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INCOME TAXES
FOR JUNE 1941
AS COMPARED WITH JUNE 1940
BY
FEDERAL RESERVE DISTRICTS

	<u>June 1941</u>	<u>June 1940</u>
BOSTON	\$ 68,443,757.05	\$ 35,185,007.83
NEW YORK	255,585,151.00	141,477,103.26
PHILADELPHIA	88,157,923.80	42,269,912.93
CLEVELAND	99,694,632.66	46,418,346.42
RICHMOND	43,923,305.56	26,012,306.32
ATLANTA	30,419,742.87	17,691,110.25
CHICAGO	207,688,066.06	79,422,474.91
ST. LOUIS	20,327,516.45	12,624,082.50
MINNEAPOLIS	9,447,827.12	5,984,890.65
KANSAS CITY	20,366,915.29	12,709,854.58
MEMPHIS	17,348,032.87	10,143,861.84
SAN FRANCISCO	<u>52,098,845.63</u>	<u>30,068,419.49</u>
TOTAL, FEDERAL RESERVE BANKS . . .	\$ 913,301,716.37	\$ 460,067,370.98
TERRITORY OF HAWAII	* <u>247,617.92</u>	<u>639,417.91</u>
GRAND TOTAL	<u>\$ 913,549,334.29</u>	<u>\$ 460,706,788.89</u>

Report for June 16, 1941 not received. Amount about \$1,000,000 will be received in July 1941.

sub

DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

SUNDAY - JUNE 15, 1941

Time: 7:00 - 8:00 P.M.

Program: Chase & Sanborn Hour
with Charlie McCarthy

Station: WRC

Time: 8:30 - 9:00 P.M.

Program: American Album of Familiar Music

Station: WRC

NOTE: In addition to the above, each of the 868 radio stations in the United States, territories, and possessions are broadcasting five Defense Bonds and Stamps announcements each day.

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS.

June 16, 1941
9:30 a.m.

GROUP MEETING

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

H.M.Jr: Herbert, if we could have that German picture tomorrow night at nine o'clock downstairs.

Gaston: Surely, can do.

H.M.Jr: Anybody who would care to come and bring anybody, I mean their husbands or wives, at nine o'clock tomorrow night. Do you want to show it to - and if you leave your names with Stephens as to who is coming.

If Odegarde is in town, I would like him to see it.

Who has seen it, Herbert?

Gaston: Nobody, as far as I know, except Wiley and Klaus.

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H.M.Jr: Have they seen it?

Gaston: They have seen it, yes.

H.M.Jr: Do you want to ask Captain Kirk from the Navy? Has he seen it?

Gaston: No, he hasn't seen it. I would be glad to ask him.

H.M.Jr: Why not ask Captain Kirk if he cares to bring Mrs. Kirk and General Miles and Mrs. Miles.

Gaston: Right.

H.M.Jr: And anybody from Justice?

Gaston: I just don't know who it would be.

H.M.Jr: I will tell you who you can ask. You can ask the Attorney General. They can all miss it if they want to. Francis Biddle and his Mrs. and J. Edgar Hoover. He has no Mrs.

Foley: He is missing a Mrs. (Laughter)

H.M.Jr: At ten o'clock I am having this meeting on the freezing. Bell is coming and Foley. Are you (Gaston) in on that?

Gaston: Well, we have quite a question with regard to enforcement here. We do have an enforcement group working on the present freezing thing. The Customs Agency Service. We have a group under Irwin May, and we will have rather an important question to decide as to division of responsibility with FBI on the policing of this thing, because with extending this freezing order to these new countries, we get right into the field of work that FBI is doing.

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Bell: I think Herbert ought to be here.

H.M.Jr: I do too. Who else thinks they ought to be in on it?

Cochran: Harry and I are on this committee that has been functioning.

H.M.Jr: All right. That has been functioning?

White: Well, this part of the committee still functions. I suppose you (Cochran) do too, I don't know.

Cochran: In an opposite direction. (Laughter)

H.M.Jr: Don't you know how to answer Harry yet?

Cochran: No, he is too little. (Laughter)

H.M.Jr: Now you are improving. Well anyway, we will hold that. Did you hear about - oh, Acheson will be here.

Foley: He said that he would make every effort to come. He wants to be here. Would you want Delano?

H.M.Jr: No, Bell has got a report from Delano, haven't you?

Bell: Yes.

H.M.Jr: All right, let's go around. What have you got?

Thompson: Ted Wilson is here this morning. I understood you wanted to handle this letter. I told him to be out here right after this meeting.

H.M.Jr: Well, I can't do it then. I will tell you,

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so that I know I can't - we will say two-thirty.

Thompson: All right.

H.M.Jr: What else?

Thompson: That is all.

Bell: I have nothing.

H.M.Jr: Harold, who besides yourself can I talk to with you about this Treasury Hour? I have got a couple of suggestions. I mean, who is there that I can talk to?

Graves: That will be Mr. Callahan.

H.M.Jr: Callahan?

Graves: Yes. Or Mr. Powel, too, if you like.

H.M.Jr: I mean, can I get down to talking with you and Callahan?

Graves: Sure you can.

H.M.Jr: What?

Graves: Yes, sir.

H.M.Jr: All right. Before we go into the other, I will tell you. I have got something I want to suggest. And then if you and Callahan will come back today at three-forty, I would like to see you.

Graves: Three forty?

H.M.Jr: Yes. And Harold, could I have a list by states prepared, let's say through Saturday,

showing the number of factories and employees in each state that have got payroll savings plans?

Graves: It could only be a partial list.

H.M. Jr: Well, let's have it, let me have it, and then I want it once a week from now on. Let me have what they had through Saturday by states. I would like to have that once a week from now on.

Graves: Yes, sir.

H.M. Jr: Now, what is the significance of this? I would like to ask you and Dan. There is a very nice gentleman whose name was, I think, Murphy, and has a small bank in an industrial town, Massachusetts. He came up to talk to me on how he is getting along. The thing he stressed particularly was there is no pressure. Lacking the pressure, the foreign group isn't suspicious and they come in. He says they are getting people that the bankers have never seen before but, and this is what I didn't get the significance of, and he seemed to think because they were foreigners they were doing it this way, that they want the things to come to them through the Federal Reserve rather than through the bank, their bonds.

Bell: It sounds like they are mistrusting the banks.

H.M. Jr: He seemed to be pleased. He said that they want it to come through the Federal Reserve rather than through the banks.

Could the Federal Reserve also hold the thing for them?

Graves: Yes.

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- H.M.Jr: They want the Federal Reserve to hold the bond and want it to come through them. He seemed to be pleased.
- Is it of any significance? He seemed to attach so much significance to it.
- Graves: I imagine it is something entirely local or peculiar to that community. I never heard of anything like that anywhere else.
- Foley: He must have meant that it was significant because it showed a confidence in the Federal Government, in the Treasury, whereas it would have been more ordinary to suppose that they would have confidence in the people that they dealt with every day in the local community.
- Bell: Of course, we are stressing that safe-keeping feature of the Federal Reserve. The banks can't hold them without charging or won't hold them without charging them.
- H.M.Jr: I was interested. In other communities where there is foreign born population, is that something which is general or is this just--
- Graves: Never heard of it anywhere else.
- H.M.Jr: Will you inquire?
- Graves: Yes.
- Sullivan: I think that the ordinary foreigner is much more apt to inquire whether there is Federal insurance of deposits than other people, and I think this is along the same line. I think Ed had it as I have seen it.
- H.M.Jr: Incidentally, Mr. Treadway was there, and he said I was to order you to go to your class reunion this week.

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- Sullivan: Thank you very much. Now I will get a similar order from Doughton, and I am off.
- Graves: We have engaged time tentatively for June 28 for this broadcast by the Vice-President and Speaker and so on. The Vice-President and the Speaker and Congressman McCormack have accepted the invitation to appear on that program at that time.
- Senator Barkley is ill and cannot participate. Senator McNary is not going to be able to participate.
- H.M.Jr: Why?
- Graves: Well, he tried to figure it out and then turned the boys down. There is some other engagement that will conflict. Congressman Martin will not be in Washington at that time. I wondered if you would care to suggest others or do you want me to figure that out with --
- H.M.Jr: I would ask McNary to suggest a substitute and Martin to suggest a substitute and let's see whether it is political or not, you see. Ask Senator McNary, would he please suggest a substitute and Joe Martin the same.
- Graves: Senator Barkley?
- H.M.Jr: No, it is not necessary.
- Bell: Byrnes?
- H.M.Jr: What?
- Bell: Byrnes?
- H.M.Jr: Well, let Barkley's office suggest a substitute.

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Graves: Well, that is what I was going to ask you.

H.M.Jr: Yes.

Graves: Mr. Kuhn left with me Friday an article which he has approved to be published under your name in a magazine called "Future", which is the magazine of the Junior Chamber of Commerce. I would like your permission to put that in.

H.M.Jr: Well, could I read it?

Graves: It is substantially your talk over the radio.

H.M.Jr: Oh, is it?

Graves: Yes.

H.M.Jr: Oh, over the radio.

Graves: Yes.

H.M.Jr: Has Herbert seen it?

Graves: I don't think so.

H.M.Jr: Well, Herbert, just read it. When do you want it back, by noon?

Graves: I would like it today.

H.M.Jr: All right, he will give it to you by lunch time.

Graves: I have this record that you asked me about before you left town.

H.M.Jr: Does that play on any machine?

Graves: I don't know whether it plays on any machine.

Bell: Sure.

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H.M.Jr: Well now, can this play downstairs or not?

Graves: I will find out. I don't know.

H.M.Jr: Will you?

Graves: I think not. I think we would have to have a play-back machine, which we don't have downstairs.

H.M.Jr: It used to be so that the records which you play from broadcasting stations you can not play on your home radio. Is this for the home radio?

Graves: You had better let me have it.

H.M.Jr: Let's leave it this way. If it is a home radio, I will take it home and play it; and if it has got to be played downstairs --

Graves: I will let you know.

H.M.Jr: And how soon can we get a hundred of these? Not a hundred, but twenty-five of them?

Graves: That I will also have to find out.

H.M.Jr: All right, thank you. What else?

Graves: That is all.

Sullivan: Mr. Secretary, Roy and I will have to leave in a few minutes. You asked for some information this morning and he has that for you.

H.M.Jr: Now look, I can't be rushed so. If you have got to go, you go and you will have to leave Roy here, that is all. I just can't work that way, John. I mean, you go on up on the Hill. You will have to wait, that is all. I just cannot be thrown out of my pace. Why can't this fellow get up there fifteen minutes afterward?

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Sullivan: It just happens this morning that they are going right into something.

H.M.Jr: Well, he will have to wait. I am sorry. I just can't - in the midst of one thing and - I just can't work like that, and I don't know anybody else that can, either. I have never yet seen the committee meet on time.

Where was I?

Sullivan: You had just finished with Mr. Graves.

H.M.Jr: All right. I just can't work that way. Harry?

White: I have nothing. Here is a table of the funds of the countries that have just been frozen. It may be of some interest to you. There is some discussion in the papers about retaliation, you know, in Italy, and I am having another table prepared which will give you our assets in those countries. That is all.

H.M.Jr: Chick?

Schwarz: There is quite a bit on freezing.

H.M.Jr: Is there anything in the Friday evening New York papers on my speech?

Schwarz: Saturday evening?

H.M.Jr: Saturday evening, I mean. New York papers.

Schwarz: Yes, New York Post is here.

H.M.Jr: Any of the others?

Schwarz: The Washington Star did on Saturday, also.

H.M.Jr: See the New York papers for me, will you please?

Haas: The "C" engine is only going to China now. I will make a different table to determine how many F's there are. There are fifty-seven there.

Blough: May I talk one minute before I bring the material up?

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H.M.Jr: Sure.

Blough: I looked into the CIO tabulations. Those are not very extensive, and I mean--

H.M.Jr: I just want to say that I can't be left here on an island without somebody to - a tax economist to advise me on something. I have got to have him. Now, I can't just be left high and dry and be rushed every time. I mean, either I have a tax economist, and if Roy can't do it, I mean you - I will have to get somebody else, and I want Roy.
(Laughter)

Sullivan: Well, we will compromise. You have got him.

H.M.Jr: O.K.

Blough: Thank you, Mr. Secretary.

I will start fresh. I looked into the CIO tabulations which you mentioned before on corporate profits, comparative corporate profits.

H.M.Jr: Yes.

Blough: They were very much surprised that the Treasury Department would even deign to recognize the fact that they had done any of that work. What they did was to take some materials out of Moody's and the Wall Street Journal.

The A.F. of L. didn't even do that. They took the National City Bank Bulletin and copied out of it.

Now, I felt that if you were going to issue any materials, we couldn't rely on such things as Moody's and tax estimates built on it. It should come from tax returns. So we went to the actual tax returns. That limited us somewhat because the bigger corporations have not

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yet filed their tax returns. I have here about three hundred fifty corporations in twenty-two industries which have filed their returns this year. I have the tabulations that you asked for plus any additional detail that you would like to have. This sheet shows the net income after Federal income and excess profits taxes.

H.M.Jr: They are all interested. Give them the benefit of what you have got there. Just stand up and say it.

Blough: The summary sheet shows for twenty-two industries the net income after Federal income and excess profits taxes for the average of 1936 to 1939, which is our base period under the excess profits tax, and for 1940. Some of these industries are very poorly represented. The automobile industry, we have six companies, but we don't have the biggest companies like Ford and so on because the returns are not filed. In aircraft we have five companies. In iron and steel, blast furnaces, we have fourteen companies.

Now, the percentages vary from industry to industry, but on the basis of this narrow sample, and I wouldn't put too much confidence in the final results which we might get from a lot of corporations, it shows that the profits increased in 1940 over 1936 to 1939 average by very substantial percentages, that the taxes increased very much more in proportion than the profits did but that in every industry there is still a substantial increase after taxes of the profits left to the companies.

Thus blast furnaces, steel works, and rolling mills, the fourteen companies here reporting, had, after Federal income and excess profits

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taxes, one hundred and five percent more profit in 1940 than they did in the average of 1936 through 1939, while locomotives, manufacture of locomotives, after they paid their Federal taxes in '36, '39, and '40, had only five percent more profit, and thus they vary up and down by industry, and that material I think you mentioned the other day you wanted to have some people getting together and discuss it and decide what to do with it. We are going ahead with other industries but it is available for these.

H.M. Jr: Well now, when can I get an answer, Sullivan and Blough? When do you think I ought to begin to make this public?

Sullivan: Well, this just came in this morning. I haven't had an opportunity to go over it with Roy yet, but perhaps late this afternoon.

H.M. Jr: That would be good, because I want to put you all on notice, I would like - I mean, I am considering very carefully in the not too distant future making a speech on excess profits if I have got something like this to back me up. I think it is called for.

Blough: This material, Mr. Secretary, has reference to one aspect of excess profits, namely, are companies making more now than they made before? It doesn't have any reference to that aspect of excess profit, are they making more in relation to their invested capital than they ought to.

H.M. Jr: Can't you run that simultaneously?

Blough: That side of it is something which you really don't need 1940 for. We have a great deal of material based on other years as showing percentages to invested capital.

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H.M.Jr: Can you run that so that I will have it?

Blough: That is readily available.

H.M.Jr: If I am going to make a speech backing up the Treasury plan on excess profits, I am certainly giving you notice now, begin to get ready for me.

Blough: Yes, we do have that sort of material, Mr. Secretary.

H.M.Jr: Can you begin to throw it together? I don't mean the speech, but the basic facts so that Wahn could take it and do a speech.

Blough: Yes indeed.

H.M.Jr: I don't know whether I will; but, if it is good, I will do it.

Thank you (Sullivan) for waiting. Tomorrow I will try to take you first.

(Sullivan and Blough left the conference.)

Sullivan: Thank you.

H.M.Jr: All right.

Cochran: Jay Crane phoned me Friday afternoon that that German representative whom he was to meet down in Cuba hasn't been able to get away and probably won't get there before the end of the month.

H.M.Jr: You didn't give me the letter.

Cochran: I wrote it the day that you spoke to me, and it is circulating some place.

White: It is on my desk now.

Cochran: I wrote that.

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H.M.Jr: Well, I would like to get it, if you please.

Cochran: And that Kridl matter that you know about, I have got to make a test case out of it over at the State Department.

H.M.Jr: Oh, have you?

Cochran: So it may be a few days before we get any answer.

I think I will give you a copy of the Judge Mack letter, too.

Here is an acknowledgment of Mr. Fox's first cablegram.

H.M.Jr: Oh yes, I will sign that.

Klotz: Gee, that would be wonderful, making a test case of that.

H.M.Jr: That is--

Klotz: The professor. No, Rudinsky.

H.M.Jr: What are you arguing about, Ed?

Foley: Nothing. (Laughter)

H.M.Jr: Who won?

Foley: It isn't settled yet.

H.M.Jr: He was shaking his head.

Hasn't Harry yet told you which way to go?

Foley: We haven't had a conference.

H.M.Jr: What is bothering you?

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- Foley: There is another meeting of the Banking Committee in the Senate on Thursday. Taft is calling two or three--
- H.M.Jr: Next Thursday?
- Foley: This Thursday. He is calling two or three economists and bankers from New York. Apparently nobody from the Federal Reserve Board is going down to testify, and I think that as soon as they have these witnesses of Taft's out of the way, they will be able to report the bill.
- H.M.Jr: Why did they put it off until Thursday?
- Foley: Well, Glass tried to close the hearing after you left, but Taft objected and said, "I wanted to call some people."
- H.M.Jr: Well, we went through that once before. Even if it did expire, there is no harm in it.
- Foley: No, it lapsed for five days two years ago. It wasn't until the fifth of July that the President signed the bill. I don't think anything serious will come of it.
- Bell: We might have to enter into a side agreement with the Chinese.
- Foley: Well, we can have an understanding with them.
- Bell: To reinstate those two agreements. That would be difficult.
- Cochran: The ticker has those hearings for Tuesday. Have they postponed them beyond that?
- Foley: Well, Larry Bernard said Thursday. Now, maybe they have been moved up.

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Schwarz: You know that the Herald Tribune said yesterday that they concede that we will get it.

Foley: That is good.

H.M.Jr: I am listening.

Foley: The President put me on that committee of law examiners.

H.M.Jr: I saw he did.

Foley: They are having the first meeting this morning over at Bill's office at ten o'clock, but I am sending Larry Bernard.

H.M.Jr: Good.
Herbert?

Gaston: I suppose you heard Drew Pearson and Bob Allen yesterday?

H.M.Jr: No, I was in the air.

Gaston: They said that--

H.M.Jr: I was in the air, not up in the air.

Gaston: About Mrs. Helm was on the Defense payroll. It had just come out that she was on the Defense payroll and that the FBI made an investigation of her and the result of it was that the investigation of Defense employees was taken away from the - this ace detective agency and given to the Secret Service.

H.M.Jr: Well, if J. Edgar Hoover gave that to Allen, he would be apologizing for the rest of his life.

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Gaston: The ear-marks of the story were that it came from the Department of Justice was my guess and also Chick's.

H.M.Jr: Well, is Henry Morgenthau, Jr., smart? He has got a letter from the President of the United States ordering him to do it. I wouldn't do it.

Gaston: We are getting a very heavy load of those cases, getting them faster than we are able to clear them up, but the force is being increased and I expect we will make more headway on the investigations.

One of the bottle-necks is we can't get any reports back from FBI at all, so I told them just to note on their reports that after they had waited a reasonable time that they weren't able to get the FBI check and send them on through.

H.M.Jr: What had they done previously?

Gaston: What they are trying to do is to check FBI records to see if there is any appearance of the person on FBI records, and they have an arrangement whereby they send a certain number every week to FBI. FBI agreed to take and pass on a certain number every week, but they haven't made that good.

H.M.Jr: Have you filed a complaint with FBI? Why don't you formally write them a letter? Tell them you think that they ought to, each week, clear what we send them each week?

Gaston: Elmer Irey has been nagging them right along.

H.M.Jr: I think we will go on to the next meeting.

June 16, 1941
10:00 a.m.

RE FREEZING

Present: Mr. Gaston
Mr. Foley
Mr. Acheson
Mr. Bell
Mr. Cochran
Mr. Pehle
Mr. White
Mr. Bernstein
Mr. Klaus
Mr. Stopford

H.M.Jr: I thought you would like to sit in while I get a report on what happened over the week-end.

Acheson: I am delighted.

H.M.Jr: John, if you would give us a report just where we stand.

Pehle: Well, Saturday as soon as the order, the regulations, were signed, we worked throughout the day and got out all the instructions to the various Federal Reserve banks and got out general licenses which were necessary to make the thing work. We worked on the problem of general licenses to be given to the neutral countries and worked through all of this with the State Department on the type of

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assurances that the neutral countries would be asked to give. We also made arrangements through Mr. Delano for the Comptroller of the Currency's office to go into the Italian and Swiss banks in New York and the Italian Bank in Chicago which are operating this morning under general licenses in order to see that they adhere to the provisions of the general licenses, get an inventory of all the assets and segregate the blocked accounts, arrange with the various banks with which such banks have deposits so that a checking arrangement is set up so that nothing can be done that won't be in accordance with the order. The Comptroller had forty-one people that worked Saturday, and he moved twenty-two more in to New York Sunday so there are at least sixty working this morning.

We also worked yesterday, particularly on the problem of individuals who should be blocked under the order, but might not be blocked under the order. The outright German and Italian concerns haven't caused any trouble at this point because they will be blocked by the bank, but the problem has been those organizations that have gone under cover but still we know something about them.

(Mr. Bernstein and Mr. White entered the conference.)

On that two things were done. One, there was an inspired article this morning in the New York times which you may have seen asking for cooperation and vigilance on the part of the banks, indicating that the Treasury was going to go all the way in protecting them.

H.M.Jr:

Here is one in the Tribune by a man who is usually friendly.

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Pehle: Well, this one is the one that was inspired.

H.M.Jr: By whom?

Pehle: By the Treasury.

H.M.Jr: Oh! Then it must be all right.

Pehle: Well this other one is a full part of the problem, what bonds can be circulated, which has been a problem before Saturday.

We also sent out a telegram. It went out about one o'clock this morning over Mr. Foley's signature as Acting Secretary.

H.M.Jr: Where was Foley at one this morning?

Pehle: He signed this telegram.

H.M.Jr: All right. We won't pursue it any further.

Pehle: You might read it.

H.M.Jr: Do you notice how they work together? He signs the telegram.

Pehle: Would you like me to read this, Mr. Secretary?

H.M.Jr: Please.

Pehle: It is to the presidents of all Federal Reserve Banks.

"You are requested to contact as early as possible Monday morning a responsible official or partner in each of the principal banks and brokerage houses in your district and discreetly advise them on the following:

"(1) The successful operation of the Executive Order will require the fullest cooperation,

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resourcefulness and initiative on the part of banks and brokers. Banks and brokers may assume that the Treasury will fully employ its large powers to protect them where they have blocked accounts in good faith.

"(2) In all cases where there is doubt about blocking an account, the doubt should be resolved in favor of blocking. If upon presentation of the facts to the Treasury, it is believed that the accounts should be free, the Treasury can quickly take appropriate action consistent with the interest of the banks or brokers.

"(3) The banks or brokers have large resources of information concerning their accounts and should utilize them full in determining which accounts should be blocked. This would include not only the information in the files but also the knowledge of the brokers and the officers of the banks.

"(4) In making initial decisions about blocking accounts, banks and brokers may refer to relevant published lists of corporations, firms and individuals, such as, Moody's, Poor's, SEC statements on ownership of corporations, the list of specified persons under the British trading with the Enemy Act (commonly known as the Statutory List), etc.

"(5) Blocking of the following classes of accounts should not be overlooked:

(a) Those of the German and American Bund, Italian Fascist Leagues and their officers:

(b) Firms and agents collecting for Ruckwanderer marks and other special marks.

(c) Agents and firms dealing in food shipments to Germany and Italy.

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(d) Accounts used in dealings in securities for German or Italian account.

(e) Accounts through which periodic remittances are made to Germany or Italy for patents, inheritances, dividends, etc.

"(6) During the initial period while the banks and brokers are checking over accounts for purpose of blocking, they should if possible delay executing orders of large and abnormal payments and transfers which appear suspicious in view of all the circumstances. On receipt of such orders, they should immediately get in touch with the Federal Reserve banks or with the Treasury Department, giving all relevant data.

"(7) The Treasury and the Federal Reserve banks will be available to answer any questions which may arise and to assist the banks and brokers in meeting special problems.

"The foregoing information may also be discreetly furnished to others that you may deem appropriate."

H.M.Jr: Has the State Department got a copy of that?

Pehle: We are making copies right now.

Foley: It was read by Dean and approved by him.

H.M.Jr: I mean he ought to have a copy.

Pehle: Here is a copy.

H.M.Jr: And a copy should go over to Jackson.

