Night of 8th/9th, Seaborne detachment landed at or near the mouth of River Litani. Heavy fighting reported north of the river. Yesterday our left hand column advancing astride the coast road secured the high ground south of the river and captured 200 prisoners. The bridge across the river reported blown up. Our right hand column has captured Larba, Sheikh Missin, Kunaitra. A Free French force at 15.00/9th was reported 10 miles south of Damascus.

7. Iraq. Baghdad quiet. Friendly relations have been established with the local Iraqi commanders at Ur.

A mobile column has reached the junction of the pipe line on the river Euphrates 130 miles north west of Baghdad. Another left Baghdad on the morning of June 9th for Kirkuk.

8. Libya & Egypt. On the night of 7th/8th June, enemy aircraft dropped bombs at Tobruk without damage. Two aircraft destroyed, one by H.M.A. fire and by Bofors anti-aircraft fire. Ground situation unchanged. One enemy tank immobilised by artillery fire in Al Adem sector.

9. Abyssinia. Our two forces advancing on Gima are some miles west of Omo river. Captures in the area of Omo crossing include 3900 prisoners, 14 guns, 150 lorries and other war material.
SITUATION REPORT

I. Western Theater.

Air: German. Scattered small raids over Great Britain.

British. Normal night operations. Targets included Duisburg, Dusseldorf, Bochum, Cologne and the invasion coast.

II. Mediterranean and African Theaters.

Ground: Libya. German and Italian artillery shelled Tobruk. There has been much patrol activity near Sollum, and south of Halfaya Pass.

Ethiopia. Some fighting near Celga (northwest of Lake Tana), in the Gondar area. The British have captured the port of Assab and Ethiopian forces have occupied the town of Lechami, 170 miles west of Addis Ababa.

Air: No reports of operations.

III. Syria.

No change in the general situation. The R.A.F. raided Beirut heavily.
London, 19th June, 1941

1. **British Air Activity over the Continent.**

   a. **Night of June 10-11.** A total of 102 bombers operated over the continent. The disposition of these was as follows: 20 on Breslau; 20 on Rostock; 20 on Bologne Docks; 20 on Paris. The planes operating over Paris dropped nothing but propaganda leaflets.

   b. **Day of June 11.** British planes operated over North-western Germany and the docks of Ijmuiden. Bombs destroyed a small tender. Fighter patrols operated over the northern coast of France attacking shipping and strafing cargo boats.

   c. **Night of June 10-11.** British Blenheim bombers were active over northern France, Belgium, and Holland. Principal targets were shipping and docks. A 2,000 ton vessel was sunk and another damaged. Attempts were also made to destroy the Prins Eugen which is in Krem. 114 tons of bombs were used but whether any of them scored hits is not known.

2. **German Air Activity over Britain.**

   a. **Night of June 10-11.** German attacks were on a small scale with operations carried out over Lincolnshire, Yorkshire, and the Midlands.

   b. **Night of June 10-11.** The number of German planes involved in operations on this night were 30 long range bombers, 5 reconnaissance planes, and 10 mine layers.

   c. **Day of June 11.** It has been ascertained that the number
of German planes involved in operations on this day was 15 reconnaissance and an equal number of long range bombers.

3. Aircraft Losses, British Theater.
   a. No British losses were reported.
   b. During the British operations on day of June 11, one Heinkel He-115 was destroyed. Also destroyed on the same day were two Messerschmitt Me-109's and another damaged.

4. British Air Activity, Other Theaters.
   a. Egyptian Theater. During the night of June 9-10, planes of the Royal Air Force based in Egypt successfully bombed Bengazi Harbor and the airports at Catania, Maritsa, Calato, Gasala, Martuba, and Derna. During the night of June 10-11, the airports at Aleppo, Palmyra, and the harbor Beirut were bombed. Reconnaissance flights throughout the area of the Middle East were made by British planes.

5. Axis Air Activity, Other Theaters.
   a. Egyptian Theater. Air operations in the Middle East were insignificant.

Distribution:
Secretary of War
State Department
Secretary of Treasury
Chief of Staff
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
Air Corps
G-3

CONFIDENTIAL