Pehle: We will get one over right away. In addition, we sent out early this morning to each Federal Reserve bank a list of accounts that were on the

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suspicious group. That list was gotten up principally by information which Klaus had.

In each case the telegram to the Federal Reserve bank said, "Please proceed immediately to obtain a report as to whether the following accounts and the following banks have been blocked and report back by wire within twenty-four hours."

Now, it didn't say to block it, but it said, "We want to know."

H.M.Jr: Have you got that list?

Pehle: Yes, sir.

H.M.Jr: Is there any reason why unofficially we shouldn't give that to Stopford?

Pehle: No, I am sure there is no reason.

H.M.Jr: I will do it.

I mean I am asking Acheson.

Acheson: No, there is no reason.

Foley: Did he help in the preparation of it?

Pehle: He didn't help in the preparation of it, but the British supplied a list.

Foley: He supplied certain information that was helpful in it.

H.M.Jr: But this is a list?

Pehle: Yes, sir.

Bernstein: But only a partial list--

Pehle: It is not a complete list.

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H.M.Jr: What I would like to do, the purpose in bringing him down is to give him something and say I would like him to take this back to his office and check it up and then any omissions, add them. Don't you think so?

Acheson: Yes. The whole list situation is going to be a larger problem than that story.

H.M.Jr: True.

White: He is liable to find that the bulk of those names came from his own list, but I think it should be made clear that there is a much larger list being prepared from our own information.

Pehle: We were working--

H.M.Jr: The whole purpose is, I thought this would cheer them up a little bit. I hear that Noel Hall is very low and we can call him in and show him we are acting. I don't know whether you have heard that, but I hear he is very low.

Acheson: I saw him about three or four days ago.

H.M.Jr: Was he all right?

Acheson: He seemed all right.

Pehle: We were working with Mr. Stopford and his people for five or six hours yesterday and the day before.

H.M.Jr: Was he in contact yesterday?

Pehle: Yes, we have been working with him.

H.M.Jr: Oh!

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Pehle: Over the week-end.

H.M.Jr: Oh, you have?

Pehle: Yes.

H.M.Jr: Oh, fine. Then I can call him in and thank him and tell him that - to continue? Are you going to let him - is he going to see our list?

Pehle: Surely. And he gave us a confidential list, which is right here, of not only the printed black list, the statutory list, the confidential list, but these are American firms that the British have on their list. No copies have been made of those as yet.

H.M.Jr: Well, have these gone out?

Pehle: No, they have not gone out. We are checking those against the lists we sent out.

H.M.Jr: Is this the thing that Sam Klaus helped you on?

Pehle: Oh, this we got directly from the British.

H.M.Jr: But this you do in your own shop?

Pehle: That is right.

H.M.Jr: Let me ask you for a minute on this. Now, take a group when you get these things fixed up alphabetically, does the State Department want a copy of it?

Acheson: Of the total list?

H.M.Jr: Yes.

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Acheson: Yes, I should think we would probably work with you in preparing the list. We have some lists over there of our own which we have already, I think, sent over.

H.M.Jr: Have you? Have you got something from the State Department?

Acheson: You have Greene's list and--

Pehle: Mr. Klaus has. I don't think I have seen it.

H.M.Jr: Why don't we have Klaus in here?

White: Mr. Secretary, in all these technical things, the State Department men are cooperating with effectively.

Foley: Dean has a representative who sits with John.

H.M.Jr: Oh, have you?

Acheson: Yes.

H.M.Jr: That is taken care of?

Foley: We don't have to bother Dean each time, and I would like to say that we couldn't have had better cooperation than we had from Dean over the week-end, and I think that everybody--

H.M.Jr: I expect that.

Foley: did a very fine job.

H.M.Jr: Where is Justice?

Foley: Including John Pehle and Bernie.

H.M.Jr: Where is Justice? Who did they have sitting with you?

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- Bernstein: They had some one over here up to about the time or just after the time the order was signed on Saturday.
- Pehle: That is right and then they left and said they would be available--
- Bernstein: If anything in particular concerned them.
- The FBI was contacted in connection with some of the things that were sent out. Through Klaus, he kept in touch with FBI on names that were sent out.
- H.M.Jr: Well, don't you think, Dean, we ought to have somebody, a formal person from Justice?
- Acheson: Yes, I think that would be a very good idea and also it was the suggestion yesterday that I would be very glad to come over and meet regularly every day now for a while at a definite hour. I think we might get somebody from Justice to come over at the same time and then if Justice had a man over here also with John Pehle as I have and then if some one from Justice would meet here with me every day with anyone that you designate, we could take up the matters which are - our particular people don't want to decide from hour to hour and just finish them off every day.
- (Mr. Klaus entered the conference.)
- H.M.Jr: Dan, how much of this is banks and how much Foreign Funds and all the rest?
- Bell: It is practically all foreign funds. Of course, the banks are involved, but it is all Foreign Funds.
- H.M.Jr: Well, why don't we do it this way? Why don't we have the meeting in Foley's office for a week?

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Acheson: All right.

H.M.Jr: Do you think that is all right.

Bell: It is all right.

H.M.Jr: Every day and you say until we get started you would like to--

Acheson: I said I would come over at three o'clock, I think was the hour.

H.M.Jr: Was that the time?

Acheson: That we thought was most convenient. We thought probably for the first week we might have to do it every day. After that maybe two or three times a week would be enough.

H.M.Jr: Well, now, are you going to meet today?

Acheson: Yes. I am fully available.

H.M.Jr: Sam, let me ask you this. What arrangements have we got with FBI to get suspect lists? That is question number one.

Klaus: Well, they are coming over today ready to confer on the various lists, various names that they have.

H.M.Jr: Who is they?

Klaus: There are two sections working on that in FBI. One section has monitored Foreign Funds and one section engages in investigations of espionage. We work with both of them. The espionage people are worried lest we go after somebody that they want not bothered while they are observing them; and the other people, the Foreign Funds people, have the various bank accounts monitored. That is

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their function. We have all the foreign funds reports that they have made and on the basis of that last night we have sent out a lot of - we got a lot of names.

Pehle: I gave those to the Secretary.

Klaus: Yes. That is not complete by a long-shot.

H.M.Jr: There are two things that we ought to be straight on. One, who will the Attorney General send over to the three o'clock meeting? That will be the first question. And then the second, as I understood it, the Hoover organization really wanted us, recently, last month, to take over the monitoring of the bank accounts. They are tired of it. Is that right?

Klaus: Well, they are perfectly willing to see us do it. So far as the movement of funds is concerned, that is.

So far as following people who have engaged in subversive activity, they will continue to do that on their own.

H.M.Jr: I think there will have to be a line drawn, I mean where we watch it and then from then on--

Pehle: Well, the German-Italian funds are no longer a problem because they are all subject to our own control. They no longer are monitored. They are controlled.

H.M.Jr: What is the problem?

Pehle: Well, I assume that there are Japanese and Latin-American and other things that we haven't gone into, but, I take it, the bulk of that problem will be taken care of.

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Klaus: So far as regular accounts are concerned, but they may have individuals whose accounts they would like to watch.

Foley: I think the answer to the Secretary's question is in finding out accounts that ought to be blocked that aren't blocked.

Klaus: Well, that is another thing.

Pehle: All the help they can give us on that, we want.

Klaus: They have another question. Some of the boys there say that a failure to report would be a crime on the part of anybody who should have reported, and they have a lever then, they will have something to work on to call people in whom otherwise they might not be able to bother because they couldn't find an offense.

H.M.Jr: Well, Ed, I would like a very clean-cut decision and, if I don't get it, I don't want to let it drag out as between Justice and ourselves. If there is any trouble about it, I will get in on it myself, but I think one of the first things we ought to do is have a clean-cut decision where we begin and stop and where they begin and stop.

Gaston: There are two ends.

Foley: That is going to be rather complicated. It isn't going to be easy to work that out.

Gaston: There is the criminal prosecution end, and then there is the investigative end. Probably the most difficult thing will be the investigative end, to get the line of demarcation between the two.

There are the Soviet funds which they are

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monitoring, and there is a question of how far our reporting system will cover what they are getting on the Soviet funds.

- Klaus: Well, the Soviet funds is all in the Chase Bank, and they are covering that.
- Pehle: They are all blocked this morning.
- Gaston: They are? No general license yet?
- Pehle: They are all blocked this morning.
- White: There is a large area left for them to do by virtue of the general license.
- H.M.Jr: Well, Ed, that would be one of the first things I think we could do, and I think Acheson could help us to get that straightened out.
- Acheson: Yes, I think we ought to get up a memorandum on it, and get them and Treasury to initial it and go ahead on that basis.
- H.M.Jr: Let me ask you this. When it gets into the question which I know Jackson was so much interested in, the registration of alien property, how is that going to be done?
- White: That is all taken care of. We are now arranging--
- H.M.Jr: Just a minute. You are not doing it, are you?
- White: Well, that falls in our section.
- H.M.Jr: How?
- White: That is, in cooperation with Pehle's section and Bernstein's section, they are drafting up the census reports on the one hand which will indicate the property which all aliens

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had, all foreigners had, as of two dates. Those will be compiled and there will be comparisons made of the changes within those dates and some conclusions drawn from any changes which are significant.

Bell: You mean outside of these orders, Harry?

White: What is that?

Bell: Outside of these orders?

White: No, that is - included in this order is a requirement that a census be filed of all those properties.

Bell: For those countries?

White: All foreigners, English, Chinese, et cetera. A very large amount. They will have to begin reporting probably within a month, between a month and two months. Those reports will begin coming in and will be compiled.

H.M.Jr: Well, is that done by Pehle's section?

White: No, that section that was set up under your order about a month ago--

Pehle: He has a section that works with our office.

H.M.Jr: Does Justice know about that?

White: They are working on the report, and they also are going to have duplicate reports for their files and they will want information which will be available from various compilations which we will service them in so far as possible.

H.M.Jr: Do they know that?

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White: They are working on it now.

H.M.Jr: Who is "they"?

White: I don't know who "they" is.

Pehle: I think the situation now is that we agree to take the census. It was agreed that the Treasury should do it. We increased in the regulations the number of copies to be filed by one and it was understood with Justice that they are to receive one copy of every report filed.

Now, those reports will not cover aliens who are residing in domicile here and have been for some years at all. They aren't included in the reporting system at all, so it won't get you the report as to assets of aliens resident here and Justice understands that.

H.M.Jr: Well, one thing I would like to--

Acheson: But they want that sometime, John.

Pehle: They say that if there is an alien property custodianship, they will need it.

Acheson: And, therefore, when you get over the first rush, you will have to get all alien property.

H.M.Jr: Well, you mean to administrate it?

Acheson: No, to get a census of it.

H.M.Jr: One thing I would like to make my own position clear. I don't want to in any way compete with Justice when it comes to trailing and investigation of aliens in this country. That is their responsibility. The whole question of espionage, Fifth Columnists and all that. I

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don't want to get in that in any way. I would like you to know that, you see. I mean, that is Justice's responsibility, and we ought to shove that at them. So I mean, don't in any way, Ed, compete with them on the question of tracing aliens in this country. I mean, that is their responsibility and I want to hold them to it. Don't you think I am right?

Acheson: Yes, I think so, and I also understood from your conversation with Hull that Treasury is not concerned with the seizure of foreign property if, as and when, that is done. That is set up in Justice. If they have an alien property custodianship, that will be done by Justice.

H.M.Jr: They want it. They say it is over there and that is entirely agreeable to me. I mean, in other words, if they want to take a factory, if they want to take the XYZ factory and run it the way they did during the war, if they want to do that, why--

Foley: Well, you see, there are two things, Mr. Secretary, and they are the same.

H.M.Jr: How do you mean, they are the same?

Foley: I mean this, that the stuff that we are freezing now and that we are licensing and administering is the very stuff that they seize if we get into war, so that we are talking about the same property when we are talking about alien property custodianship.

H.M.Jr: No, let's take - oh, I don't know, the Agfa Film, which I guess there is no question about whether it is German. If we get in the war and some agency of the Government wants to take the Agfa Film and administer

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it and run it, it will be Justice.

Foley: That is right.

H.M.Jr: And not us, but I take it in the meantime the funds of the Agfa, as they come in and out of this country, are administered by us. Is that a good example?

Foley: That is a good illustration, I think, Mr. Secretary--

H.M.Jr: Is that a good--

Acheson: Yes, but if you got into war and we seized the whole works, then I suppose you would pay over to the alien property custodian the account of this company, and they would go ahead and run it.

H.M.Jr: And I take it the alien property custodian is in Justice?

Acheson: Yes, I think so.

H.M.Jr: As far as I am concerned, it can stay there.

Gaston: There is another point--

H.M.Jr: Ed?

Foley: Yes.

H.M.Jr: Excuse me. Just so we understand each other. I mean, I just want to make it clear, and I am not doing it because Mr. - I am doing it in spite of the fact that Mr. Acheson is here. I will do just as good a job as I can, but if any other department wants a piece of it, they can have it, and I haven't changed. I mean, I want to do just as good a job as we

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know how, but there are certain things we don't want to do. That is, I don't want to run a spy organization. That is FBI's job, and if either State or Justice wants a piece of this and they think that they can do it better, as far as I am concerned, they are welcome to it. I mean, I haven't changed since the order was signed. What?

Acheson: I don't think we want a piece of it.

H.M.Jr: I just want you to know. Just because the order is signed, I haven't changed.

Acheson: I know.

H.M.Jr: I just want you to know. Well, I just think - why doesn't - well, Dan, have you got a report on the banks?

Bell: I think Ed gave you a carbon of it. Here is the original. It shows they have got fifty-nine people in New York working in those various institutions. They also have ten in Chicago in the branch of that bank out there.

H.M.Jr: Are you satisfied with the way it is being done?

Bell: Yes.

H.M.Jr: Have you got any suggestions?

Bell: No. They haven't had any operations. They have just been in there looking the bank over. Of course today will tell whether or not there is going to be any trouble. One group is Chicago and the other is New York.

H.M.Jr: I just think I will have Stopford come in for a minute and thank him and tell him that we need his help. Are you bothered by anything, Herbert?

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- Gaston: Well, there is one serious thing that we have got to thresh out with Justice and that is, there is this overlapping again on this question of investigation as to people who are - maybe evading or accounts which should be blocked and are not being blocked. There has got to be a lot of field investigation done. There will be suspected evasions, suspected violations of the blocking orders, so the vital question is how we are going to divide an authority or responsibility with FBI, whether we try to - my disposition would be to try to give to FBI as much of that as they are willing to take, but we now have, of course, an organization which is investigating the evasions of present blocking orders, and if we are to take over in a similar way investigations in the new field, of the new countries, we would have to enlarge that organization very considerably.
- H.M.Jr: I again say, Herbert, I don't want to do it, but I think if you men can't do it, I will; that you get a clean-cut break, and I have never had any trouble personally with J. Edgar Hoover. I have always got along with him, and I think the thing to do is to make an effort, but just as you say, get him to do as much of it as we can.
- Gaston: Yes, I think we will need somebody maybe in the Criminal Division or higher up in Justice, the Assistant Attorney General, probably plus Hoover, to discuss this whole thing. Don't you think so, Sam?
- Klaus: Yes. Well, I think that FBI won't raise any difficulties. They have been very, very friendly up to now, and we have had no difficulties with them. We can iron this thing out.

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- Gaston: I don't think it is a question of conflict. I think it is a question of trying to decide mutually what is a logical division of responsibility.
- Cochran: I take it you would invite them this afternoon to participate in the three o'clock meeting.
- H.M.Jr: Who?
- Cochran: Justice.
- H.M.Jr: Yes. That is what that call is for that I have just tried to place with the Attorney General.
- Foley: There is a problem of organization, Mr. Secretary, that we will have to take up with you very quickly. We have got to have money and people and space. John Pehle is going to have to enlarge his organization considerably. That is in so far as the licensing is concerned. In so far as any of the other problems that come up are concerned, I will have to have more people for Bernie's shop to do that.
- H.M.Jr: As far as the space is concerned, Alfred E. Smith will take you on a personally conducted tour through the Empire State Building.
- Pehle: Some of the things can be done in New York, for instance, the compilation of some material on these reports can be done in New York.
- White: Then there are those daily reports.
- H.M.Jr: I will get Justice to send somebody over. He will most likely send Shea, won't he?
- Foley: I suppose so. Shea has been working on this thing.

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(Mr. Stopford entered the conference.)

- H.M.Jr: The reason for this meeting is that we have just been going over with the State Department for my education the things that happened over the week-end, and we are very much pleased at the cooperation that you have given us, and I just want to say that we would like more of it, and I understand that the preparations of these lists, that you made a good start on them, and I hope you will feel free to make any suggestions that may occur to you.
- Stopford: I have had a telegram from London, Mr. Secretary, asking me to express to you their great appreciation of your action.
- H.M.Jr: Well, that is the President.
- Stopford: And to say that we are only too glad to cooperate in any possible way we can, and they have given me instructions again to help you.
- H.M.Jr: Well, you have got all your connections here in the Treasury, haven't you?
- Stopford: Certainly.
- H.M.Jr: Any criticisms as far as we have gone on anything? Do you think of anything that we haven't?
- Stopford: I don't think so. I hope that sometime South America may be given consideration.
- H.M.Jr: Do you think that is a serious leak?
- Stopford: I think it is a serious leak.
- H.M.Jr: Have you filed information with us as to what

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is going on?

Stopford: I think we have put in everything that we have.

H.M.Jr: Maybe I can get a special memorandum on that, just for me?

Stopford: Surely.

H.M.Jr: Will you cite some cases to me?

Stopford: Certainly.

Bell: You mean that is a leak through dollars?

Stopford: Yes.

H.M.Jr: What else?

Is that the principal leak now?

Stopford: That is the principal leak I think now. I don't know how far they have gone in the Far East. There has been some leak there, but maybe not so much.

H.M.Jr: Dean, do you want to ask anything?

Acheson: No, I think we should go to work on those problems right away.

H.M.Jr: Well, I just wanted to say hello to you and you give my regards to Professor Hall.

200/10120
Salaries and Expenses
Foreign Exchange Control 1940 and 1941

June 15, 1941

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS:

YOU ARE REQUESTED TO CONTACT AS EARLY AS POSSIBLE MONDAY MORNING A RESPONSIBLE OFFICIAL OR PARTNER IN EACH OF THE PRINCIPAL BANKS AND BROKERAGE HOUSES IN YOUR DISTRICT AND DISCREETLY ADVISE THEM OF THE FOLLOWING:

(1) THE SUCCESSFUL OPERATION OF THE EXECUTIVE ORDER WILL REQUIRE THE FULLEST COOPERATION, RESOURCEFULNESS AND INITIATIVE ON THE PART OF BANKS AND BROKERS. BANKS AND BROKERS MAY ASSUME THAT THE TREASURY WILL FULLY EMPLOY ITS LARGE POWERS TO PROTECT THEM WHERE THEY HAVE BLOCKED ACCOUNTS IN GOOD FAITH.

(2) IN ALL CASES WHERE THERE IS DOUBT ABOUT BLOCKING AN ACCOUNT, THE DOUBT SHOULD BE RESOLVED IN FAVOR OF BLOCKING. IF UPON PRESENTATION OF THE FACTS TO THE TREASURY, IT IS BELIEVED THAT THE ACCOUNT SHOULD BE FREE, THE TREASURY CAN QUICKLY TAKE APPROPRIATE ACTION CONSISTENT WITH THE INTEREST OF THE BANKS OR BROKERS.

(3) THE BANKS OR BROKERS HAVE LARGE RESOURCES OF INFORMATION CONCERNING THEIR ACCOUNTS AND SHOULD UTILIZE THEM FULLY IN DETERMINING WHICH ACCOUNTS SHOULD BE BLOCKED. THIS WOULD INCLUDE NOT ONLY THE INFORMATION IN THE FILES BUT ALSO THE KNOWLEDGE OF THE BROKERS AND THE OFFICERS OF THE BANKS.

(4) IN MAKING INITIAL DECISIONS ABOUT BLOCKING ACCOUNTS, BANKS AND BROKERS MAY REFER TO RELEVANT PUBLISHED LISTS OF CORPORATIONS, FIRMS AND INDIVIDUALS, SUCH AS, MOODY'S, POOR'S, SEC STATEMENTS ON OWNERSHIP OF

- 2 -

CORPORATIONS, THE LIST OF SPECIFIED PERSONS UNDER THE BRITISH TRADING WITH THE ENEMY ACT (COMMONLY KNOWN AS THE STATUTORY LIST), ETC.

(5) BLOCKING OF THE FOLLOWING CLASSES OF ACCOUNTS SHOULD NOT BE OVERLOOKED:

(a) THOSE OF THE GERMAN AND AMERICAN BUND, ITALIAN FASCIST LEAGUES AND THEIR OFFICERS:

(b) FIRMS AND AGENTS COLLECTING FOR RUECKWANDERER MARKS AND OTHER SPECIAL MARKS.

(c) AGENTS AND FIRMS DEALING IN FOOD SHIPMENTS TO GERMANY AND ITALY.

(d) ACCOUNTS USED IN DEALINGS IN SECURITIES FOR GERMAN OR ITALIAN ACCOUNT.

(e) ACCOUNTS THROUGH WHICH PERIODIC REMITTANCES ARE MADE TO GERMANY OR ITALY FOR PATENTS, INHERITANCES, DIVIDENDS, ETC.

(6) DURING THE INITIAL PERIOD WHILE THE BANKS AND BROKERS ARE CHECKING OVER ACCOUNTS FOR PURPOSE OF BLOCKING, THEY SHOULD IF POSSIBLE DELAY EXECUTING ORDERS OF LARGE AND ABNORMAL PAYMENTS AND TRANSFERS WHICH APPEAR SUSPICIOUS IN VIEW OF ALL THE CIRCUMSTANCES. ON RECEIPT OF SUCH ORDERS, THEY SHOULD IMMEDIATELY GET IN TOUCH WITH THE FEDERAL RESERVE BANKS OR WITH THE TREASURY DEPARTMENT, GIVING ALL RELEVANT DATA.

(7) THE TREASURY AND THE FEDERAL RESERVE BANKS WILL BE AVAILABLE TO ANSWER ANY QUESTIONS WHICH MAY ARISE AND TO ASSIST THE BANKS AND BROKERS IN MEETING SPECIAL PROBLEMS.

THE FOREGOING INFORMATION MAY ALSO BE DISCREETLY FURNISHED TO OTHERS THAT YOU MAY DEEM APPROPRIATE.

(Signed)

E. H. Foley, Jr.

June 16, 1941
10:54 a.m.

HMJr: Hello.

Operator: Go ahead.

Francis Biddle: Yes.

HMJr: Francis?

B: Good morning, Henry.

HMJr: How are you?

B: First rate.

HMJr: Francis, at three o'clock today in Foley's office, we are going to have the first meeting on this question of - well, freezing of foreign funds.

B: Yes.

HMJr: To which Dean Acheson is coming and until we get this thing running they are going to meet at 3 o'clock every day.

B: In Ed's office?

HMJr: In Ed's office.

B: Yeah.

HMJr: I'd like a responsible person to come to - there's a number of things that you people might be interested in.

B: Well, Frank Shea?

HMJr: That's all right.

B: Suit you.

- 2 -

HMJr: That's all right.

B: Fine, I'll have Frank Shea there. You don't want me personally, I don't think, do you?

HMJr: Oh, I don't think so. I only want you on this basis. I told our people one of the first things we've got to do is to find out where we start to begin on this investigating act.

B: Yeah.

HMJr: And when it comes to investigating aliens, spies, and subversive stuff, I'm going to insist that you people are going to do it, see?

B: Yeah. That's right. That's fine.

HMJr: Now, in the question of some of the bank accounts, looking after the banks, etc. - within the banks, I think we ought to do it, I don't....

B: I agree.

HMJr: What?

B: I agree entirely. I've talked to Frank about it already. I think you want to do the - it's part of bank work.

HMJr: And when it gets out into the field, I'm going to insist that Justice does it. Now, who we have had - we've had splendid cooperation, they got about 50 people monitoring bank accounts. He's said a couple times he'd like to get out from under that. Well, if he does, this will be a good time.

B: Fine. I'll tell Frank to talk to Hoover about that before he goes over.

- 3 -

HMJr: I want to say, if you don't mind, if you would get a report from Shea yourself because I can't always, this is just for you, quite put my finger on it.

B: Yeah.

HMJr: See?

B: Yes, I understand.

HMJr: And also our position is if we get into war and have to take these factories over, we expect you to do it.

B: Yeah.

HMJr: So that there wont be any trouble with us.

B: Fine, well, that's fine, Henry. I'll check it. You heard we going to pull the Consuls at ll.

HMJr: What?

B: We are going to pull the Consuls at ll, the German Consuls.

HMJr:9 No, I didn't know that.

B: ll o'clock.

HMJr: No, I didn't know that.

B: Okay. Goodbye

HMJr: And, can I say this if I might on the next Attorney General, if there's any question or any doubt that you are going to be it, I'd love

B: I think there is, Henry and it's just possible that you might help me, if you want to.

- 4 -

HMJr: You are my number 1 and only candidate.

B: Well, let me turn it over in my mind, it's a thing that can't be spoken of over the phone and perhaps I'll see you later.

HMJr: Well, I would consider it a privilege, if you let me.

B: Be awfully nice. I'm really touched, I

HMJr: Pardon?

B: I'm touched, I think that's nice of you.

HMJr: No, I consider it a privilege so if there is something, please don't hesitate.

B: Well, all right....

HMJr: You'd be doing me a favor.

B: You're awfully nice.

HMJr: Thank you.

B: Goodbye.

June 16, 1941

MEMORANDUM TO: Under Secretary D. W. Bell

District Chief National Bank Examiner Lyons of New York reports that he has a total of 59 men engaged in carrying out the freezing order in New York City. These 59 men are distributed as follows:

Bank of Naples Trust Company of New York (Main office and five branches)	33 men
Swiss Bank Corporation	10 "
Credit Suisse	9 "
Banca Commerciale Italiana	2 "
Banco di Napoli	1 "
Banco di Roma	1 "
Bank Polska Kasa Opieski	1 "
Credito Italiano	1 "
Prague Credit Bank	1 "

The operation is proceeding smoothly and there have been no incidents. Mr. Lyons says his men are working in close collaboration with the Federal Reserve Bank of New York, the Federal Deposit Insurance Corporation and the State Banking Commissioner.

Delano
Preston Delano

June 16, 1941

MEMORANDUM TO THE UNDER SECRETARY OF THE TREASURY:

Mr. Oberwortmann called from Chicago at 9:00 this morning to say that he had had a crew of eight to ten men at the Banco di Napoli Trust Company of Chicago since Saturday afternoon and that they had just about finished the work of inventorying the assets and were this morning counting the cash preparatory to the bank's opening. Safety deposit vaults are being sealed and will be opened only in the presence of responsible officials of the bank.

The officers of the institution are thoroughly cooperative and pretty well scared. Most of their accounts are savings accounts and the officers of the bank have decided not to permit savings withdrawals except against citizen papers or other adequate proof of citizenship.

Mr. Oberwortmann feels that by evening of today the situation can be taken care of by one examiner and one assistant.

Preston Delano

June 16, 1941

MEMORANDUM TO: Under Secretary D. W. Bell

District Chief National Bank Examiner Obertwortmann reports that he has a total of 10 men engaged in carrying out the freezing order in Chicago. These 10 men are at the branch office of the Banco di Napoli there. Everything is proceeding smoothly and bank officials are very cooperative.

Williams
Preston Delano

Williams
Delano

TREASURY DEPARTMENT

June 16, 1941

LBN

WAG 10 n 332/331 GOVT

CD NEW YORK NY JUNE 16, 1941 1005a

HON. PRESTON DELANO
COMPTROLLER OF THE CURRENCY

IN ACCORDANCE WITH INSTRUCTIONS FROM YOUR OFFICE AND ACTING IN COOPERATION WITH REPRESENTATIVES OF STATE BANKING DEPARTMENT AND FEDERAL DEPOSIT INSURANCE CORPORATION, CROWD OF FORTY EXAMINERS AND ASSISTANT EXAMINERS REPORTED AT OFFICES OF BANCO DI NAPOLI TRUST COMPANY WITH ITS FIVE BRANCHES AND EIGHT FOREIGN AGENCIES LISTED BELOW AT TWO PM. SATURDAY JUNE FOURTEENTH FOR PURPOSE OF INVENTORYING ASSETS AND LIABILITIES AFFECTED BY EXECUTIVE ORDER OF THE PRESIDENT DATED JUNE FOURTEENTH FREEZING FUNDS AND PROPERTIES OF NATIONALS OF EUROPEAN COUNTRIES STOP AGENCIES INVOLVED ARE BANCA COMMERCIALE ITALIANA, BANCO DI NAPOLI, BANCO DI ROMA, BANK POLASKA KASA OPIEKI SPOLKA AKCYJNA, CREDITO ITALIANO, CREDIT SUISSE, PRAGUE CREDIT BANK AND SWISS BANK CORPORATION STOP OFFICES OF AGENCIES NAMED WERE CLOSED PRIOR TO OUR VISITATION AND MEN ASSIGNED TO SUCH AGENCIES WERE THEN ASSIGNED TO ASSIST ON WORK IN TRUST COMPANY STOP WORK CONTINUED ON TRUST COMPANY THROUGH SUNDAY, UTILIZING SERVICES OF FORTY MEN ORIGINALLY AND TWO ADDITIONAL STOP WORK ON TRUST COMPANY CONTINUES TODAY WITH FOURTEEN AT HEAD

- 2 -

16W WAG 10/2

OFFICE AND NINETEEN AT ITS BRANCHES STOP TWENTY SIX MEN WERE ASSIGNED TO AGENCIES NAMED AND THEY STARTED WORK THIS MORNING AT 8:30 STOP APPROPRIATE INSTRUCTIONS HAVE BEEN FURNISHED THE EXAMINERS IN CHARGE OF THE VARIOUS OFFICES SO THAT THE WORK OF INVENTORING THE ASSETS AND POLICING THE TRANSACTIONS AFFECTED BY THE EXECUTIVE ORDER WILL BE EFFICIENTLY HANDLED STOP OUR MEN ARE CONFERRING WITH OFFICIALS OF FEDERAL RESERVE BANK ON ALL POINTS CONCERNING WHICH THEY ARE IN DOUBT AND WE HAVE HAD FULL COOPERATION FROM THAT SOURCE STOP YESTERDAY MORNING WAS SPENT BY ME IN CONFERENCE WITH REPRESENTATIVES OF THE TRUST COMPANY AND THE TWO LARGEST AGENCIES, CREDIT SUISSE AND SWISS BANK CORPORATION, AT OFFICE OF NORMAN DAVIS OF FEDERAL RESERVE BANK AND SUCH CONFERENCES CLEARED UP A GREAT DEAL OF CONFUSION IN THE MINDS OF THOSE REPRESENTATIVES STOP OUR MEN HAVE MET WITH NO RESISTANCE AND APPARENT INTEND TO COOPERATE TO THE FULLEST EXTENT ON THE PART OF OFFICIALS OF THE AGENCIES AND THE TRUST COMPANY

GIBBS LYONS
CHIEF NATIONAL BANK EXAMINER

TREASURY DEPARTMENT

Telegraph Office

1941 Jun 16 AM 11 18

20w

WAG 12 M 34

CD NewYork NY Jun 16 1941 1026a

HON PRESTON DELANO

COMPTROLLER

SUPPLEMENTING TELEGRAM THIS DATE ATTENTION CALLED TO THE FACT
THAT SWISS AMERICAN CORPORATION IS WHOLLY OWNED AFFILIATE OF
CREDIT SUISSE AND EXAMINER IN CHARGE THERE WILL ALSO MAINTAIN
CONTROL OVER SAID SWISS AMERICAN CORPORATION

GIBBS LYONS CHIEF NATIONAL BANK EXAMINER

1116A

56

To: Mr. Foley

From: Mr. Pehle

The Secretary may be interested.

FOREIGN FUNDS CONTROL

MEMORANDUM

June 16, 1941.

Mr. Dent of the Riggs National Bank called at 12:15 P. M.
and gave me the following information:

Account of the German Embassy

Balance on June 7, 1941		\$38,160.81
Debits June 7-14	\$901.07	
Balance on June 14, 1941		37,259.74

Account of the Italian Embassy

Balance on June 7, 1941		603.84
Credits	\$114.00	
Debits	178.04	
Balance on June 14, 1941		539.80

Account of Prince Galeas, Italian
Ambassador

Balance June 7, 1941		79,914.58
Debits June 7-14	\$5,404	
Balance on June 14, 1941		74,510.58

JL 1121

B.L.T.

June 16, 1941.

File

Mr. Cushman

Mr. Lang of the Federal Reserve Bank of New York reported this morning that on Saturday the Manufacturers Trust Company sold 1,045,000 ounces to the Banco di Napoli Trust Company, New York. Payment in Portugal was to be made on June 16. In accordance with the usual practice of the Manufacturers Trust Company, regarding sales of foreign exchange to Italian banks, the payment in dollars for the ounces was made to it on Saturday by the Banco di Napoli Trust Company.

(Init.) H. M. C.

77121 6-17-41

U. S. Assets in Continental European Countries

(Note: The largest item, direct investments, is valued as of four and one-half years ago.)

(In thousands of dollars)

:	United States Short-Term	:	:	:	:	:	:
:	Claims on Foreigners	:	Dollar Bonds	:	Direct Invest-	:	War Debts
:	Second Fed. Res. : Other U. S. as	:	as of 2/	:	ments as of	:	Due
:	Dist. Only 1/ : of May 7, 1941	:	Dec. 31, 1940	:	Dec. 31, 1936	:	United States
:		:		:		:	Total

A. Countries blocked up to June 14, 1941

Norway	545	65	61,500	26,681	88,791	-
Denmark	29	17	80,900	13,778	94,724	-
Netherlands	777	32	-	18,836	19,645	-
Belgium	1,155	29	28,300	34,890	64,374	461,781
Luxembourg	60	-	-	-	60	-
France	2,102	56	8,400	145,683	156,241	4,220,036
Latvia	32	-	-	-	-	8,912)
Estonia	21	-	1,300)	1,701	3,481	21,613)
Lithuania	27	-	400)	-	-	7,980)
Romania	354	-	4,400)	-	-	65,829)
Bulgaria	136	-	4,800)	43,952	53,642	-)
Hungary	7,314	-	37,900	9,306	54,520	2,437
Yugoslavia	46	-	29,400	3,190	32,636	61,856
Greece	1,570	-	14,800	8,508	24,878	34,753
Total	14,168	199	272,100	306,525	592,992	4,885,197

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U. S. Assets in Continental European Countries

(In thousands of dollars)

	United States Short-Term Claims on Foreigners Second Fed. Res. : Other U. S. as Dist. Only	1/ of May 7, 1941	2/ Dec. 31, 1940	3/ Dec. 31, 1936	Total	War Debts Due United States
B. Countries blocked on June 14, 1941						
Germany	20,413	15,060	93,200	227,817	356,490	3,135,366
Italy	1,695	56	73,700	70,181	145,632	2,026,902
Austria	-	-	10,000	5,738	15,738	26,017 ^{3/}
Czechoslovakia	384	-	1,900	4,725	7,009	165,815
Danzig	-	-	1,800	-	1,800	-
Poland	2,780	-	45,400	33,500	81,680	270,465
Albania	1	-	-	-	1	-
Total	25,273	15,116	226,000	341,961	608,350	5,624,565
C. Countries exempted by general licenses						
Switzerland	2,765	38	-	8,634	11,437	-
Sweden	486	174	-	25,493	26,153	-
Spain	5,043	-	-	80,532	85,575	-
Portugal	960	-	-	5,719	6,679	-
U.S.S.R.	2,136	-	9,700	-	11,836	399,929
Finland	1,904	4	6,300	1,643	9,851	8,127
Total	13,294	216	16,000	122,021	151,531	408,056
Total B and C	38,567	15,332	242,000	463,982	759,881	6,032,621
Grand Total	52,735	15,531	514,100	770,507	1,352,873	10,917,818

1/ As of June 4, 1941, for countries with funds also outside N.Y.F.R.B. District; otherwise as of October 11, 1939

2/ From Department of Commerce; Preliminary and Confidential

3/ Due from Germany

June 16, 1941
2:37 p.m.

HMJr:You gave me, you left Japan off.

Harry White: Must be an error.

HMJr: Well, it's just continental European assets.

W: Yeah, we've got a lot of other tables, if they're for your press conference, we can bring them right around, we have them for you.

HMJr: No. It just seems funny that every thing on there is practically worth while except Japan. Tomorrow morning I don't - I'm not going to give them any.....

W: Not going to mention it? Because we've got a lot more and we also got a table ready of what we got, in those countries. I think they're liable to ask you something on that because it was in the press yesterday.

HMJr: Yeah, well, I'm not going to answer it.

W: Okay, we've got the information, if you want it.

HMJr: Now, one thing sort of bothers me. I was talking to Bell this morning about that meeting they had Friday with the English.....

W: Yeah.

HMJr: He said he didn't know, but he thought that you overlooked or forgot the memo that they left with us on April 18.

- 2 -

W: I neither overlooked it, nor did I forget it and I indicated that it didn't have significance to what they were talking about.

HMJr: I see.

W: I'll show you that memo. It was a memo as of their status. The reason why he might have gotten that impression was because they kept referring to this April 18 memo as evidence of certain positions which they took and I said I didn't know about it and didn't - had never seen it and then when they did give me the memo and I did look over it, I remembered that we had seen it and it's incorporated in my material, but it didn't bear out anything that they were saying.

HMJr: Did not?

W: No, something quite different. It did throw light on what they thought their position would be, but what we were concerned with was the status as it looked on March before the Lend-Lease Bill went through. It requires some more explanation but when you are ready to get it, I'll bring the April 18 statement in and show you.

HMJr: Oh, I haven't got time.

W: The one thing I am little concerned about and the one thing I had mentioned to you over the phone was that I was a little troubled that they may be quite disappointed in saying that you are not keeping to the letter of your agreement and they are right in that, Mr. Secretary, they are definitely right in that. Mr. Bell made the point to them that he didn't think they ought to hold you to the letter, but they are right in saying that you had specifically

- 3 -

stated that you were going to give them relief on their commitments and our plan does not do that.

HMJr: I got my statement over here and so I know what I said or didn't say, I don't know whether anybody else said I said I didn't say, but I know what I said.

W: Yeah, well, I thought they had it right, what you said, pretty sure they did.

HMJr: I'll gamble they did too, Okay.

W: Yeah. All right, sir.

June 16, 1941
2:43 p.m.

Harold
Ickes: Hello, Henry.

HMJr: How are you?

I: Pretty good.

HMJr: I hear we are holding a tanker
for you.

I: Yeah.

HMJr: Good.

I: Say, that's the great stuff
if we can get away with that.

HMJr: Yeah.

I: Wont it?

HMJr: Well, it would be wonderful.
That was great stuff, what
they did this morning too.

I: What was that?

HMJr: Well, they gave all the German
Consuls till July 10 to get out
of town.

I: Well, I didn't know that.

HMJr: It was on the ticker, I didn't
know it till.....

I: All of them?

HMJr: All of them.

I: Yeah. Will you tell why are
doing now stuff we, a year ago
saw was inevitable? I thought
we'd never get to jump on any one.

- 2 -

HMJr: Because we aren't much better than a lot of other people that went under in our attitude.

I: That's right.

HMJr: What?

I: That's right. Well, that's good news any now.

HMJr: Yeah. Harold, this Colonel Josiah Wedgewood.....

I: Yeah.

HMJr: You think I can see him?

I: He's an interesting - next to Lloyd George he's the old - he's the longest - in point of service, he's been in Parliament longer than any one else.

HMJr: Well, somebody.....

I: He's a liberal. Well, I tell you he wanted to see you and I had my secretary call yours to say that he would present himself with his card, and of course, if you want to see him, all right, if you don't.....

HMJr: Well, I saw him and shook hands with him, but I didn't have time to sit down.

I: That's all right.

HMJr: But, you think he's interesting.

I: He's - yes - he is interesting. He's going home with me to spend the night tonight.

- 3 -

HMJr: Well, I'll send word to my -
I'll see him tomorrow.

I: He's a delightful old chap.
You know, he's been right on
this thing from the beginning.

HMJr: Has he?

I: Yes, when Jane and I were in London
three years ago, he was one of the
very small minority there that was
against the appeasers. He's a fine
chap.

HMJr: I'll ask him around tomorrow.

I: A real liberal.

HMJr: Thank you, Harold.

I: All right, Henry. Goodbye.

June 16, 1941
2:44 p.m.

Grace
Tully: Mr. Secretary, how are you?

HMJr: I'm fine.

T: That's good. The President wanted me to call you up and tell you that was a grand speech you made at Amherst.

HMJr: Oh, really.

T: Yes, he liked it ever so much.

HMJr: Well, what do you know about that.

T: Yes, sir.

HMJr: Well, that's very nice.

T: He said, "Tell Henry that is grand".

HMJr: Oh, what do you....

T: So I - that was all. I thought we always get complaints, we never get nice things said to us so I'd be sure that you'd hear that. (Laughs)

HMJr: When did he tell you that?

T: What?

HMJr: When did he tell you that?

T: Saturday.

HMJr: Oh, he read it Saturday.

T: Yeah.

HMJr: Oh fine.

T: Right, sir.

HMJr: Thank you.

- 2 -

T: All right, Mr. Secretary.
HMJr: Goodbye.
T: Goodbye.

June 16, 1941

I mentioned to Dean Acheson today my idea that after the war we put our gold to work by buying up all the munitions plants in the world, and then destroying them, and insisting that the gold be used in each country for reconstruction purposes. In this way we would remove the fear of the people for another war, and would also give these countries money with which to start international commerce again. Acheson said he liked the idea.

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Memorandum for the Secretary.

June 16, 1941.

A few representative quotations follow:

Mrs. G. B. Schwartz, Newark, N. J., has banded with a group of women agreeing to give no money to the Red Cross or any other charity while Uncle Sam is playing Santa Claus with the taxpayers' money.

Miss Florence Seward, Flushing, N. Y. "Beg and beseech you to do all in your power to put the clamps on this Mr. Keynes whose own country we have to finance, and who is over here telling us how we should tax our citizens".

Walter Benedict, a salesman of New York City, appeals to every salesman to put his skill to work for national defense. Has determined to solicit a minimum of 100 applications for Defense Bonds, and sends the first 6 from 6 of his customers who responded with patriotic spirit to his suggestion.

W. J. Chown, Buffalo, N. Y., suggests that banks write their depositors and ask the privilege of deducting a certain amount each month to buy Defense Bonds.

Charles H. Crandon, Miami, Florida. "We were all hopeful President's declaration of emergency meant end of strikes, our national machinery on a war basis, ridding the country of subversive elements, embargo on oil to Japan. Had hoped the hour for decisive action was at hand, but still seems to be time of talking and trying to appease everyone. Administration should get down to business." (Two other letters from Miami businessmen voicing much the same point of view. Both of these writers are officers of National Brands, Incorporated.)

Thomas Hind, New York City, has been loyal to his country in this Administration. Believes, however, the Government is not sincere in its desire to prevent Axis from destroying other nations. If President is afraid to send the Navy and Air Forces to help our friends and prevent them from being crushed, citizens will not be anxious to buy bonds. "The Robin Moor was sunk like a sitting pigeon."

As usual, there have been complaints from small buyers who receive notices of exchange of bonds too late to take advantage of the offer. Louis J. Konar, New Haven, Connecticut, states his wife received notice on \$1,000 bond with envelope bearing postmark that was the same date as the closing of the offer. Could not possibly have made exchange. This

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Memorandum for the Secretary.

June 16, 1941.

shows the Government does not care if the small investor is left holding the bag. "If small-fry is not wanted, why all the speeches and radio advertising about Defense Bonds, etc."

There has been an outburst of telegrams and letters protesting joint tax returns for husband and wife. "Penalizing marriage will encourage divorce." * * * * "Why not make this apply to any two people living in the same house, as a sister and brother?" * * * * "Isn't this a definite abrogation of the status of husband and wife as individuals?" etc.

By reference from the White House we have received about 150 telegrams approving Treasury recommendations to cut nondefense appropriations to the bone. The signers say that when this is done, they will be glad to pay more taxes.

J. Forbush

June 17, 1941

Dear Mr. Haslam:

Please accept our sincere thanks for the cooperation you are giving the Treasury Department in the National Defense Savings Program.

The glass bank house, which you are erecting here in Washington, and your further assistance in distributing these banks in your many thousand stations are a worth while contribution to the National Defense Program.

I am sure that your efforts in furthering the sale of Defense Bonds and Stamps will bring tangible results to the Treasury Department.

Sincerely yours,

(Signed) H. Morgenthau, Jr. (?)

Secretary of the Treasury.

Mr. E. T. Haslam
General Sales Manager
Standard Oil Company of
New Jersey
26 Broadway
New York, New York

Mailed from the office of
Mr. Callahan.

VFO/men

This identical letter was sent to:

Secretary of Agriculture 6/16/41

Attorney General

Secretary of Commerce

Secretary of Interior

Secretary of Navy

Secretary of Labor

Postmaster General

Secretary of State

Secretary of War

June 16, 1941

The Honorable,
The Secretary of Agriculture,
Washington, D. C.

My dear Mr. Secretary:

In its campaign for the sale of Defense Savings bonds and Defense Savings stamps, the Treasury is receiving splendid cooperation on the part of employers in all sections of the country. In many branches of industry plans have already been established under which employees are being afforded an opportunity for voluntary and convenient participation in the defense program through the periodic investment of part of their earnings in these bonds and stamps.

As you will readily appreciate, the extension of this movement to include the voluntary participation of employees of the Federal Government would not only enable a vast number of Federal workers to contribute to the Nation's defense program while at the same time investing part of their earnings to meet future needs, but would provide an effective stimulus for even further cooperation on the part of employers generally.

On May 22nd the Treasury Department established a voluntary purchase plan under which its employees are being afforded facilities for their convenient participation in the Government's campaign for the sale of Defense Savings bonds and Defense Savings stamps. Under this program, which is being conducted entirely on a voluntary basis, Treasury employees have been furnished pledge cards upon which they may indicate their intention to purchase regularly, either monthly or semi-monthly, a stated amount of Defense Savings bonds and Defense Savings stamps. To enable employees more conveniently to purchase these bonds and stamps, as well as to stimulate interest in the Government's Defense Savings program through the distribution of literature and other information, group agents have been designated within each bureau of the Treasury, serving under the leadership of a bureau liaison representative.

Procedure has been established under which the funds collected for the purchase of bonds and stamps by employees in the District of Columbia may be deposited by bureau representatives with the Cash Division of the Office of the Treasurer of the United States, which in turn will arrange for the issue and delivery of the bonds or make immediate delivery of the stamps. In field offices, the representatives will arrange locally for the purchase of the bonds and stamps from post

- 2 -

offices, banks or other facilities. An outline of the plan established for the Treasury Department is contained in the accompanying folder, which includes specimen copies of the various orders, instructions, forms, etc.

This campaign will not be a brief one, but will be a continuous, sustained effort, demanding the services of group agents and other workers over an extended period.

The initial report of pledges received and securities actually sold to employees of the Treasury Department in Washington, covering the four working days ending June 4th, shows that of the 19,573 employees of the Treasury Department in Washington, over 13,000, or 68%, had in that brief period signed pledges under which they promised to purchase regular amounts in bonds or stamps each month. This response was very gratifying, particularly in view of the comparatively short time during which the campaign had been under way. Organization of a similar effort in the Treasury field offices has already begun, and the initial reports thereof will be available within the next ten days.

It is my feeling that some such plan should be adopted generally throughout the Federal service. The Department of Agriculture may already have in contemplation a plan for participation by its employees in this Defense Savings effort, in which event the procedure adopted by the Treasury may possibly provide some helpful suggestions; and in this connection, you may be assured that the Treasury will be pleased to assist in every way possible. If your Department should decide to establish some form of employee participation, it will be appreciated if the details thereof could be completed in time to permit the plan to become operative in the District of Columbia on June 30th next.

Supplies of pledge cards, stamp albums and descriptive leaflets will be made available by this Department to field offices as well as to bureaus in the District of Columbia, upon receipt of mailing or delivery instructions. The Treasury procedure is subject, of course, to any modification that may be deemed necessary to meet conditions prevailing in a particular organization. For this reason, it is believed that departments will find it desirable to prepare their own instructions and forms, excepting, of course, the pledge cards.

Mr. R. H. O'Malley of the Defense Savings Staff, Room 423, Washington Building (telephone Treasury 2550), who has been designated liaison officer to handle the coordination of this campaign for the Treasury, will be pleased to furnish any additional information desired by your Department.

Sincerely,

(Signed) H. Morgenthau, Jr.

DEFENSE SAVINGS STAFF
ADVANCE NOTICE RADIO PROGRAMS

MONDAY - JUNE 16, 1941

Time: 9:00 - 9:15 A.M.

Program: Kathleen Norris

Station: WJSV

Time: 10:30 - 10:45 A.M.

Program: Big Sister

Station: WJSV

Time: 10:00 - 10:15 A.M.

Program: Treat Time

Station: WJSV

NOTE: In addition to the above, each of the 868 radio stations in the United States, territories, and possessions are broadcasting five Defense Bonds and Stamps announcements each day.

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS.

PS:HMc

June 16, 1941

PRIVATE - CONFIDENTIAL

Honorable Guy T. Helvering
Mayflower Hotel
Washington, D. C.

My dear Mr. Helvering:

I returned last night from a trip through West Texas, and I think the situation looks a lot better.

I was also in conference last night with some of the real powers-that-be in South Texas, and I know we have a good chance. It is still a big question as to what part the Governor is going to play in this affair. I am not so sure yet we are going to win, but I feel lots better about it than when I talked to you last.

I am going to be on the go the rest of this week after tomorrow, and I will drop you a line again Sunday or Monday.

Assuring you that I am doing everything I can in a discreet manner and hoping for the best, and with kind personal regards and the best of health, I am

Sincerely your friend,

FRANK SCOFIELD
Collector



THE SECRETARY OF THE INTERIOR
WASHINGTON

May 29, 1941.

My dear Mr. President:

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

Sincerely yours,

Harold I. Fisher

Secretary of the Interior.

The President,
The White House.

AMJ

Do what you can!

AMJ

United States Senate

WASHINGTON, D. C.

June 16, 1941.

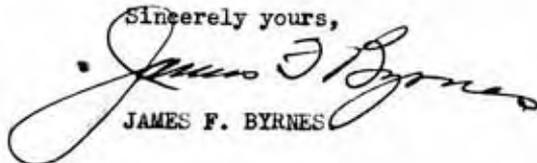
Honorable Henry Morgenthau, Jr.,
Washington, D. C.

Dear Henry:

It was thoughtful of you to write me such a nice letter, and I wish to assure you of my sincere appreciation.

With best wishes, I am

Sincerely yours,

A handwritten signature in cursive script, reading "James F. Byrnes". The signature is written in dark ink and is positioned above the printed name.

JAMES F. BYRNES

June 18, 1941.

My dear Senator:

For Mrs. Morgenthau as well as myself I want to offer sincere congratulations on your appointment to be a Justice of the Supreme Court.

It is an appointment that gives us the greatest satisfaction and pleasure, both because of friendship and because we know the great qualities of ability and capacity for hard work which are certain to earn for you a great career on the court.

You have our heartfelt good wishes as you enter on your new responsibilities.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable James F. Byrnes,
United States Senate.

Copy to Mrs. M.

Treasury Department

82

TELEGRAPH OFFICE

17PO FO DH FRANK

1941 JUN 16 PM 8 33

CG CAMBRIDGE MASS JUNE 16 444P 1941

HON HENRY M MORGENTHAU

WASHNDC

REGRET DELAY BUT CIRCUMSTANCES ARE SUCH AS TO POSTPONE UNTIL
TOMORROW GIVING YOU DEFINITE ANSWER

JAMES M LANDIS

833P

ALLISON SHIPMENTS

STRICTLY CONFIDENTIAL

83

	British				Army				China	Grand
	C	E	F	Total	C	E	F	Total	C	Total
Mar. 2 - 8	6	-	-	6	69	2	-	71	-	77
Mar. 9 - 15	6	-	-	6	72	-	2	74	-	80
Mar. 16 - 22	36	-	-	36	14	1	2	17	-	53
Mar. 23 - 29	87	2	-	89	10	1	3	14	-	103
Mar. 30 - Apr. 5	24	-	-	24	41	1	5	47	-	71
Apr. 6 - 12	60	5	1	66	8	1	3	12	10	88
Apr. 13 - 19	12	2	-	14	-	2	5	7	-	21
Apr. 20 - 26	-	3	3	6	1	-	2	3	10	19
Apr. 27 - May 3	-	-	-	-	-	8	1	9	-	9
May 4 - 10	24	-	-	24	-	7	7	14	-	38
May 11 - 17	53	11	9	73	-	7	13	20	-	93
May 18 - 24	60	13	16	89	-	6	23	29	-	118
May 25 - 31	24	14	14	52	-	5	22	27	-	79
June 1 - 7	12	25	16	53	-	5	23	28	10	91
June 8 - 14	-	23	22	45	-	3	35	38	12	95
TOTAL Mar. 2 - June 14	404	98	81	583	215	49	146	410	42	1,035

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

June 16, 1941

ALLISON DIVISION, GENERAL MOTORS CORP.

Shipments of Airplane Engines

: Actual : Estimated shipments
: shipments : on existing orders

1940

January.....	10
May 24 - June 22.....	28
June 23 - July 20.....	43
July 21 - Aug. 17.....	47
Aug. 18 - Sept. 14.....	140
Sept. 15 - Oct. 12.....	263
Oct. 13 - Nov. 9.....	233
Nov. 10 - Dec. 7.....	154
Dec. 8 - Jan. 4.....	228

1941

January 5 - February 1.....	193	
February 2 - March 1.....	323	
March 2 - 8.....	77	
March 9 - 15.....	80	
March 16 - 22.....	53	
March 23 - 29.....	103	
March 30 - April 5.....	71	
April 6 - 12.....	88	
April 13 - 19.....	21	
April 20 - 26.....	19	
April 27 - May 3.....	9	
May 4 - 10.....	38	
May 11 - 17.....	93	
May 18 - 24.....	118	
May 25 - 31.....	79	
June 1 - 7.....	91	
June 8 - 14.....	95	
June 15 - 30.....		235
July.....		475
August.....		580
September.....		700
October.....		800
November.....		900
December.....		1,000

1942

January.....	1,000
February.....	730

MEMORANDUM

FROM British Supply Council in North America

TO Mrs. Henrietta Klotz

Compliments of E.N. Gray

8/6

STATEMENT NO. 19

AIRCRAFT SHIPPED TO U. K. AND OVERSEAS COMMANDS

	DESTINATION	ASSEMBLY POINT	By Sea During Week Ending May 24, 1941	By Air During week ending June 15, 1941
<u>CONSOLIDATED</u>				
Catalina	U. K.	U. K.	-	4
<u>BEING</u>				
B17	U. K.	U. K.	-	1
<u>HEED</u>				
Hudson V	U. K.	U. K.	-	14
Hudson V	U. K.	U. K.	5	-
<u>OSTER</u>				
Buffalo	F. E.	Singapore	19	-
<u>WISS</u>				
Tomahawk	M. E.	Suez	10	-
<u>IGHT</u>				
Chesapeake	U. K.	U. K.	2	-
<u>GLAS</u>				
Boston III	U. K.	U. K.	5	-
<u>TOTALS</u>			32	19

British Air Commission
June 16, 1941

OFFICE OF
THE SECRETARY OF THE TREASURY

REPROSTAT TO:

White

Foley

Bell

Cochran



TREASURY DEPARTMENT

UNITED STATES COAST GUARD

WASHINGTON 16 June, 1941.

~~SECRET~~

From: Spagent, Hongkong, China.
To: Secretary of the Treasury.

Message from Mr. Fox.

I have been extremely busy interviewing many important people. Some British and Americans here are living in a dead past. I am happy to report that a few have a forward-looking and sympathetic attitude toward China. I am increasingly convinced that a great opportunity prevails here providing reasonable aid can be rendered and sincere assistance given with difficult economic problems. I have already seen evidence that the effectiveness of China's war effort depends on easing economic difficulties. The success of the latter depends on undertaking soon economic studies to be linked in with opportunities presented by intelligent operation of stabilization fund.

Rogers presents a critical, serious problem to the British. I have had a long talk with him. He is crestfallen and broken-hearted over his predicament, at the same time cocky and self-assured. He believes his knowledge could be used and that I could utilize him at this stage. I would be willing to make a try provided safeguards are immediately agreed to in writing.

Had a long talk with Hall Patch who assures me Rogers is available to us irrespective of the outcome of his case. I plan to make such use of his files, reports and information as would seem warranted.

Rogers and the report

I had a long and highly satisfactory talk with Ambassador Clark Kerr, who came from Chungking to Hongkong for a few days to settle the Rogers matter. He agrees that a great opportunity presents for influencing a favorable economic situation and approves my general attitude and approach. He considers Rogers thoroughly bored but capable. He believes an unfortunate delay would ensue to replace Rogers right now. He suggests that Rogers be permitted to join Chinese board for a short period to assist in its immediate organization and that he retire when I return to Washington to report. The suggestion is acceptable to me, but I recommend that if Washington is approached by the British that appointment be temporary on month to month basis in writing if possible and terminate immediately upon any evidence of failure to cooperate completely and that in any case when I find it necessary to return to Washington to report his alternate replace him and his return to board depend upon the record of his performances on new board. I recommend a definite agreement along these lines be made, although obviously such an agreement cannot be made public.

I am leaving for Chungking and my next report will be from

ALL DISPATCHES IN REPLY OR IN REFERENCE TO THIS
DISPATCH MUST BE SENT TO THE CODING BOARD, ROOM 316

COPY FOR: *Mrs. Klatz*

Distributed to: Secretary
Mr. Bell
Mr. Bernstein
Mr. Feis
Mr. Gaston
Mr. Knoke
Mr. Livesey
Mr. Pehle
Mr. Upham
Mr. Young
Mr. White
Mr. Wiley

From: Mr. Cochran

JUN 16 1941

Dear Mr. Fox:

I was happy to learn from your colleague of June 9 sent through the Treasury's representative at Hong Kong that you and your assistants had arrived safely after your long trip. Naturally we were anxious to have this news after learning that a typhoon had interrupted your flight from Manila to Hong Kong.

Your first observations with respect to problems which you are facing have been of much interest to us, and we look forward to having further reports as you look over the ground and become established for operations. In this connection, when utilizing the code facilities of the Department of State, please ask that the sending official of the Department of State commence each message with the following: "Confidential from Fox for Secretary of Treasury". This will be useful in assuring prompt transmission of your messages to the Treasury from the State Department, and should also tend to restrict the circulation of such messages.

Again my best wishes for a happy and profitable stay in China.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable A. Manuel Fox,
c/o American Consul General,
Hong Kong.

RMC:dm:6.12.41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Helsinki, Finland

DATE: June 18, 1941, 4 p.m.

NO.: 192

Many quarters have approached the Legation here asking for a definition of the present and exact position of Finland's dollar funds in America.

It would be appreciated if the Department would inform the Legation immediately as to what extent these funds have been frozen and as to the procedure which should be adopted to clear the pending dollar commitments.

SCHONKFIELD

EA:PAK

TO THE 211 1844
TECHNICAL SERVICE UNIT
JUL 1 1941

1941 JUN 17 10 2 50

1844 JUN 18 1941 RECEIVED

840.51 Frozen Credits/1931

C
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YDEPARTMENT OF STATE
Washington

June 16, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of a note dated June 14, 1941 from the Minister of Finland, regarding the postponement of payments of amounts payable to the United States by the Republic of Finland during the period from January 1, 1941 to December 31, 1942, inclusive, under the agreements dated May 1, 1923, May 23, 1932 and May 1, 1941.

Enclosure:

From Minister of Finland,
June 14, 1941.

Copy:lg 6/16/41

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June 14, 1941.

Excellency,

I have the honor to acknowledge the receipt of Your Excellency's note of June 14th, 1941, regarding the Public Law 110, which has been approved by the President of the United States on June 12, 1941, to authorize the postponement of payments of amounts payable to the United States by the Republic of Finland during the period from January 1, 1941, to December 31, 1942, inclusive, under the agreements dated May 1, 1923, May 23, 1932, and May 1, 1941.

Acting under instructions from my Government, I have the honor to inform Your Excellency that my Government has with deep gratitude noted the above mentioned Public Law, which offers the Government of Finland the opportunity of the postponement of payments specified therein.

Under the many difficulties confronting Finland today, it is most encouraging to my Government to find this new expression of understanding and assistance offered in the Public Law in question.

His Excellency
Cordell Hull
Secretary of State
Department of State
Washington, D.C.

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My Government has also with great satisfaction noted the statement made by the Secretary of Treasury in his letter of May 2, 1941, to which reference was made in Your Excellency's communication of May 16, 1941, and in which the Secretary of Treasury indicated that reconsideration of the entire relief indebtedness could be undertaken with more effectiveness when world conditions become more stable.

The Government of Finland has always honored all her obligations, and it has been the firm desire of Finland to maintain this credit record under all circumstances. In view of the above resolution, however, and considering the heavy strain brought at present upon the country's economy and limited resources, my Government most gratefully accepts the option granted in the Public Law 110 and is ready to enter into an agreement for the postponement of payments provided for therein.

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

HJALMAR J. PROCOPE

Copy:lg 6/16/41

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YPARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, RIO DE JANEIRO.
TO : Secretary of State, Washington.
DATED: June 16, 1941 - 8 p.m.
NO. : 673

There was consummated today the agreement between Great Britain and Brazil for the purchase of a million pounds worth of cotton referred to in recent despatches.

CAFFERY

Copy:bj:6-25-41

TO THE SECRETARY OF STATE
LEGATION OF RIO DE JANEIRO
JUN 16 1941

ON JUN 16 1941
RECEIVED

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CONFIDENTIAL

NO. _____ Embassy, China

NO. 548THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE GENERAL

Shanghai, China, June 16, 1941.

CONFIDENTIAL

SUBJECT: Background Information on Problems of Maintenance of an Exchange Stabilization Fund in Support of the Chinese yuan in the Shanghai Foreign Exchange Market.

THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON

SIR:

I have the honor to refer to the Department's instruction of May 10, 1941, (file no. 893.50/242), received June 5, 1941, conveying the request of the Treasury Department for data on economic and financial subjects, and requesting that this Consulate General in preparing its scheduled reports on these subjects consider and embody therein any additional information available along the lines suggested by the Treasury Department in the list of subjects accompanying its letter of April 28, 1941 to the Secretary of State.

Summary: Regularly submitted weekly, monthly, and annual economic and financial reports, prepared by this Consulate General supply most of the information

- 2 -

requested by the Treasury Department, in addition to which special radiograms and detailed comment in despatches and special reports, as listed herein, give useful background and current comment. This Consulate General will continue this type of reporting giving special consideration and thought, insofar as possible to elaboration of the subjects listed by the Treasury Department in its request.

The regularly scheduled reports which embrace the material desired by the Treasury Department include the weekly financial, weekly economic, and monthly economic radiograms, and the annual review of the trade and economic situation in China, as prepared and transmitted by this Consulate General. These reports contain the factual information and as much interpretation as is publishable covering the range of subjects listed under A and B of the Treasury Department's listing of subjects referred to above, with the exception of item 2 under A - Foreign Exchange Control. The Department's telegraphic instruction No. 54, January 28, 7 p.m., indicated that information concerning the control's operations was to be left out of the comment contained in these messages. Item 2 under B - Gold and Silver shipments - is for the most part kept confidential by the governments concerned. The Hong Kong authorities give the figures to the American Consulate General there but not for publication. The Consulate General at Hong Kong regularly reports them to the Department. Information on movements of specie made by the Chungking authorities is kept confidential, which is to say that seldom if ever is anything published on the subject. Hence very little information of that nature comes to the attention of this Consulate General.

- 3 -

The reporting section of this Consulate General has sent out since January 1, 1941, to June 14, 1941, inclusive, 67 regularly scheduled and special messages on financial subjects in addition to several prepared by the political section with regard to political events in the financial field. Thirty-two weekly economic, special economic, as well as annual and monthly economic reports have been transmitted by Navy Radio since the first of the year, much of the material embracing prices, data on economic conditions as affected by currency, exchange, speculation, et cetera. Special efforts are made to interpret the available trade statistics. Cost of living data are embraced. Reference is made from time to time to stocks of goods on hand, to hoarding of merchandise, and to the trend of the trade under the shifting circumstances of world and Far Eastern political trends. In fact nearly every item mentioned in the Treasury Department's request has had or regularly has coverage in material submitted by this Consulate General.

It is perhaps important to emphasize that in the above-mentioned regularly scheduled reports of this Consulate General, since they have in the past been prepared primarily for the use of the Bureau of Foreign and Domestic Commerce, Department of Commerce, in its various published periodicals, it has been often necessary to leave out statements and interpretation of the causes of events since the causation is frequently found in political aims or as a result of political developments. Thus,

- 4 -

if a more deeply interpretive treatment is to be given the subjects, it would appear necessary to continue to do so in confidential radiograms and despatches additional to the regularly scheduled reports, as Shanghai financial markets generally, including the exchange market, react to the whole gamut of Far Eastern and world political events and designs. These more intimate interpretations have not been neglected but the treatment has necessarily been embraced in special radiograms and confidential despatches submitted in addition to the scheduled reports.

These reports would come under heading C of the Treasury Department's list of subjects upon which special reports on significant developments are requested.

A number of confidential despatches have thus been submitted giving special treatment of significant events or trends in which the Treasury Department is interested. In this connection special reference is made to the following despatches which should serve as useful background in connection with outstanding issues in the currency situation as intimately related to considerations of policy in the matter of operating a system of controls under a stabilization fund:

1. My despatch No. 85 of December 9, 1940, entitled "The Outlook in the Chinese Currency Situation in Light of the Announcement of American Support and in Face of the Progressive Threat to the Security of Shanghai."

- 5 -

2. My confidential despatch of March 6, 1941, to Ambassador Grew at Tokyo, entitled "Grounds for Protest to Japanese Foreign Office, regarding the Establishment of the Central Reserve Bank of China." Five copies of which were sent to the Department.
3. My despatch No. 315 of March 7, 1941, entitled "Reactions in Shanghai Financial Circles to Chungking Announcements that the Central Bank at Chungking Would Resume Trading in Foreign Exchange".

A voluntary report entitled "Fiscal Affairs of the Henking Region" was submitted with confidential comment under date of April 14, 1941.

Since the first of the year subjects closely related to the currency outlook and to other phases of the financial situation have been elaborated in special radiograms embracing confidential comments and information, dates and subjects being as follows:

1. January 6. "The New Central Reserve Bank's Exchange Policy".
2. " " "American bankers views regarding the above."
3. " " "Chinese bankers views regarding the above."
4. " 9 "Conflict of Opinion in Chungking regarding support of the Currency at Shanghai."
5. " 10 "Henking's aspirations for Japanese Cooperation in elimination of military scrip yen in favor of the new Central Reserve Bank notes."
6. " 17 "Chinese bankers views with regard to the freezing of Chinese accounts in the United States."

- 6 -

7. January 21 "Statement with regard to Nanking's financial policy."
8. " 22 "Chinese banks at Shanghai have accepted deposits made by the Central Reserve Bank of the Wang regime."
9. March 24 "Local terrorism, its effects on the exchange market."
10. " 25 "Chinese banks in Shanghai negotiating indirectly with Nanking for a modus vivendi."
11. " 25 "The action of the Control in supporting the Shanghai market rates."
12. " 28 "Chinese bankers views on the Japanese action aimed at lowering the too highly inflated exchange value of the military scrip yen locally."
13. " 29 "The position of local Chinese banks in light of the foregoing action."
14. " 29 "Japanese official statement with regard to the lowering of value of the scrip."
15. April 8 "Chinese bankers views with regard to the release of the staff members of Bank of China arrested and under detention by the Nanking authorities."
16. " 8 "An interpretation of Nanking's action in releasing the arrested employees of Bank of China."
17. " 19 "An official statement of Nanking's financial policy."
18. " 19 "Comments on the foregoing."
19. " 22 "Reactions with regard to the renewed Terrorism."
20. " 25 "Advance information on probable opening date of the Chinese banks closed in the recent terrorism."
21. " 28 "Local reactions to the announcement in Washington regarding working basis agreements with regard to new stabilization funds - American and British."

- 7 -

22. May 29 "Report on reaction of the local exchange market to the President's broadcast speech of May 27."

This Consulate General has trained and experienced personnel which is thoroughly capable of elaborating more extensively the various subjects in much greater detail than has been done in the past. It has not been quite clear up to now that the material submitted was especially desired for use by the Treasury Department. Also, it is pertinent to note that the available personnel has been pressed with numerous duties which have not permitted the degree of concentration on financial subjects which would be possible had a full complement of staff been available for handling general subjects, thus giving those especially qualified for financial reporting work more time for such study and reporting.

A wealth of information over the past seven years has been transmitted in the regular weekly financial radios as prepared by the office of the Commercial Attache and published in FAR EASTERN FINANCIAL NOTES, or in COMMERCE REPORTS or in FOREIGN COMMERCE WEEKLY as published by the Bureau of Foreign and Domestic Commerce, and in special reports. A complete file of this information together with the special reports prepared in that period and a file of the mimeographed monthly trade and economic reports would, if assembled, provide extremely useful reference material for any officer working on the subject of Chinese exchange, finance and economy.

- 8 -

The annual reviews of trade and industry of China prepared in the past several years would be especially useful. A report entitled "A study of China's Financial Situation", prepared by the Assistant Commercial Attache, dated June 5, 1937, contains much useful data on China's outstanding obligations, amortization schedules, currency, bullion holdings, reserves, public debt, balance of payments, and the development of a status for new foreign credits. It brought the subject up to the date of writing which preceded by only a month the outbreak of hostilities between Japan and China. Hence this volume should be useful even at this time as a reference work as so much basic data was therein collated. Another report which should be of value in the Treasury Department's broad interest in the China currency situation was this Consulate General's report entitled "Tariff Data on China", dated September 7, 1940, treating the various currency units and regional Customs procedure in China.

In light of the Department's instruction under acknowledgment, this Consulate General will continue to the best of its ability under prevailing circumstances to continue the scheduled and special reporting above described giving special thought insofar as possible to the subject matter and elaboration desired by the Treasury Department.

Respectfully yours,

Frank P. Lockhart,
American Consul General

ABC:JCB
851/102.1/125.6

In Quintuplicate
Copy to Embassy, Peiping
Copy to Embassy, Chungking
Copy:mew 8/9/41

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 16, 1941

TO *for Miss Chaudrey*
 Secretary Morgenthau
 FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£ 36,000
Purchased from commercial concerns	£103,000

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

Sold to commercial concerns	£ 1,000
Purchased from commercial concerns	£ 10,000

The Canadian dollar improved to a final quotation of 11-1/2% discount, as compared with 11-3/4% on Saturday.

There were no quotations for the Reichsmark and Lira in New York today. At the opening, only nominal quotations were available for the following Continental currencies:

Swiss franc	.2321-1/2
Swedish krona	.2385
Portuguese escudo	.0401
Spanish peseta	.0925
Finnish mark	.0205

The above rates were all unchanged from Saturday. This afternoon, even these nominal quotations were discontinued.

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

Argentine peso (free)	.2375
Brazilian milreis (free)	.0505
Uruguayan peso (free)	.4200
Mexican peso	.2070
Cuban peso	1-1/16% discount

In Shanghai, the yuan was quoted at 5-13/32¢, up 1/32¢. Sterling was 2¢ higher at 3.91-1/2.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$3,357,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

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 purchased 250,000 ounces of silver from the Bank of Canada under our regular monthly agreement. So far this month we have bought 650,000 ounces from that source, as compared with the agreed monthly limit of 1,200,000 ounces.

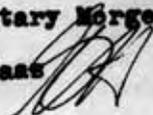


CONFIDENTIAL

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 16, 1941

TO Secretary Morgenthau
FROM Mr. Haas 

A decline of 22,000 persons brought Work Projects Administration employment to 1,442,000 during the week ended June 4, 1941.

Attachments

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Weekly
United States

Week ending 1940-41	Number of Workers (In thousands)
November 6	1,783
November 13	1,786
November 20	1,807
November 27	1,822
December 4	1,832
December 11	1,855
December 18	1,872
December 25	1,878
January 1	1,880
January 8	1,887
January 15	1,894
January 22	1,895
January 29	1,895
February 5	1,892
February 12	1,893
February 19	1,885
February 26	1,867
March 5	1,806
March 12	1,764
March 19	1,736
March 26	1,708
April 2	1,662
April 9	1,634
April 16	1,607
April 23	1,586
April 30	1,560
May 7	1,519
May 14	1,497
May 21	1,474
May 28	1,464
June 4	1,442

Source: Work Projects Administration

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Monthly
United States

	Number of Workers (In thousands)
1938	
July	3,053
August	3,171
September	3,228
October	3,346
November	3,287
December	3,094
1939	
January	2,986
February	3,043
March	2,980
April	2,751
May	2,600
June	2,551
July	2,200
August	1,842
September	1,790
October	1,902
November	2,024
December	2,152
1940	
January	2,266
February	2,324
March	2,288
April	2,092
May	1,926
June	1,665
July	1,701
August	1,691
September	1,704
October	1,779
November	1,821
December	1,878
1941	
January	1,895
February	1,867
March	1,708
April	1,560
May	1,464

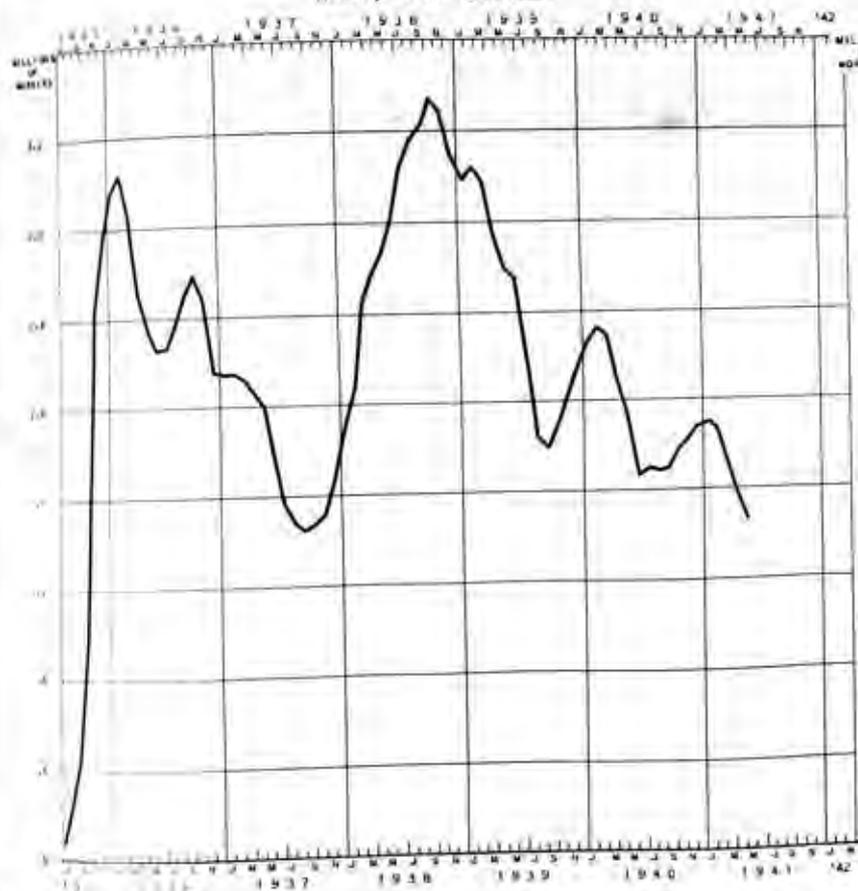
Source: Work Projects Administration

Monthly figures are weekly figures for the latest week of the month

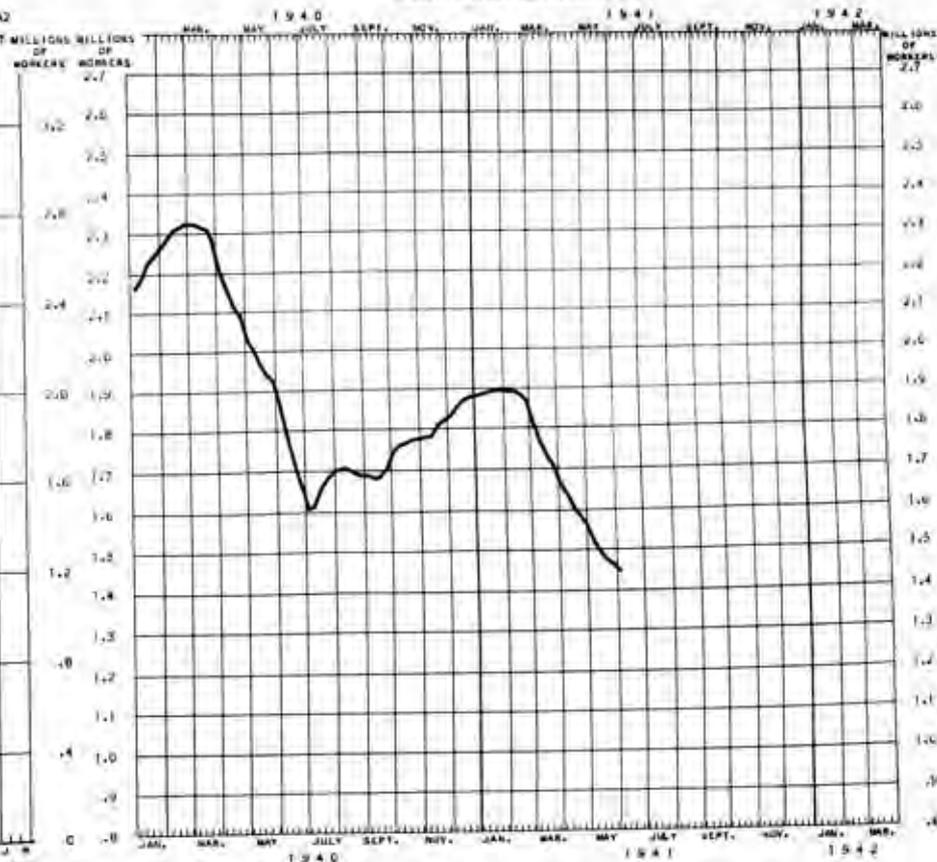
They include certified and noncertified workers.

WORK PROJECTS ADMINISTRATION
Number of Workers Employed
United States

Monthly W.P.A. Employment



Weekly W.P.A. Employment



MINIST WORK PROJECTS ADMINISTRATION

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE June 16, 1941

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending June 14, 1941.

Summary

(1) The Federal Reserve Board index of industrial production, on a seasonally-adjusted basis, rose sharply last month to a new high. The index for May is now estimated at 148 as compared with 140 in April and 143 in March. In August 1939, the index stood at 104.

(2) Bolstered by a large volume of defense work, construction contract awards in May rose to the highest levels since June 1930. Residential contract awards advanced to the highest point since April 1929. Mortgages selected for appraisal by the FHA during the month were only slightly below their recent high.

(3) The NICEB index of the cost of living showed a relatively large increase of 0.5 point in May and reached 83.8 (1926 = 100) as compared with 80.5 in August 1939. The food component increased 1.5 percent in May.

(4) The BLS weekly all-commodity index advanced 2.0 points during May and another 0.7 point in the week ended June 7, when it stood at 85.9 (1926 = 100). This index registered 75.0 in August 1939. Prices of basic commodities rose considerably last week after three weeks of relatively little change, thus renewing their earlier steep advance. Prices of foodstuffs gained a substantial amount while industrial material prices rose more moderately.

(5) Defense needs are cutting into the amount of steel available for normal civilian demand. The OPM has requested 13 steel companies to divert part of their sheet and strip capacity to plate production. A tight supply situation is developing in steel scrap and pig iron.

Industrial production at record high

After declining in April under the impact of the coal strike and other labor troubles, industrial production, on a seasonally-adjusted basis, scored a sharp recovery in May, and rose to the highest figure on record. The FRB index for last month is now estimated at 148 as compared with 140 in April and 143 in March, the previous high. (See Chart 1.) The rise since May of last year, when the index was just beginning to turn upward, now amounts to no less than 33 points or 29 percent. In August 1939 the index stood at 104.

New production records were set last month in the aircraft, shipbuilding, machinery, chemical, and non-ferrous metal industries, while operations in most other industries were sustained at high levels. In view of the continued heavy volume of industrial production thus far this month, some further gain in the FRB index in June appears likely, since a decline in actual output normally occurs at this time of the year.

Construction contract awards higher

Further evidences of rising business activity during May are revealed in increased construction contract awards, heavy retail sales, and spurts in freight carloadings and electric power production.

Swelled by defense construction, which amounted to \$141,000,000, total construction contract awards, as reported by the F. W. Dodge Corporation, rose 35 percent above the previous month to \$549,000,000 — the highest figure since June 1930. During the same period, residential construction contract awards rose 21 percent to the highest point since April 1929. Residential construction continues to be very greatly stimulated by the higher level of consumer incomes, by defense housing activity, and by the liberal credit terms under the FHA program. Mortgages selected for appraisal last month declined only 2 percent from the previous month's record figure.

Department store sales, after allowance for seasonal factors, moved ahead last month and were 19 percent above May 1940, while automobile sales continued to run far above year-earlier levels. Thus, sales of new cars by General Motors dealers in May were no less than 60 percent above the corresponding month of 1940, and dealers' stocks were reduced sharply.

Data available so far this month, on a weekly basis, show no let-down from the high level of activity reported for last month. Automobile production has moved up to a new high for the year and steel operations have been well maintained, while electric power production has shown a further increase and freight carloadings are heavy, although still below last month's peak. In addition, engineering construction contract awards have taken a new upward spurt. At the same time, stock prices have moved up from their recent lows and sensitive commodity prices have reversed the declining tendencies exhibited at the end of May and reached new high ground.

Cost of living advances again

The cost of living index increased in May by the substantial amount of 0.5 point to 83.8 (1926 = 100) as compared with 80.5 in August 1939. (See Chart 2.) The primary reason for the advance in May was a 1.5 percent increase in the cost of food.

From the beginning to the end of the month of May, the BLS all-commodity weekly index increased 2.0 points, to 85.2 (1926 = 100) in the week ended May 31, thus laying the basis for still further increases in the cost of living. In the week ended June 7, the all-commodity index gained another 0.7 point reaching 85.9. (Refer to chart.) In this latest week, the largest increases came in fruits and vegetables which rose by the large amount of 14 percent. Short supplies of potatoes sold at a premium in some markets while the drouth caused prices of fresh vegetables to advance. Other farm products gained 6 percent.

Compared with the corresponding week a year ago, the all-commodity index has gained 11 percent, farm products almost 20 percent, foods and textiles, 16 percent each. Since August 1939, the combined index has gained 15 percent.

Basic commodity prices renew their rise

Prices of basic commodities advanced considerably last week after three weeks of relatively slight changes. (See Chart 2.) The major increases were in food prices but among the industrial materials cotton and print cloth showed noticeable gains. (See Chart 3, upper section.)

Prices of agricultural products are still affected by the repercussions of the 85 percent mandatory loan program.

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In view of the current divergence between movements of farm prices (which are pushing strongly upward) and industrial materials (which are under stringent regulations) a warning by Vice President Wallace last Friday is of special interest. Speaking before State representatives of the AAA, he expressed grave questionings about the feasibility of the 85 percent loans and said he feared it would be necessary, when the war comes to an end, to provide huge appropriations to make up losses the Commodity Credit Corporation will incur as a result of these loans.

The following price changes for individual commodities, in the week ended June 13, may be mentioned separately. (See Chart 3, lower section.)

Wheat: Price averaged higher for the week but showed a declining tendency on report of increase in Government crop estimate to a higher level than the trade expected.

Cottonseed oil, lard and hogs: Spot prices considerably higher; futures prices reached new seasonal highs. An important influence was the increase of 5 cents a bushel for soy beans on the announcement of a Government program to expand production of soy beans for oil and support the price at \$1.00 a bushel for farmers.

Sugar: Spot price advanced. Department of Agriculture announced an increase in quota of nearly 300,000 tons bringing the total to 7,100,000 tons, the highest since the control scheme started in 1934. Because of fear of shipping shortages, importers have already brought into the country a disproportionately large percentage of the current calendar year quota, deliveries for the first five months being at the annual rate of 7,500,000 tons.

Rubber: Decline in both spot and futures prices. A Government monopoly has been mentioned to handle importation and allocation to the industry, and, as a result, trading has been at a minimum. The tonnage allotted for July shipments from the Far East is double the amount for June.

Print cloth: Spot price considerably higher. Sales last week were approximately 200 percent of production. Shortages of special type yarns are foreseen by the trade as a result of the ceiling price on combed cotton yarn. Manufacturers who have been affected are asking new differentials or exemptions. Mill operations in the Southeast are

- 5 -

still hampered by effects of the drouth. Recent rains were not heavy enough to benefit power company reservoirs, which are at the lowest levels in their history.

Zinc: Spot price unchanged since September 1940; futures price unchanged since early March. Last week zinc was placed under full mandatory control by OPM Priorities Division, effective July 1. The order provides that all defense needs will be filled ahead of other requirements and that an emergency pool will be created to meet urgent needs. Until this time, zinc has been subject to only partial control through a production pool.

Hides: Price unchanged. OPACB set ceiling prices on all purchases of hides, kip, and calf skins, including futures transactions, effective today. The order establishes 15 cents a pound as the maximum for hides, leaving to the market the adjustment of quality and seasonal differentials.

Steel distribution dominated by defense needs

Increasing allocation of early deliveries of steel to defense purposes is cutting more and more into the amount of steel available for normal civilian use. Thus, recently 469,000 tons of plates and shapes were allocated for ship construction. During the past week 13 steel producers were advised by the OPM to cut down on the production of sheets and strip for non-defense purposes and to divert the facilities thus made available to the production of plates.

At the beginning of last week, an order was issued by the Administrator of Civilian Supply giving freight car builders preference on steel available after military and other Government needs are met. These and other developments of a similar nature foreshadow increasing difficulty in meeting the normal commercial requirements of steel consumers. The allocation of steel among competing civilian consumers after military needs are satisfied will be carried out under the supervision of Price Administrator Henderson.

Growing scarcity of scrap and pig iron

According to the Iron Age there is a growing shortage of steel scrap which threatens to complicate the steel supply situation. It is reported that one eastern mill may have to curtail open hearth operations if supplies of scrap do not increase. The same source also reports a growing shortage

- 6 -

of pig iron despite the fact that more furnaces were in blast on June 1 than at any time since June 1, 1929.

After declining rather sharply in the last week in May, new orders booked by the U. S. Steel Corporation in the first week in June rose 24 percent to 153 percent of capacity. Steel operations during the past week declined slightly to 98.6 percent of capacity from 99.2 percent in the previous week. During the current week, operations are scheduled at 99.0 percent of capacity.

New orders higher

Our index of new orders increased to 204.8 in the week ended June 7, an increase of 30.6 points, which contrasts with a substantial decline in the preceding week. Steel and textile new orders advanced considerably while the total excluding steel and textiles was fractionally higher. (See Chart 4.)

Sharp increase in volume of export freight

A sharp increase in the volume of freight exported from New York in the week ended June 7 carried the total to 7,534 cars compared with the low level of 4,369 cars in the preceding holiday week. (See Chart 5, upper section.) According to a Journal of Commerce report dated June 7, a large shipment of lard and other foodstuffs was en route to the Atlantic seaboard for shipment to Britain before June 10, a shipment said to total 246 cars.

Even though a part of the total exported, according to figures reported to us, may be offset by the low level in the preceding week, when freight was piling up awaiting export because of the holiday, the gain is still substantial. In the week ended June 7, receipts of freight for export in New York were 7,146 (see Chart 5, lower section), another substantial gain, more than compensating for the relatively low level in the preceding holiday week. Since receipts for export were less than actual exports, a part of the shipments came from storage, as can be seen on Chart 6. Lighterage freight in storage and on hand for unloading declined 431 cars to 12,289 cars in the week ended June 7.

Weekly business indexes

After advancing for six weeks, the New York Times index of business activity during the week ended June 7 declined

- 7 -

1.3 to 128.0. The decline was due largely to a sharp reversal in the previous week's jump in the adjusted index of paperboard production. The recent erratic movement of this component of the combined index appears to have been due, in part at least, to undue allowance for the effects of the Memorial Day holiday.

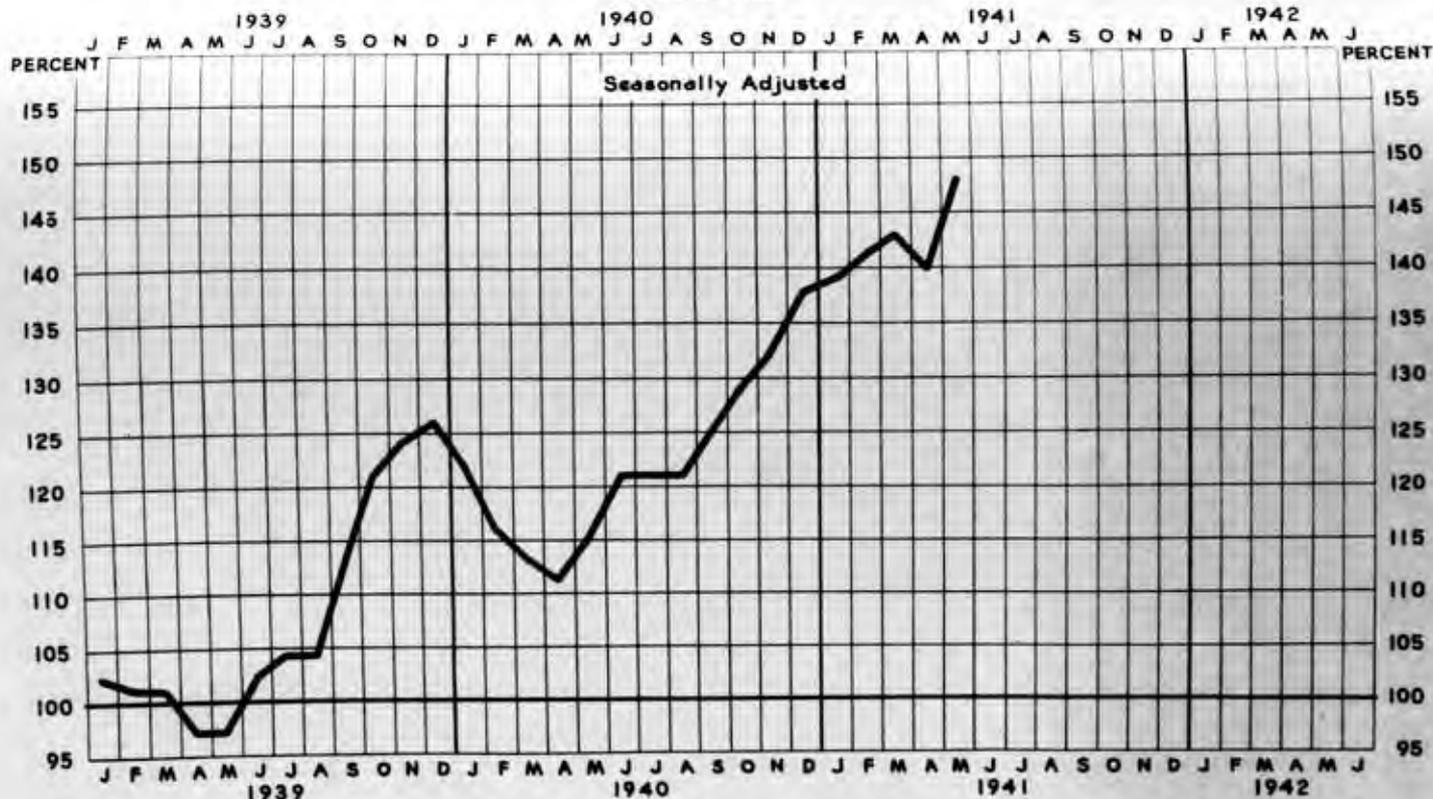
In addition to the decline in the paperboard index, freight carloadings showed somewhat less than the usual recovery from the previous holiday week and the adjusted index of cotton mill activity declined moderately. On the other hand, all the remaining components of the index scored good gains.

Barron's index of business activity for the week ended June 7 failed to confirm the decline in the Times index and remained unchanged from the previous week at 134.6.

Preliminary data for the week ended June 14 reveal a less than seasonal decrease in steel ingot production and a contra-seasonal rise in automobile output to a new high for the year. Automobile production for the week totaled nearly 135,000 units -- a gain of 1,000 over the previous week and 41,000 over the corresponding week in 1940.

FEDERAL RESERVE BOARD INDEX OF INDUSTRIAL PRODUCTION

1935-39=100



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

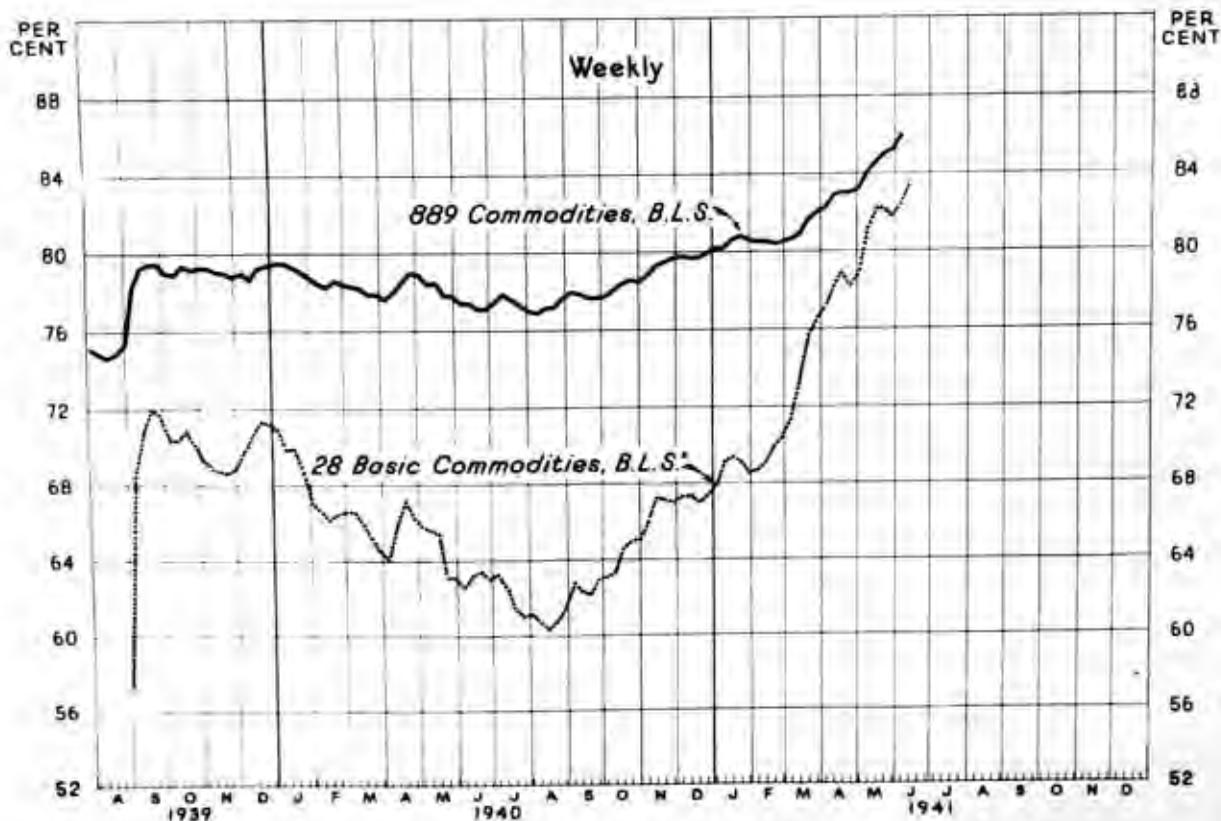
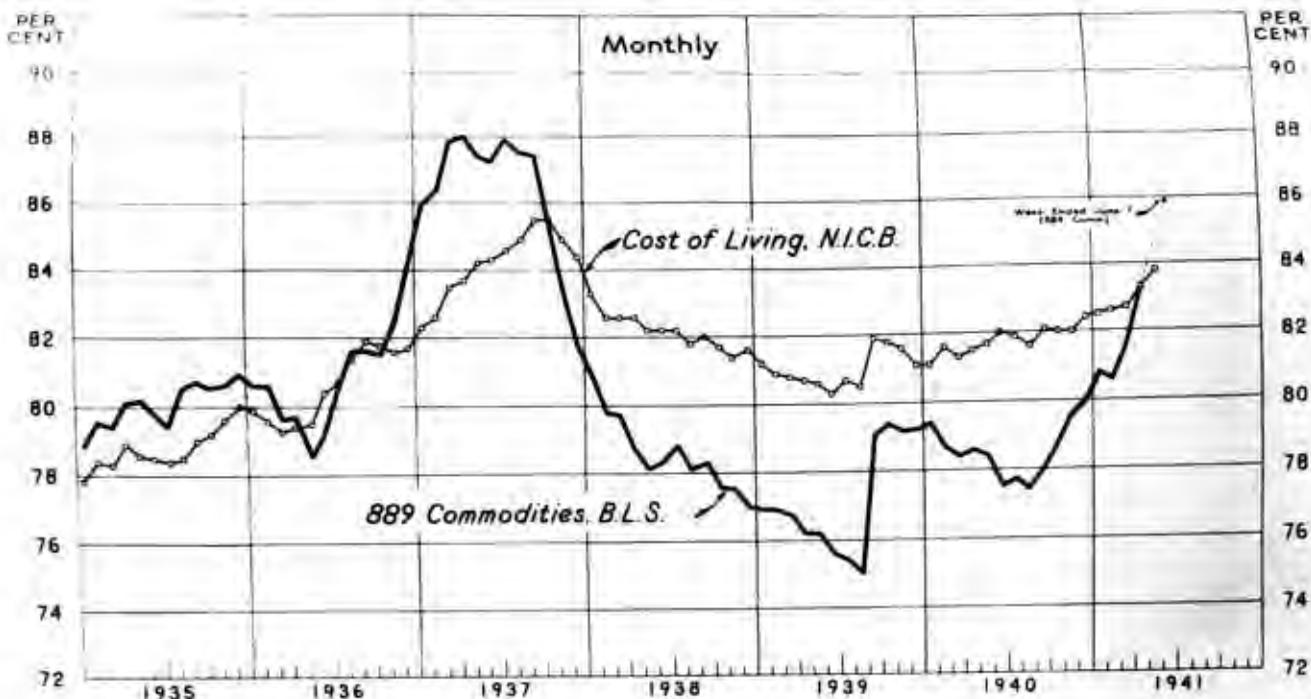
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Chart 1

COMMODITY PRICES AND COST OF LIVING

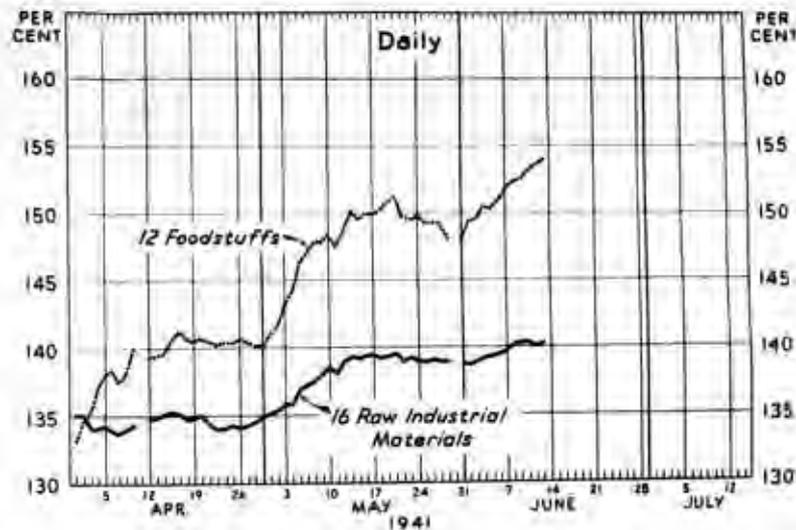
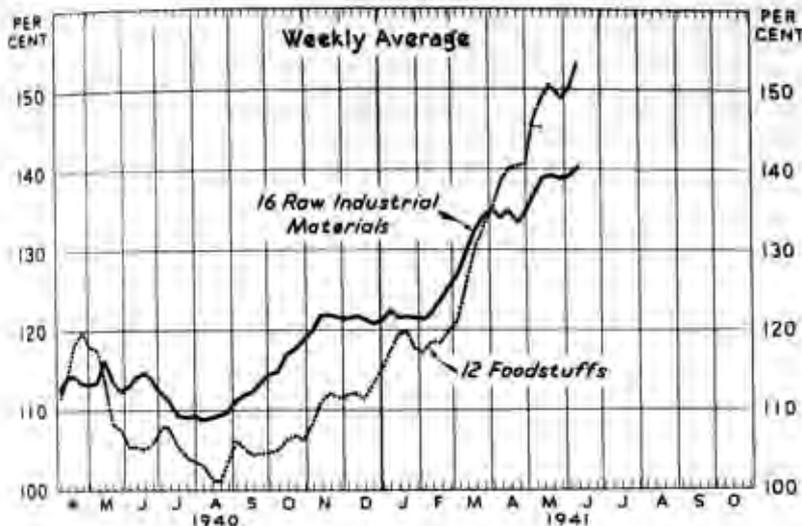
1926 = 100



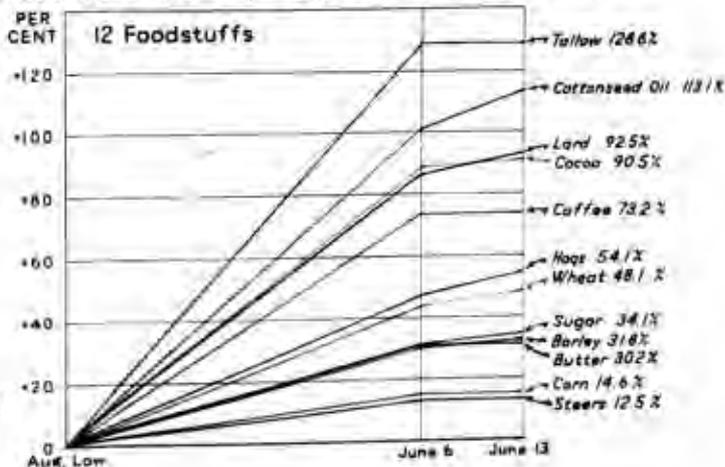
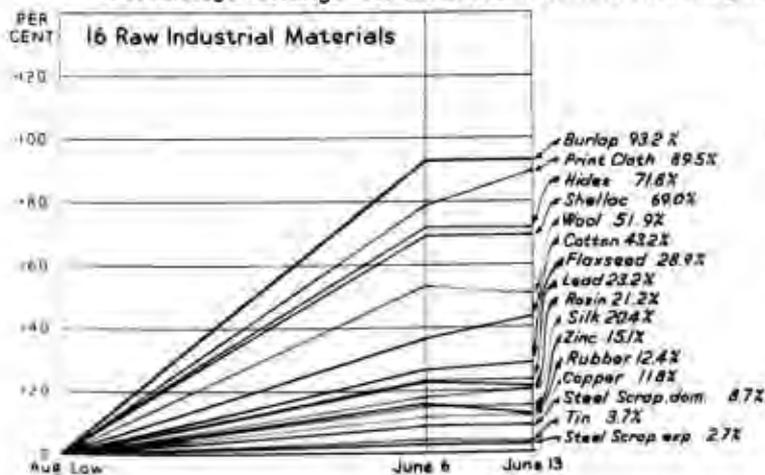
*30 Commodities Prior to January 1940

MOVEMENT OF BASIC COMMODITY PRICES

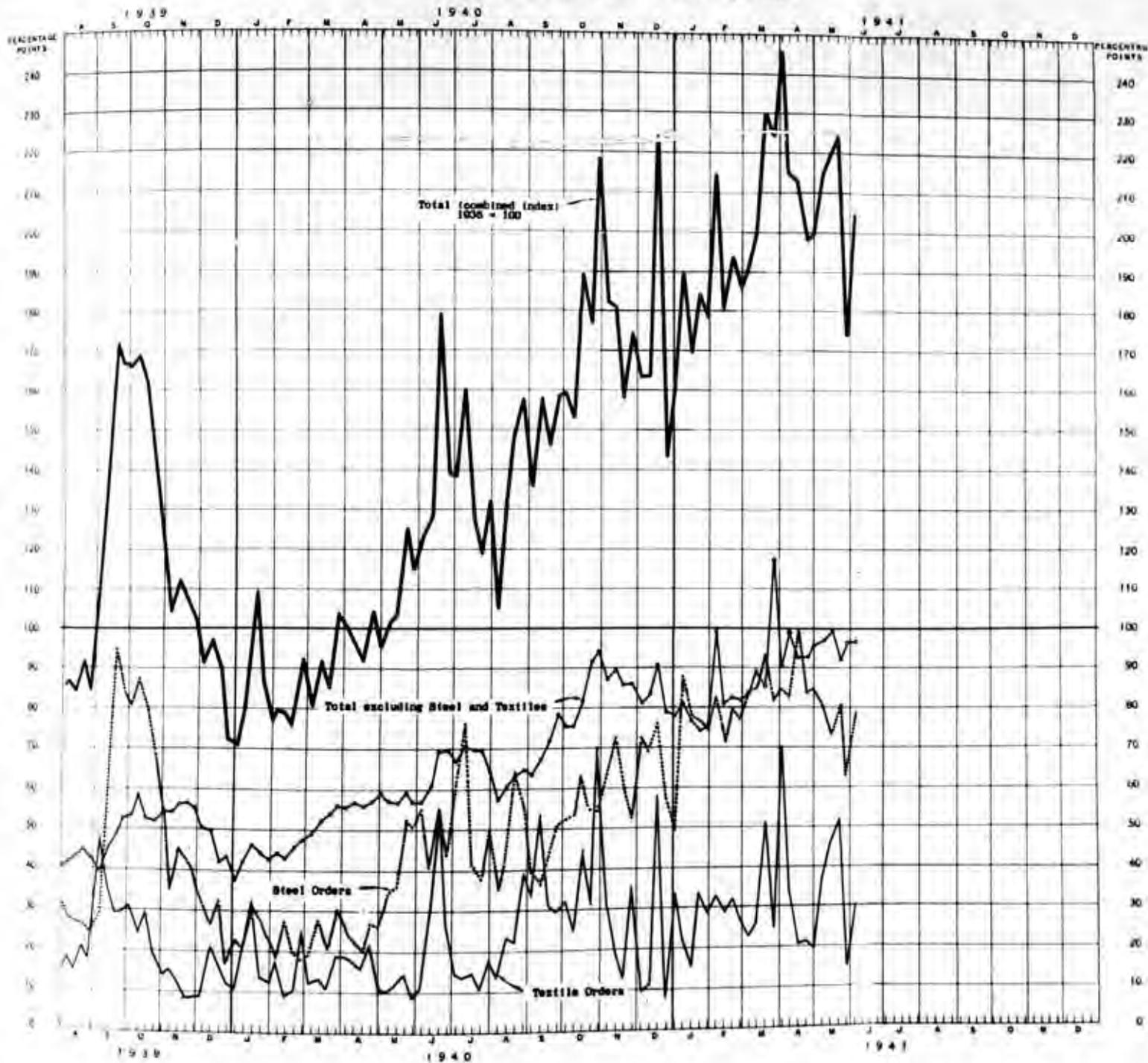
AUGUST 1939 = 100



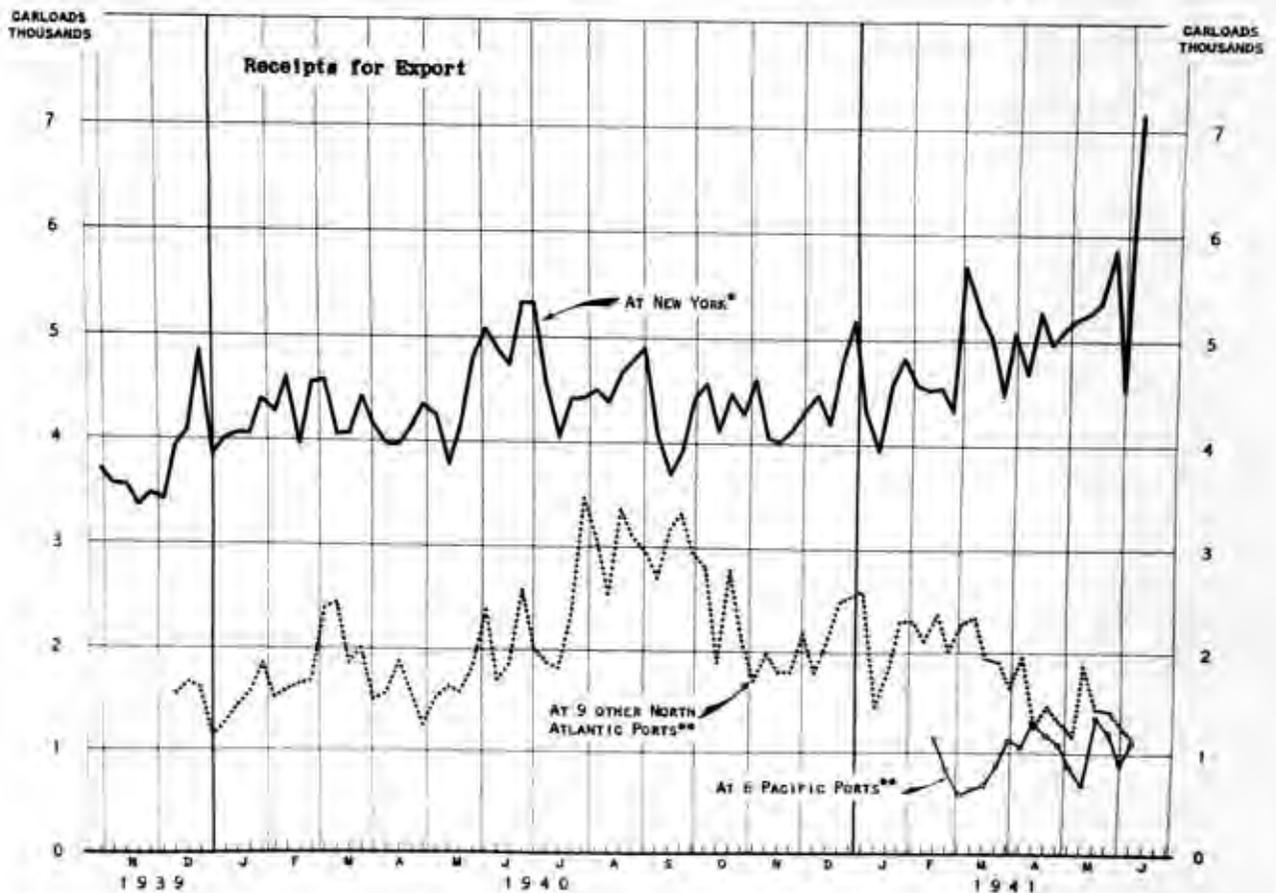
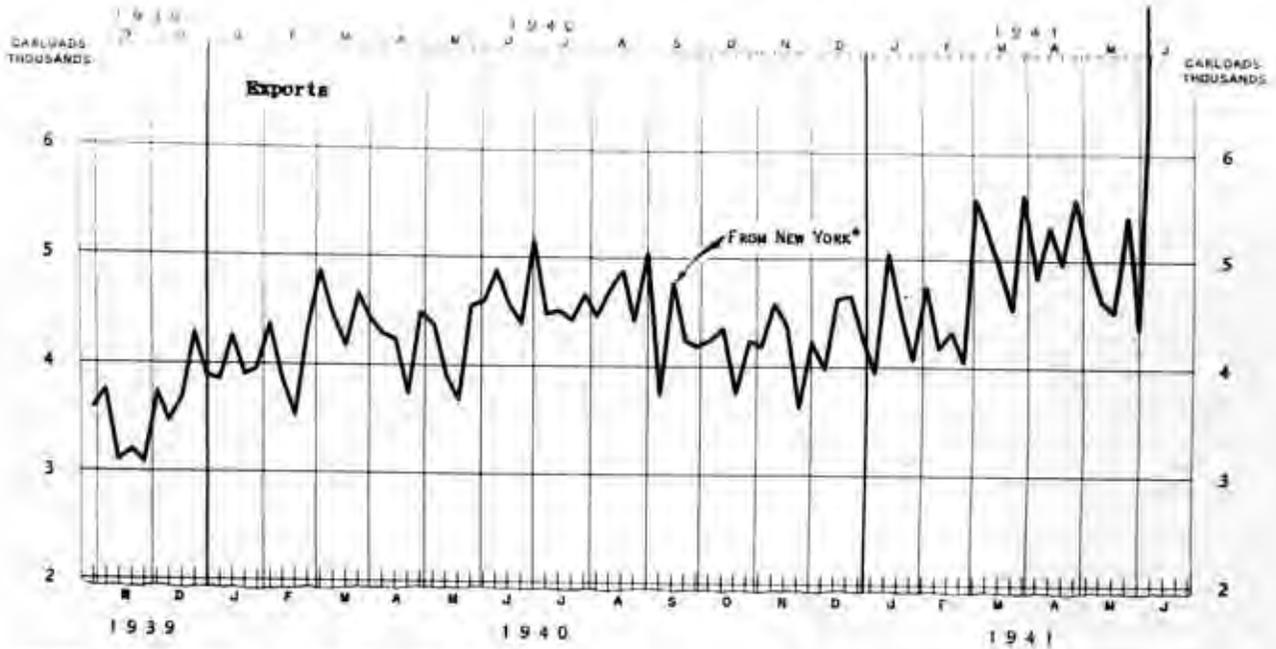
Percentage Change for Individual Commodities, August Low to June 6, and to June 13, 1941



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

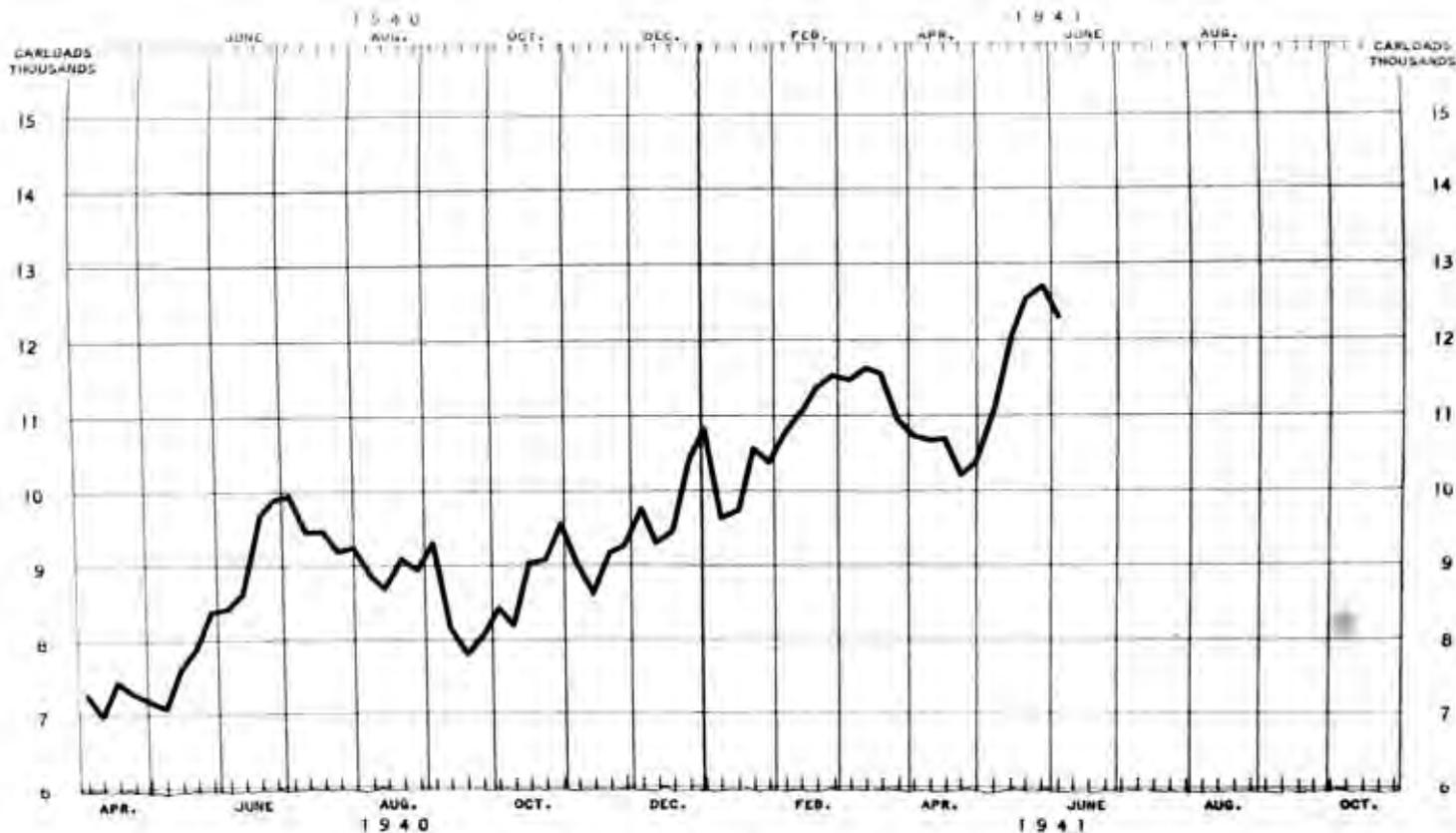


EXPORT FREIGHT MOVEMENT



*AS ESTIMATED FROM DATA OF GENERAL MANAGERS' ASSOCIATION OF NEW YORK.
 **ASSOCIATION OF AMERICAN RAILROADS.

LIGHTERAGE FREIGHT IN STORAGE
AND ON HAND FOR UNLOADING IN NEW YORK HARBOR*



* LARGELY EXPORT FREIGHT, BUT ABOUT 10% REPRESENTS FREIGHT FOR LOCAL AND COASTAL SHIPMENT. FIGURES EXCLUDE GRAIN.

BRITISH EMBASSY,
WASHINGTON, D.C.

Personal and Secret.

June 16th 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,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

TELEGRAM FROM LONDON DATED June 18th 1941.

Pocket battleship escorted by destroyers sighted early June 18th South Norway steering west. Aircraft of Coastal Command attacked. One Beaufort dropped torpedo from 500-700 yards, scoring hit amidships. Another Beaufort attacked later reported target hit. aircraft also claimed probable hit. Ship since sighted ten miles southwest of Kristiansund heading eastward.

2. British submarine torpedoed and believed sank 8,000 ton tanker off Tenedos also sank two sailing vessels and one steel lighter in Mytilene Harbour.

3. Haifa attacked by aircraft early morning of June 18th. little damage but some mines laid.

4. One MLC with six officers and 100 other ranks arrived Sidi Barrani area night 8/9th. having left Crete on the 1st. Another MLC with 53 men reported in vicinity.

5. Now known total number landed Alexandria from Crete 16,892, including 509 Royal Marines, 484 Naval ratings and Royal Air Force personnel, also Cypriots, Palestinians and Greeks, two thousand wounded.

6. Week ending June 7th 812,133 tons imported into United Kingdom in convoy.

7. Libya and Egypt. except for enemy patrol activity south of Mafaya, situation quiet.

- 2 -

8. Abyssinia. Our columns operating against Gims from Abalti and Soddu have made contact 80 miles east of Gims.
9. Iraq. Further column has left Basrah for Bagdad.
10. Syria. Evening of June 11th. Free French were bombed and machine-gunned in Kiawa sector. In centre our troops are pursuing French, following capture of Mardjayoun. On coast-road we were one mile south of Sidon evening of June 11th after dispersing tanks by artillery-fire. Local inhabitants have received our troops well, and are cooperating in supply and conveying of food.
11. On 13th Blenheim set fire to merchant vessel located off Crevelines.
12. Night of 13th/14th June. Total of 339 aircraft sent to attack re-shelling yards at coast. Schwerte, Umm, Sandbruck, chemical factory at Huis, West. Shipping at Rotterdam and Channel Islands. Reports so far received indicate large fires and gutted warehouses at coast and many fires at Sandbruck. Seven aircraft missing.
13. Royal Air Force again bombed Benghazi harbour at night of 13/14th and landing ground at Derna.
14. One He 109 destroyed over channel by Blenheim anti-aircraft convoy, two others driven off partly by anti-aircraft fire from ships.
15. In raid on night of 11/12th ports south attacked by 21 explosives and 101 bombs. 111 tons dropped in all, four soldiers killed and 24 seriously wounded. Night 11/12th minor bombing mainly near coast south.

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MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, June 16, 1941

TENTATIVE LESSONS BULLETIN
No. 120
G-2/2657-235

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.

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GERMAN RECONNAISSANCE BY
LIGHT TROOPSSOURCE

This bulletin is based upon a translation of an article which appeared during January, 1941, in Wissen und Wehr, a semi-official German publication. The intended propagandistic effect should not be overlooked.

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CONFIDENTIALGERMAN RECONNAISSANCE BY LIGHT TROOPS

Detachments of light troops intended for special tasks are assigned organically to all large troop units. Reconnaissance is the first and foremost of these tasks, and this article is intended to give an idea of the nature and meaning of that term.

Reconnaissance, which is accomplished in various ways, comprises, in its large sense, a complete picture of the enemy - a picture which is sufficiently clear to ensure successful, economical troop control superior to that of the opposing force.

A sharp line of distinction must be drawn between air reconnaissance and ground reconnaissance. The former, obviously, is accomplished by means of aircraft, while the latter is effected by the use of specialized units of light troops. Each assists the other, but neither can replace the other; together they serve as the eyes and ears of the higher command.

Through air reconnaissance, a general view of the enemy's situation over a wide area may be had in a short time. But in the nature of things the picture can be only an instantaneous one, and it may be delayed by enemy action, weather, clouds, fog, etc. To keep the situation up to date and to fill in details is the task of ground reconnaissance, which is also charged with the highly significant duty of making sure that reports reach the proper authority in time and that they present a complete and comprehensive view.

Light troops, therefore, are of prime importance. They alone can scout ahead of the larger troop units and use the time thus gained for securing and transmitting information. Reconnaissance elements of infantry divisions are cavalry and cyclist groups which can move several times as fast as infantry, cover greater areas in shorter time, and deliver situation reports to the commander in time for him to utilize them in determining the march, the dispositions, and the employment of his troops.

In the armored and motorized divisions also, reconnaissance duties have been taken over by special units which can travel much faster than the divisions themselves. These motorized reconnaissance detachments are variously formed, according to specific requirements, from armored cars, motorcyclists, and other motorized elements.

The general principles of reconnaissance are the same for cavalry, cyclists, and motorized reconnaissance detachments, though details of execution may vary according to the organization and its speed. In any case, the purpose is to secure an adequate picture

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of the enemy situation in the shortest possible time and to get the information back promptly. A statement of that mission is a sufficient outline for a successful reconnaissance, and from it may be deduced a great variety of methods affecting the organization, employment, and conduct of any reconnoitering detachment. It may safely be said that the conduct of such a detachment is the broadest and most varied task to be found in all military life. Both officers and men of a reconnaissance detachment must exercise a degree of decision, independent thinking and action, wide technical knowledge, and military skill not required of other soldiers, and quite incomprehensible to laymen.

The action of a reconnaissance detachment in the execution of its manifold duties involves a greater variety of requirements than that of any other unit; even the apportionment of tasks indicates the difference.

An order for the advance or attack of any combat unit can usually be given with clearness and certainty. As a rule it contains only the time of movement and the objective. On the other hand, a reconnaissance mission must embrace many points of extreme importance for the handling of the detachment itself. It must include all information as to the initiation, scope, direction, time schedule, and objective of its own troop movements, as well as a clear picture of the commander's intentions. Upon these intentions depend the various tasks which the reconnoitering party may be given.

The commander of the reconnaissance unit cannot in general be bound to any particular method of carrying out his mission, for among the factors involved in the mission, the situation and intentions of the enemy will be of great significance. The reconnaissance officer must adapt himself to the constantly changing situation of the enemy, bearing in mind the intentions of his own commander, and accomplish his mission at the proper time and in the proper place despite enemy opposition. Only an accurate evaluation of these three elements will make it possible for him to accomplish his purpose. The word possible is used advisedly, because many factors having a decisive influence upon success will appear in the course of execution.

The conduct of the mounted, cyclist, or armored patrols, which must be sent out to find the enemy according to detailed instructions, is the first of these decisive factors. The function of these patrols may most readily be illustrated by comparing the patrols with the parts of the human body.

Like fingers groping in the dark, patrols of a reconnaissance detachment must feel forward toward the enemy. In various directions, to various distances, at various times, and for various purposes, they

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must go their perilous way. Like the sinews and nerves of the body, they have to be in constant elastic touch with the commander of the reconnaissance detachment through orders, reports and messages. With untiring energy and under infinite nervous tension, the patrol leaders must work towards the opposing force, always remembering their orders and the intentions of their commanders. Their successive messages, coupled with his own observations, will gradually form in the mind of the reconnaissance commander the first picture of the enemy, a many-colored mosaic whose pattern is sometimes sharp, sometimes vague.

But there is a much more difficult phase of reconnaissance. Some patrols will fail to reach their objectives, some will not get a clear and definite impression of the enemy situation, and some will send their messages through too late, or not at all. The detachment commander must know how to economize his forces, so that new patrols may always be sent out at the proper time and place. Such knowledge is inborn and almost impossible to learn.

Receipt of the first news of the enemy is only the beginning of a new task, the initial clue to the boundaries within which hostile troops are thought to be. A whole series of burning questions will now crop up. How strong is the enemy? What infantry does he have? Artillery? Tanks? Other arms? How is he organized and formed? Is he ~~in~~ in, or merely resting? Has he finished his march, or is he just starting? Where did he come from, and where is he going? In how many columns is he marching, or preparing to march? From the chain of thought started by these questions, a plan for utilizing the force of the reconnaissance detachment to the absolute limit of its powers will gradually develop.

Time is the second decisive factor influencing the success of reconnaissance. It is the thread supporting the sword which always hangs over the head of the detachment. Every minute, every second wasted, lessens the distance between the main bodies and reduces the higher command's freedom of action. The commander of the reconnaissance detachment must count his seconds as if they were gold; but he must never permit haste to nullify the value of the work of his patrols.

Another vital factor is the messenger service, for no military agency is more vulnerable in this respect than the reconnaissance unit. The burden of transmission from the patrols to the reconnaissance detachment and on to higher headquarters is borne, not by many, but in each specific case by a single individual - mounted messenger, cyclist, motorcyclist, or radio operator. Patrols may show the utmost energy and daring, but the fate of a command can depend upon the arrival or loss of a single important message. The messenger may

be killed or captured, or some accident may prevent him from reaching his destination. Radio communication over long distances may not be satisfactory, for it is always dependent upon many things - the form of the ground, whether streams of water flow above or below the surface, the presence or absence of woods or mountains, or atmospheric disturbances, and each message must be in code so as to be unintelligible to the enemy. This additional difficulty is rendered more apparent when it is realized that in Poland and in France it was not unusual for as many as 250 radio messages to pass through the hands of one command in a single day.

The really decisive influence upon reconnaissance, however, is exercised by the enemy, who does not want to show his hand. After the patrols and the detachment have, by skill and artifice, learned all that is possible of the hostile force, the detachment commander must fight to force the enemy to reveal his actual strength. If the enemy's screen is thin, he may break through it. If it is too strong for him, he must flank it and hang on to the rear. The following brief extract from a German officer's journal of the action of his reconnaissance detachment in Poland will serve to illustrate the methods used:

"About noon on September 10, 1939, an armored division had forced a crossing of the Narew between the fortresses of Lomza and Ossowiec and had broken through the enemy's front. Heavy infantry attacks were made to widen the gap. Meanwhile my detachment was pushed through to the south toward Siedlce.

"After marching about 30 kilometers, we received a message from the patrol ahead of our point. It said: 'Village of Zambrow occupied by enemy; going around via Siedlce.' A few minutes later the point surprised the enemy and reached the market place of the village, which had a population of about 6,000 people. One hundred prisoners with antitank guns were captured.

"As the enemy, approximately a battalion, gradually recovered from its surprise and the defense grew stronger, the reconnaissance detachment broke contact and went ahead in its original direction, first sending this brief message to the division: 'Zambrow strongly held by enemy; should be cleared out.'

"Twenty minutes later we reached another group of weakly held villages, through which the tanks forced their way while firing without a halt.

"Lieutenant P's flank patrol went into a big wood on the right hand side of the road; the point had already gone ahead. Suddenly heavy machine gun fire broke out, and the patrol was forced to lie

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down to return the fire. Detachment headquarters halted for a few minutes, while all available officers and men made a reconnaissance in force against the woods. During a brief fight which ensued, several Polish officers and some 30 men were captured, and their regimental numbers were determined.

"Meanwhile Lieutenant P pushed ahead through the woods with his armored reconnaissance car, past the halted columns, and carried his reconnaissance four kilometers beyond. At that point he started to turn about, but as he did several Polish officers came out of the woods towards him. One of them held a hand-grenade. Leaning far out of his car as it turned, P fired his pistol at three paces. The grenade blew up in the officer's hand and tore him to pieces, and the patrol came through uninjured.

"At this moment a radio message came through from the division, forwarded by a breathless motorcyclist. It read: 'Change direction from south to east; new direction Brest-Litovsk.' I broke off the fight, and all men returned to their cars. Prisoners and wounded were put in trucks and sent to the rear, and radio messages were sent to the patrols, 30 kilometers ahead, to change direction to the east. A new point was organized as we moved out, and the old one was recalled by radio.

"This whole change was accomplished in a few minutes; officers and men worked together perfectly, and the maneuver was a complete success. Before the reconnaissance was carried farther into enemy territory, the following report was sent to the division by radio: 'Hostile columns of all arms, at least a regiment, resting in Szeby Wood and Wacholy; regimental number ascertained from prisoners.'"

In addition to actual reconnaissance, many other difficult tasks have to be accomplished in hostile territory by reconnaissance units. Important railways must be destroyed, enemy lines of communications interrupted, bridges repaired, and countless other things done. For instance, one reckless German patrol worked its way far behind the French Eastern Army on June 15, 1940, blew up an important railway junction on the Soane, and gained possession of it after a surprise attack upon a force many times its own strength. After a six-hour fight the patrol captured an entire infantry regiment, 15 railway trains with over 500 cars, and 50 locomotives.

This brief article seeks to give an idea of the exhausting work which falls to the lot of a reconnaissance detachment, and to furnish people at home, when they hear and read of the exploits of the army, information which they may use to judge how great a part has been played by reconnaissance detachments in work accomplished in all theaters of operations.

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G-2/2657-220; No. 418 M.I.D., W.D. 12:00 M., June 16, 1941.

SITUATION REPORTI. Western Theater.

Air: German. Light attacks on southern and southeast England.

British. The attacks on the Ruhr and Rhineland were renewed on the nights of the 14th-15th and 15th-16th, apparently on a somewhat reduced scale.

II. Mediterranean and African Theaters.

Ground: North Africa. A strong British offensive against Axis positions south and southeast of Sollum began June 15th. Heavy fighting is believed to be in progress with the final outcome not yet determined. This is believed to be a major general offensive to relieve the besieged British forces in Tobruk.

Air: Axis. Air fighting around Sollum. Cyprus was bombed. Tobruk and Mersa Matruh were raided.

British. Harassing action in the Western Desert.

III. Syria.

Ground: In the West Allied ground forces have pushed beyond Saïda (Sidon). Elsewhere little change in the situation.

Air: Axis and Vichy. Close support of ground forces in the West. German planes bombed Haifa.

Allies. Attacks on Aleppo and Beirut.

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Paraphrase of Code Cablegram
Received at the War Department
at 12:06, June 16, 1941

London, filed 17:45, June 16, 1941

1. June 15, a Catalina patrol bomber sent out from Gibraltar as convoy escort sighted a Focke Wulf and the convoy was attacked by 4 Axis airplanes a short time later. An initial attack from the beam using front gun was made by the patrol bomber on each enemy airplane following up with attacks with blister guns. Tracers appeared to hit but no result was apparent. A total of 1060 rounds were fired. Hits on engine nacelles and bow causing no damage were made by the Axis machine guns and cannon. The main Axis fire was from the upper rear. It was reported from Portugal later that one Italian and three German airplanes were down. It is believed these may have been the planes which attacked the patrol bomber.

2. British Activity over the Continent.

a. Day of June 15. Five fighter offensive patrols over Northern France. Attacks were made on convoys in the channel and off Norwegian coast. A 5,000 ton vessel was badly damaged.

b. Night of 14-15. 59 bombers to Dusseldorf, 40 to Cologne-Kalk North, 48 to Cologne-Gireon, 12 to Dunkirk, 4 to Frisian Islands, mine laying; 1 to Paris dropping leaflets.

3. German Air Activity over Britain.

a. Day of June 15. Reconnaissance was carried out over Channel Ports in the areas of Bristol, Yarmouth, and Dover.

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b. Night of June 14-15. Light activity over scattered areas in Southwest England.

g. Day of June 14. Twenty long range bombers and thirty reconnaissance.

d. Night of June 14. Twenty-five long range bombers and 5 planes mine laying.

LXX

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 (2)
 G-3
 Air Corps

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, June 17, 1941.
6/16/41

Press Service
No. 25-88

The Secretary of the Treasury announced last evening that the tenders for \$200,000,000, or thereabouts, of 91-day Treasury bills, to be dated June 18 and to mature September 17, 1941, which were offered on June 13, were opened at the Federal Reserve Banks on June 16.

The details of this issue are as follows:

Total applied for - \$398,064,000
Total accepted - 200,608,000

Range of accepted bids: (excepting one tender of \$6,000)

High	- 99.990	Equivalent rate	approximately	0.040	percent.
Low	- 99.971	"	"	0.115	"
Average price	- 99.974	"	"	0.103	"

(48 percent of the amount bid for at the low price was accepted)

-000-

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 17, 1941

TO Secretary Morgenthau

FROM Mr. Bell
Mr. Cochran

At 2:30 yesterday afternoon Mr. Bell received Sir Frederick Phillips and Mr. Keynes. Messrs. Cox and Cochran were present.

Sir Frederick presented to Mr. Bell the attached letter dated June 14, 1941, setting forth a proposal alternative to that of the Treasury for providing the British with relief up to the extent of \$311,000,000. It will be noted that this arrangement envisages relief from commitments which have been entered into in the preliminary form of letters of intent, but where no formal contract has yet been signed. The other contracts included are those which have been signed since March 11, the date on which the Lend Lease Act was passed. Lists of selected contracts of over \$50,000 included in the two above categories as presented by Sir Frederick Phillips, are attached.

As a final enclosure there is appended the statement presented by Sir Frederick setting forth British monthly commitments and available assets.

Mr. Cox gave no commitment as to whether the Lend Lease authorities would find acceptable the British suggestion that relief be given on commitments which had been entered into in the preliminary form, but where no formal contract has yet been signed, since this involves an interpretation of commitments which may not fit in with the testimony of the Secretary of the Treasury and the Director of the Budget. Mr. Cox took along the list of contracts and promised to give it careful study. The British promised to send one of their assistants to talk with Mr. Cox today. After this conference it is anticipated that Mr. Cox will submit the question to Mr. Hopkins.

Mr. Keynes spoke at some length on the purpose of his mission to this country, which was confirmed to be that of obtaining \$650,000,000 of relief under British commitments. The present proposal would take care of the \$300,000,000 to \$400,000,000 commitment of the Secretary of the Treasury to Phillips, and would be a margin toward applying on the Keynes plan. Keynes thinks there is chance for further relief through extending the Lend Lease System to some parts of the British Empire, such as India, Australia, and South Africa. He does not know just what amount would be involved, but is seeking more data on this point and will submit a letter shortly. He will also study the possibility of asking Lend Lease to cover charter of Swedish steamships for which the British must now pay in gold or dollars. Furthermore, there is one important shipping item with the United States which would give considerable relief if put under Lend Lease. Mr. Keynes will continue to provide us with data on these various points.

- 2 -

In the conversation Mr. Keynes recommended strongly against our having separate Lend Lease arrangements directly with the various parts of the British Empire, especially since this would involve a quid pro quo agreement with each. He preferred that the arrangements be directly with Great Britain, as in the case of Canada.

JMF
swb

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7860



Box 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

June 14, 1941.

Dear Mr. Bell,

We have been looking into the question of our existing contracts with reference to Mr. Smith's testimony before the Appropriations Committee of the House of Representatives. As you are aware, we did not agree with that evidence at the time that it was given, but it is now on the record, and we have been anxious to find some solution of our problem which will be consonant with that testimony. We believe that the following provides a suitable basis.

The two points which stand out most prominently and which, in our view, represent the essence of the Budget Director's testimony, are the following:

(a) Up to January 1st, 1941, the British Government had placed orders to the value of approximately \$2,700,000,000 and had made payments on these orders of approximately \$1,300,000,000. The balance of \$1,400,000,000 would be met completely by the British Government out of their own resources.

(b) The U.S. Government would not use the lend-lease appropriations to take over any British contract signed before the date of the passage of the Lend-Lease Act.

Between January 1st and May 31st, 1941, we have paid rather more than \$600,000,000, on our commitments of all kinds (capital payments excluded). We suggest, therefore, that the first point would be covered if our total payments from June 1st, 1941, onwards were not by \$200,000,000. We estimate that

the payments due on our commitments as at June 1st, 1941, amount to around \$1,200,000,000, excluding capital payments and reimbursements to the French. The relief we could expect, on the basis of the first point alone, would thus be of the order of \$400,000,000 -- in the form of a refund of advances outstanding or of relief from future payments.

With regard to the second main point of Mr. Smith's testimony, we have re-examined our list of

- (a) contracts which have been signed since March 11th, when the Lend-Lease Act was passed, and
- (b) commitments which have been entered into in the preliminary form of letters of intent but where no formal contract has yet been signed.

Outstanding advances and payments due on contracts of type (a) total \$41,000,000 as at June 1st, 1941. The similar figure for commitments of type (b) is around \$270,000,000 at this date. I enclose particulars of these contracts and commitments, making \$311 millions altogether.

We believe, therefore, that we could be given relief to the extent of some \$300,000,000 in a way which would be consonant with both main points of Mr. Smith's testimony. There are sufficient contracts signed after March 11th, or commitments when no formal contract had yet been signed, to make this possible if action is taken immediately. At the same time, the total payments we have or shall be called upon to make after January 1st, 1941 will not fall short of \$1,400,000,000; indeed they will substantially exceed this figure.

Yours very sincerely,

F Phillips

D. W. Bell,
U. S. Treasury,
Washington, D.C.

NOTE ON TABLE OF JUNE 12, 1941, HEADED
"DOLLAR RELIEF FOR BRITISH TREASURY"

Head 1(-) should be reduced from \$78 millions to \$43 millions. The War Office figure was correct in itself, but it left out of account that under the new arrangement we have to pay a rent of \$5 millions for the Tennessee plant, the first year's rent in advance.

Head 1(b) should prove about right.

Head 2(a) should be 27 and not 50. The contracts referred to relate to certain machine gun supplies; the sums remaining to be paid under our existing commitments from which we shall now get relief amount to \$22 millions and our outstanding advances are \$10 millions. We shall get about half the latter sum back.

As regards Head 2(b) the figure in our opinion is \$311 millions, as explained in my letter enclosed herewith.

Under the Head II (1), our April statement was on the basis that with rare exceptions all U.K. purchases were covered by Lend-Lease but in the case of the Dominions only arms and munitions. Thus the relief which can be given depends on the extension of lease-lend to the Dominions outside the field of arms and munitions.

Washington, D.C.,
June 14, 1941.

British Purchasing Mission

RECORD OF SELECTED CONTRACTS OVER \$40,000,
CONTRACTS SIGNED AFTER MARCH 11, 1941

Status and Forecast of Payments
As at May 31, 1941

GROUP I - TYPE A

Contract Number	Supplier	Material	Date of Signature of Contract	VALUE - THOUSANDS OF DOLLARS			EXPECTED PAYMENTS											
				Total Estimate Capital	Outstanding Advances	Depaid Balance	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1941				
A-1566	Western Cartridge Co.	ammunition	Mar. 13/41	16,275	7,543	3,996	666	666	666	666	666	666	-	-	-	-	-	-
A-2266	United Aircraft	Propellers	Mar. 15/41	2,358	999	1,439	-	-	-	-	-	-	-	-	-	-	240	1,199
A-2963	Waterbury Clock	300,000 Fuses	May 8/41	3,312	829	2,484	-	-	-	-	-	-	-	-	-	-	207	2,070
A-2526	West Truck	900 Tonn Transmitters	Apr. 12/41	6,653	1,659	4,973	356	357	356	357	356	357	356	357	356	357	356	2,478
A-2548	Republic Steel	Talut	Mar. 15/41	162	3	150	18	18	18	18	18	18	18	18	18	18	18	21
A-2026	Cincinnati Milling Machine	Grinders	Mar. 15/41	328	109	219	109	7	27	34	27	13	-	-	-	-	-	-
A-2719	Sheffield Camps	60 Thread Grinders	Mar. 29/41	467	117	350	147	78	78	47	-	-	-	-	-	-	-	-
A-2728	Champion Machine	500 Reapers	Mar. 16/41	170	43	127	-	21	21	21	21	21	21	21	21	21	21	21
A-2732	National Arms	Screw Machines	Mar. 15/41	792	198	594	298	-	-	-	-	-	-	-	-	-	-	-
A-2722	Cincinnati Milling Machine	Millers	Mar. 14/41	1,204	435	769	436	-	-	43	51	68	87	79	79	79	79	159
A-2654	Raycut Chucking	Grinders	May 3/41	143	40	103	-	-	-	-	-	-	-	-	-	-	-	-
A-1023	Cross & De Lauer	Chucking Machines	Mar. 11/41	205	31	174	-	31	-	-	29	27	27	27	27	27	27	27
A-1025	Brown & Sharpe	Machine Tools	Mar. 15/41	388	97	291	20	20	20	13	-	-	-	-	-	-	-	218
A-4031	Chambersburg Eng.	1 Model 2 Hammer	Mar. 18/41	130	32	98	13	-	-	-	65	-	-	-	-	-	-	-
A-4050	Chambersburg Eng.	Hammers	Mar. 12/41	50	13	37	13	-	-	-	24	-	-	-	-	-	-	-
A-4060	Leop-Bremer	66 Milling Machines	Mar. 29/41	304	81	223	-	-	22	37	40	53	81	-	-	-	-	-
A-4061	Lockheed Machine Tool Co.	163 Lathes	Mar. 18/41	412	103	309	103	51	52	51	52	51	52	-	-	-	-	-
A-4113	General Motors Overseas	100 Pcs. of Crankshaft	Mar. 18/41	53	-	-	14	-	-	4	17	8	-	-	-	-	-	-
A-4116	R. E. Locking	Lathes	Mar. 15/41	176	44	132	44	-	26	21	41	-	-	-	-	-	-	-
A-4119	Ohio Machine Tool Co.	Milling Machines	Mar. 15/41	97	24	73	-	-	-	-	-	16	16	17	17	17	17	17
A-4120	Barber-Colman	13 Hopping Machines	Mar. 29/41	55	14	41	14	-	5	4	7	7	7	7	7	7	7	7
A-4121	Michigan Tool	Lathes	Mar. 15/41	125	31	94	-	-	24	28	43	-	-	-	-	-	-	-
A-4124	Wellman Eng.	40 Boring & Milling Machines	Apr. 28/41	549	178	368	-	-	178	-	-	-	82	106	-	-	-	-
A-4124	(a) Heald Machine	49 Grinders	Apr. 27/41	307	93	214	101	-	8	30	25	27	23	-	-	-	-	-
A-4125	Lockheed Machine Tool Co.	24 Lathes	Mar. 18/41	348	87	261	87	-	-	-	29	29	32	32	32	32	32	32
A-4127	Lodge & Shipley	15 Lathes	Mar. 18/41	111	28	83	-	28	-	-	22	22	11	-	-	-	-	-
A-4175	International General Electric	Transmitters & Spare Parts Sets	Mar. 18/41	91	-	91	-	-	-	-	-	-	-	-	-	11	80	-
A-4183	South Bend Lathes	Lathes	Mar. 12/41	85	3	82	11	9	7	-	-	-	-	-	-	-	-	-
A-4220	Consolidated Machine Tool	27 Lathes	Mar. 29/41	283	156	127	-	78	-	-	12	14	15	8	-	-	-	-
A-4221	Bradford Machine Tool	95 Lathes	Mar. 19/41	263	30	233	60	-	-	-	-	-	-	-	-	-	-	-
A-4255	Brown & Sharpe	50 Tool Grinders	May 21/41	1,017	254	763	-	-	-	-	-	30	305	428	-	-	-	-
A-4285	Sterling Engines	Marine Engines	Mar. 12/41	1,250	375	875	-	-	-	-	134	134	134	134	134	134	134	139
A-4290	New Britain Gridley	Tools	Mar. 13/41	159	143	-	-	-	-	-	-	-	-	-	-	-	-	-
A-4298	Locomotive Finished Material	50 Boring & Drilling Machines	Apr. 8/41	1,000	250	750	-	30	50	90	150	110	120	-	-	-	-	-
A-4296	Sumnerfield Machine Co.	7 Heavy Duty Lathes	Apr. 8/41	135	67	68	-	-	-	43	25	-	-	-	-	-	-	-
A-4312	Cincinnati Milling Machine	23 Grinders	Mar. 29/41	139	46	93	46	-	9	17	21	-	-	-	-	-	-	-
A-4349	Brown & Sharpe	50 Tool Grinders	May 21/41	133	-	133	33	-	-	-	33	-	-	-	-	10	57	-
A-4369	National Machinery Co.	3 Bellmovers & Equipment	Apr. 8/41	97	48	49	-	-	-	-	-	11	-	-	-	-	-	38
A-4427	Central Tool Co.	10,790 Electrodes	Apr. 3/41	64	16	48	5	7	7	9	9	9	9	9	9	9	9	9
A-4462	Addressograph Multigraph	100,000 Fuses #501 #8 1	Mar. 18/41	432	130	302	21	22	21	22	22	22	22	21	21	21	21	151
A-4481	Cartor Carburetor	Assembled Fuses	Mar. 21/41	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A-4534	International Harvester	100 Chassis	Mar. 27/41	171	3	168	6	-	-	-	-	-	-	-	-	-	-	-
A-4740	E. W. Bliss Co.	1 Bolt Hammer & 4 Presses	Apr. 23/41	55	-	55	26	7	20	-	-	-	-	-	-	-	-	-
A-4756	General Steel Castings	600 Castings Machined	Apr. 7/41	209	126	83	29	27	27	-	-	-	-	-	-	-	-	-
A-4761	Pressed Steel Car Co.	175 Armored Turbine Machines	Apr. 19/41	97	8	89	8	-	-	-	-	-	-	-	-	-	-	-
A-4826	Cameron Gun Machinery	Various Presses	Apr. 23/41	60	15	45	13	32	-	-	-	-	-	-	-	-	-	-
A-4827	Cameron Gun Machinery	Various Presses	Apr. 23/41	62	16	46	-	11	23	12	-	-	-	-	-	-	-	-
A-4942	(b) American Chain	Fire Chain Material	May 23/41	190	-	190	-	-	-	190	-	-	-	-	-	-	-	-
A-5031	Bumby Radio	Instruments	Mar. 15/41	194	39	155	10	72	73	-	-	-	-	-	-	-	-	-
A-5077	Boeing Aircraft	Flying Fortresses	Mar. 24/41	6,363	191	-	-	-	-	-	-	-	-	-	-	-	-	-
A-5175	General Motors Overseas	Airframe Spare Parts	Mar. 17/41	4,000	3,028	1,028	1,157	771	-	-	-	-	-	-	-	-	-	-
A-5190	Lockheed Aircraft	Services in U.S.	Apr. 19/41	251	123	128	-	-	49	27	-	-	-	-	-	-	-	-
A-5099	Syngenta Gould	2,000 Bomb Bodies	Apr. 18/41	60	15	45	8	9	28	-	-	-	-	-	-	-	-	-
TOTAL				52,411	16,916	23,836	3,303	2473	2103	1087	2176	2342	2061	6931	-	-	-	-

(a) Amended; Increased by 24.

(b) Additional Contracts: There was no letter of intention. No payments has been made.

Missile Purchasing Division

STRICTLY CONFIDENTIAL

REPORT OF SELECTED CONTRACTS OVER \$40,000.
LETTERS OF INTENTION ONLY

Status and Payment of Payments
As At May 31, 1943

GROUP II - TYPE B

Missile Order
Reference No.
02-34

Order No.	Supplier	Material	Date of Letter of Intention	VALUE - THOUSANDS OF DOLLARS			EXPENDED PAYMENT										
				Total Include Capital	Outstanding Advances	Unpaid Balance	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1942			
- 34	Curtiss Wright Corp.	990 Hawk #1A	Apr. 16/40	46,238.	6,668.	6,687.	3,074	3,073	-	-	-	-	-	-	-	-	88
- 387	Curtiss Wright Corp.	3,344 Propellers	May 14/40	15,557.	5,709.	8,360.	549	736	736	736	736	736	736	736	736	736	3,393 (a)
- 687	Western Cartridge Co.	225 Tone Tetrayl	May 25/40	2,000.	-	2,000.	400	100	100	100	100	100	100	100	100	100	1,000 (b)
- 1278	Ocelloid Corp.	Cellulose Acetate	May 4/40	102.	102.	-	-	-	-	-	-	-	-	-	-	-	-
- 1492	Brewster Aeronautical Corp.	300 Dive Bombers	Nov. 3/40	20,301.	7,759.	12,542.	812	812	812	812	-	-	-	-	-	-	9,294
- 1642	National Fireworks	Loading .303 Cartridges	May 28/40	147.	45.	89.	47	42	-	-	-	-	-	-	-	-	-
- 1664	National Fireworks	Loading .303 Cartridges	Oct. 7/40	326.	93.	197.	54	54	52	77	-	-	-	-	-	-	-
- 1792	Fraser Steel Car Co.	500 # 3 Tanks	Oct. 25/40	15,300.	5,500.	9,800.	-	-	1,400	1,500	1,500	1,500	1,000	1,000	1,000	3,400	
- 1821	Curtiss Wright Corp.	360 Hawk #7A	Oct. 24/40	27,734.	13,471.	13,863.	206	220	962	1,690	2,340	2,600	2,600	2,600	2,600	2,943	
- 2249	Boston Mfg. Co.	Loading 6" Howitzer	Oct. 30/40	480.	108.	191.	38	38	38	38	38	38	38	38	38	38	-
- 2457	Empire Ordnance Corp.	1,550 75mm Guns for M3 Tanks	Nov. 8/40	8,081.	2,031.	6,050.	700	700	700	625	625	625	625	625	625	1,450	
- 2459	Empire Ordnance Corp.	Robotic Magnets	Jan. 16/41	1,400.	420.	950.	70	70	42	63	84	126	147	147	147	348	
- 2612	E. F. Bliss Corp.	50,000 #2. Howitzer Shells	Nov. 14/40	788.	-	504.	147	148	148	61	-	-	-	-	-	-	-
- 2627	Campbell Bryant Cannon Foundry	Track Links & Spare Parts	Dec. 24/40	1,234.	338.	458.	200	258	-	-	-	-	-	-	-	-	-
- 2679	National Fireworks	Explosion Containers	Dec. 21/40	299.	3.	265.	66	66	66	67	-	-	-	-	-	-	-
- 2713	The Wayne Pump Co.	1,000,000 3-Ptr. Shells	Dec. 3/40	861.	127.	722.	125	100	100	100	100	100	113	83	83	-	
- 2773	Hamington Arms Co.	300,000 - .30 Caliber Rifle	Dec. 12/40	33,280.	1,453.	31,827.	-	316	533	1,265	1,581	1,581	1,581	1,581	1,581	18,976 (a)	
- 2793	American Ordnance Goods	2,000 Deslinex SLASH 30 mm Guns	Nov. 27/40	5,234.	4,083.	4,151.	429	537	522	512	511	510	510	510	510	620	
- 2825	Western Cartridge Co.	Primers	Nov. 28/40	115.	38.	-	-	-	-	-	-	-	-	-	-	-	-
- 2972	National Fireworks	Loading 75 mm Shells	Dec. 2/40	3,930.	307.	3,436.	289	463	779	350	350	350	350	350	350	925	
- 2973	Optical Film & Supply Co.	12,500 Binoculars	Dec. 11/40	528.	175.	353.	29	28	46	54	65	69	62	62	62	-	
- 2998	Bridgport Brass Co.	10,000,000 20 mm Cartridge Cases	Dec. 12/40	1,750.	-	1,750.	438	46	113	182	231	260	237	260	260	-	
- 3167	National Fireworks	Assembling a Loading Fuse	Jan. 2/41	773.	103.	404.	156	248	-	-	-	-	-	-	-	-	
- 3210	National Fireworks	Loading 2-Ptr. Shells	Jan. 2/41	1,785.	327.	1,428.	287	287	287	287	287	287	287	287	287	-	
- 3407	Western Cartridge Co.	Detonators	Jan. 15/41	107.	34.	59.	8	8	8	9	9	9	9	9	9	8	
- 3438	Empire Ordnance	2,500 Gun Mounts - 75 mm Guns	Jan. 4/41	7,000.	1,750.	5,250.	200	400	600	600	700	700	700	700	700	1,350	
- 3439	Empire Ordnance	2,500 Mechanisms for 75 mm Guns	Jan. 6/41	3,000.	750.	2,250.	100	200	300	300	300	300	300	300	300	450	
- 3492	Essex Foundry & Machine Co.	Loading & Assembling Fuses	Jan. 14/41	335.	67.	266.	25	50	42	64	65	-	-	-	-	-	
- 3542	Universal Camera Corp.	20,000 Binoculars	Jan. 17/41	865.	180.	745.	72	96	95	96	95	96	95	96	95	100	
- 3608	Union Switch & Signal Co.	20 mm Shells	Jan. 15/41	309.	-	232.	9	15	19	23	23	23	23	23	23	97	
- 3638	Van Dorn Iron Works	Armer Plate	Jan. 6/41	3,400.	25.	1,373.	73	100	150	150	75	75	75	75	75	675	
- 3644	General Register Corp.	Target Bearing Indicators	Jan. 17/41	134.	30.	104.	13	13	13	13	13	13	13	13	13	13	
- 3697	Empire Ordnance	Machining Armer Plate for Tanks	Jan. 25/41	2,400.	296.	2,104.	200	200	200	200	200	200	200	200	200	704	
- 3883	Swage Arms Corp.	330,000 Rifles & Equipment	Jan. 28/41	25,987.	75.	23,971.	966	966	967	966	967	966	967	966	967	16,666	
- 4281	Crusible Steel	20,000 Shells	Feb. 27/41	4,354.	739.	2,104.	300	300	300	200	200	200	200	200	200	504	
- 4272	A. S. Campbell Co.	10,000,000 Cartridge Cases	Mar. 4/41	1,650.	25.	1,625.	100	225	325	325	325	325	325	325	325	-	
- 4560	Essex Foundry & Machine Co.	250 Propeller Shafts	Mar. 26/41	140.	30.	110.	11	11	11	11	11	11	11	11	11	-	
- 4561	Essex Foundry & Machine Co.	250 Propeller Shafts	Mar. 26/41	140.	30.	110.	-	-	-	-	-	100	200	300	-	-	
- 4562	Essex Foundry & Machine Co.	500 Engines for Torpedoes	Mar. 26/41	600.	100.	500.	30	30	31	25	23	23	23	23	23	79	
- 5000	Dallas School of Aviation	Training of Pilots	Dec. 31/40	342.	57.	224.	30	30	-	-	-	-	-	-	-	-	
- 5012	Pittman Parnum Autogyre Co.	7 Autogyres	Feb. 4/40	145.	73.	72.	-	-	-	-	-	-	-	-	-	-	
- 5103	Curtiss Wright Corp.	4,000 Wright Engines	Nov. 30/40	67,622.	29,000.	38,622.	3,000	3,000	3,000	2,000	2,000	1,500	-	-	-	4,018 23,104	
- 5223	Packard Motor Car Co.	12,000 Magnets	Mar. 14/41	1,800.	1,800.	-	-	-	50	50	50	50	50	50	50	50	
- 5230	Alumax Co. of America	60 Tons Alumina Tubing	Feb. 28/41	277.	114.	163.	-	-	40	40	40	40	40	40	40	79	
- 5249	Curtiss Wright	Propeller Spare Parts	Mar. 1/41	1,100.	-	-	-	-	40	40	40	40	40	40	40	79	
TOTAL				511,949.	84,403.	186,042.	13,283	14,451	12,360	13,629	13,274	11,340	14,964	26,946	26,946		

(a) French Reimbursement

(b) Include 931 French Reimbursement

(c) An additional amount of Five Million Eight Hundred and Fifty-three Thousand Dollars Payable During 1943.

Number of Copies: 1

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BRITISH MONTHLY COMMITMENTS AND AVAILABLE ASSETS.

1. The British Statistical Division's June statement of outstanding commitments gives a revised forecast "in the light of recent experience" and claims that the estimate for the next three months should be "reasonably close to the actual expenditure". The net total liabilities, including allowance for administration expenses, are: (\$ millions)

1941

<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
98.6	110.0	113.3	110.7	114.0	112.4	104.0

1942

<u>Jan. March</u> <u>Mo. Av.</u>	<u>Apl./June</u> <u>Mo. Av.</u>	<u>July/Aug.</u> <u>Mo. Av.</u>	<u>September</u>	<u>Oct./Dec.</u> <u>Mo. Av.</u>
94.7	40.2	10.4	14.1	10.7

The above excludes certain payments for French contracts which it is now proposed to discontinue. If these were included the aggregate commitments would be \$m79 greater.

2. On June 1 our liquid assets were:-

	<u>\$ M.</u>
<u>Immediate</u>	
Gold and U.S. dollars available	138
<u>In Sight</u>	
June receipts from direct and marketable investments	<u>25</u>
	<u>163</u>

3. The favourable balance from the exports of the sterling area and newly mined gold is estimated at \$m42 per month. This is a difficult and precarious estimate. No attempt has been made to revise the figures on which Sir F. Phillips' memo. of April 15th was based. The basic assumptions are the following:-

(i) Receipts of newly mined gold from the Empire at the rate of \$m480 per annum; (Sir F. Phillips included \$m80 of non-African gold in sterling area exports and not in his separate gold statement).

(ii) All exports from U.S. to U.K. lent-leased except for items amounting to \$m100 per annum; visible and invisible exports from U.K. to U.S. \$m180 per annum; leaving a favourable balance of \$m80 per annum.

(iii) Munition exports only from U.S. to sterling area outside U.K. lent-leased; other exports from U.S. to that area \$m400 per annum; imports into U.S. from that area (apart from gold) \$m500; leaving a favourable balance of \$m100 per annum.

(iv) U.K. gold and dollar expenditure in third countries \$m160 per annum.

	<u>SUMMARY</u>		
	<u>\$m per</u>		<u>\$m per</u>
	<u>annum</u>		<u>annum</u>
Gold	480	Payments to	
U.K. favourable		third coun-	
balance,	80	tries,	160
Rest of sterling		Balance	500
area favourable			
balance,	<u>100</u>		
	<u>660</u>		<u>660</u>

Later information puts "other" exports from U.S. to sterling area outside U.K. at \$m490 per annum in place of \$m400. Experience shows that there is a further irreducible minimum of exports from U.S. to U.K. which cannot be lent-leased. The only favourable item to put on the other side is that experience indicates a balance in our favour of uncertain amount in respect of unidentified capital and other items, which would include, for example, sales of art objects and the remittance of the fairly substantial British relief funds subscribed in U.S.

4. The monthly excess of commitments over income up to the end of 1942 is, therefore, as follows. The first column shows the net deficit (or credit) in each month, and the second column the cumulative total.

	<u>Monthly Debit</u>	<u>Cumulative Debit</u>
1941: June	57	57
July	69	126
August	71	197
September	69	266
October	72	338
November	70	408
December	62	470
1942: January	53	523
February	53	576
March	53	629 (maximum)
April	Cr. 2	627
May	Cr. 2	625
June	Cr. 2	623
July	Cr. 32	591
August	Cr. 32	559
September	Cr. 28	531
October	Cr. 31	500
November	Cr. 31	469
December	Cr. 31	438

Apart, therefore, from fresh resources, the British balances become exhausted in the course of August and the deficit continues to increase until March 1942. It is only from July 1942 that it begins to recover appreciably, apart from such fresh resources.

5. Further possible resources are the following:-

- (1) Receipts in respect of direct and marketable investments. It is hoped to obtain a loan from Mr. Jesse Jones of \$m400, apart from certain other minor receipts.
- (2) A reduction in old commitments, as suggested in Sir F. Phillips' letter of June 14th to Mr. Bell.
- (3) A gradual increase in the favourable monthly surplus of the sterling area on trade account through an extension of Lend-Lease arrangements to cover items, mainly Dominion, which at present it is assumed we must pay for.

6. If a lump sum of \$m400 is received in July under 5(1) and a relief of \$m300, accruing at a monthly rate of, say, \$m30, for ten months from July onwards, is given under 5(2), the state of the balance will be as follows:-

-4-

		(Beginning of Month)
		<u>\$m.</u>
1941:	June	138
	July	106
	August	467
	September	426
	October	387
	November	345
	December	305
1942:	January	273
	February	250
	March	227
	April	204
	May	206
	June	208
	July	210

Thus, apart from further relief and windfalls not allowed for above, the British reserves will fall far short of an ultimate reserve of \$m600 and will not even reach the minimum reserve of \$250 in the months following February 1942. Moreover the above makes no allowance of unforeseen liabilities.

June 16, 1941.

Copy:bj:6-16-41

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 17, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the vesting order effective February 19, 1940:

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
June 9	261,225	84,383	345,608	
10	265,685	56,490	322,175	
11	125,524	47,054	172,578	
12	196,190	32,478	228,668	
13	80,676	60,269	140,945	
14	7,414	811	7,414	
	<u>936,714</u>	<u>280,674</u>	<u>1,217,388</u>	
Cancellation of trade May 5, 1941	- 42,650		- 42,650	
	<u>894,064</u>		<u>1,174,738</u>	
Sales from Feb. 22, 1940 to June 7, 1941	<u>269,623,695</u>	<u>35,274,492</u>	<u>304,898,187</u>	
Total Feb. 22, 1940 to June 14, 1941	<u>270,517,759</u>	<u>35,555,166</u>	<u>306,072,925</u>	306,072,925
\$ proceeds of non-vested securities sold June 2, 1941 - June 7, 1941			1,000,000	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - May 31, 1941			<u>227,000,000</u>	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - June 7, 1941			<u>228,000,000</u>	<u>228,000,000</u>
			<u>534,072,925</u>	<u>534,072,925</u>

GRAND TOTAL

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 17, 1941

TO Secretary Morgenthau

FROM Mr. Cochran **STRICTLY CONFIDENTIAL**

Official sales of British-owned dollar securities under the vesting order effective February 19, 1940:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
June 9	11,211	261,225	148,000	84,383
10	8,057	265,685	133,000	56,490
11	2,975	125,524	81,700	47,054
12	7,227	196,190	45,000	32,478
13	1,770	80,676	146,000	60,269
14	70	7,414	Nil	Nil
	<u>31,310</u>	<u>936,714</u>	<u>553,700</u>	<u>280,674</u>
Cancellation of trade May 5, 1941	<u>- 500</u>	<u>- 42,650</u>		
	<u>30,810</u>	<u>894,064</u>		
Sales from Feb. 22, 1940 to June 7, 1941	<u>9,326,109-1/2</u>	<u>269,623,695</u>	<u>42,308,550</u>	<u>35,274,492</u>
Total Feb. 22, 1940 to June 14, 1941	<u><u>9,356,919-1/2</u></u>	<u><u>270,517,759</u></u>	<u><u>42,862,250</u></u>	<u><u>35,555,166</u></u>

June 17, 1941
8:46 a.m.

HMJr: Hello.

Operator: Mr. Knoke.

HMJr: Hello.

L. W. Knoke: Good morning, Mr. Secretary.

HMJr: Hello, Mr. Knoke. I just wanted to tell you how much I appreciate all you are doing down there.

K: Well, that is very generous, Mr. Secretary. We are trying to do our best.

HMJr: Uh huh. Any particular problems?

K: No, the - it's really a little early. Yesterday, of course, the market was just groping and we had an enormous flood of people coming in asking for information, but the actual applications were almost less than normal, or normal for a Monday which is always a little slack.

HMJr: I see.

K: But we are ready to cope with a great many more today.

HMJr: How is the - did you hear at all how the control of the currency bank examiners are getting along?

K: Well, I spoke to and I - at luncheon and asked that question and he said that he had his man in there policing but hadn't heard yet.

- 2 -

HMJr:

All right. Thank you.

K:

Thank you. Good morning.

June 17, 1941
9:10 a.m.

HMJr: Hello.

William
Donovan: Good morning, Henry.

HMJr: Bill?

D: Yeah.

HMJr: I hope you wont think I'm
unduly restless...

D: Oh no.

HMJr: But we have to get started
in New York.

D: Well, look Henry, I'm down
here today because I'm supposed
to have a date this morning...

HMJr: Uh huh.

D: That's the reason you haven't
heard from me.

HMJr: I see.

D: I'll get a hold of you just as
soon as I get through, Henry.

HMJr: Well, will you because.....

D: Oh sure.

HMJr: We are all tied up....

D: I sent word by Frank the other
day because I thought that was
the quickest.

HMJr: Frank?

D: Frank Knox.

HMJr: He didn't tell me anything.

- 2 -

D: Oh that God -
I told him to tell you, but
I haven't seen him yet.

HMJr: No, he never said anything.

D: Well, I thought that was
the quickest way of getting
it to you.

HMJr: He must have forgot.

D: I'm sorry, Henry, because I
was trying to get that word
to you.

HMJr: Good. Well, you think between
now and sunset?

D: Oh - even if I don't hear, I
will call you.

HMJr: Will you do that?

D: Certainly.

HMJr: Thank you.

D: All right.

HMJr: Goodbye.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 17, 1941

TO Mrs. Klotz

FROM Mr. Morgenthau

Mrs. Roosevelt never received what I sent her Friday night at Poughkeepsie. Please make up a duplicate today and show it to me. I would like to send it over to her the first thing in the morning. Thank you.

*original made
for Mrs M
Sent to her*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 17, 1941

TO Mrs. Klotz
FROM Mr. Morgenthau

Confidential:

I spoke to Mrs. Roosevelt last night in behalf of Francis Biddle for the position of Attorney General, and asked her to mention it to the President. She asked me who else they were considering, and I said, "Well, I see by the papers that they are considering Paul McNutt, and I think that would be simply terrible." She agreed with me. She said she would speak to the President.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 17, 1941

TO Mrs. Klotz
FROM Mr. Morgenthau

Please see that I bring up today at the 9:30 meeting the question of what the Administration is doing about installment buying.

*Discussed 9:30 meeting 6/17/41 -
Bell to find out what studies
have been made by various
groups in re installment
buying*

6/20/41 -

*Bell reported at 9:30 meeting
that Nugent of Henderson's
office and Perry of Fed. Res.
Has not been able to
contact them - Will take
it up first of next week.*

June 17, 1941
9:30 a.m.

GROUP MEETING

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

H.M.Jr: We will give the tax boys the first airing.

Sullivan: Congressman McKeough has proposed a new excess profits tax which is a combination of the old. Under his scheme a corporate taxpayer would compute his tax under average earnings, compute his tax under invested capital, add the two resulting taxes together, and then divide by two and that figure would be the tax that he would pay.

There was a good deal of talk about it up there yesterday morning, and then after lunch when we went back to work on it, McKeough asked to have an example worked out and when he discovered that a person would pay a tax,

- 2 -

even though his earnings in 1941 were less than they were in the base period, he said, "Well, that is all wrong; we will throw that out the window."

And then he wasn't so sure it should be thrown out the window and I think we are going to be asked for an opinion this morning. There is little to justify that type of tax other than a political compromise.

Mr. Blough and Mr. Tarleau and I didn't take kindly to it, but we didn't dare say anything because it was at least a step toward the plan that the Treasury had proposed. I discussed this very, very briefly with some of the men here yesterday afternoon, and I think it would be helpful if we got an expression of opinion from them.

H.M.Jr: Don't you think that married men and children should come first and bachelors last?

Sullivan: Yes, I do.

H.M.Jr: Well, who wants to express themselves as a married man, or woman?

White: I think the Treasury ought to stick to its position.

Foley: So do I.

White: I think it is becoming more and more important that a very strong fight be made for that position because I think it is becoming increasingly evident that stronger steps may have to be taken with respect to wage increases and I think it would be extremely difficult and lead to a great deal of trouble if in that effort to restrain wage rates from climbing you are not able to come to them

- 3 -

with a strong case as to what you have done for profits, the kind of case that will appeal to labor, irrespective of the ethica or the merits of the case, merely on those grounds alone. I think it is - that kind of a compromise they will come to more quickly if the Treasury fights for its own position, and on the other hand they may --

Sullivan: That is not quite the situation, Harry. We have fought for our position and we are standing by it, and when they started asking our opinion on other plans, we prefaced our remarks by saying that we still preferred the Treasury proposal, we thought it was superior to anything that had been furnished; but we would be glad to get them any estimates or factual information or help them in the drafting of whatever type of bill they decided to draft, but - so our position is protected.

The question now comes up whether or not this is preferable to the other types of plans that are being suggested up there.

White: Well, that isn't contrary to what I said. My position is that I think you will come closer to the Treasury position if the Treasury sticks to its position even if the Treasury never accedes to their position, but the Treasury by taking a definite stand with respect to that matter, I think, is more apt to bring them closer to that position than if the Treasury attempts to compromise that position.

Sullivan: No, no, we are not attempting to compromise at all, Harry.

White: I don't say that you are. I say you might be if you agreed this was a better proposal.

- 4 -

Foley: I think it would be a great mistake for the Treasury to indicate in any manner, shape, or form to that Committee that we will have anything to do with this make-shift plan. It may raise some money. It may be a little bit better than the situation at the present time. It isn't our proposal, we don't favor it, we don't want to have anything to do with it.

We have given the Committee what we think is a proper excess profits tax and that is the only recommendation we are making. We don't desire to comment on this. I think that is the only position we can take.

H.W.Jr: Well, that is our position.

Sullivan: Yes, that is our position.

H.W.Jr: That is our position. We didn't comment on it in the first place and they voted fifteen to nine in favor of it and we stood on the sidelines. Is that right?

Sullivan: Well, they voted fifteen to nine against ours. We didn't stand on the sidelines; we put up a fight for ours.

H.W.Jr: Are we talking --

Foley: He is talking about joint returns.

Sullivan: Oh, I beg your pardon, that is right.

H.W.Jr: Well, I think as I told you earlier, that by standing by the sidelines and being a little patient, I think time is working in our favor.

Sullivan: Yes, I do, too.

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Now, I think that what this Committee is going to do is, they are going to pass the Stam plan with the shift and with one of the recommendations we had in our plan, that on an invested capital company, such as American Car and Foundry, which is making much more money than it made in the base period and yet not making its eight percent, it will have to pay some tax on the increase above the average earnings during the base period, although they haven't yet gotten to the eight percent. I think we can get that in all right.

H.M.Jr: Well, Blough showed me some figures before. I am gradually getting what I want. He has got an analysis of how many corporations?

Blough: This particular one is an analysis of about six thousand corporations.

H.M.Jr: How many?

Blough: Six thousand all together, and the table I showed you had thirty-eight hundred corporations. It is a sample, a rather well-chosen sample.

H.M.Jr: And of those, over a thousand of them earned more than ten percent, is that right?

Blough: That is correct.

H.M.Jr: And he is now going to give me an additional table taking those thousand, showing how many with ten, twenty, thirty, forty, fifty percent, you see, and follow through as many as he can of them on forty. So we are gradually getting something which I hope I will be able to use. So unless there is something else, you and Roy can go on the Hill.

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Sullivan: All right.
You knew about Senator Harrison?

H.M.Jr: He had this operation?

Sullivan: Yes.

H.M.Jr: And it is doubtful as to results?

Sullivan: I don't know. I was hoping I would have a chance to call one of his friends. He is in Emergency.

H.M.Jr: Let me know, will you?

Sullivan: Yes, sir. I saw him Saturday afternoon, and he looked very, very well.

H.M.Jr: All right.
(Mr. Sullivan and Mr. Blough left the conference.)

H.M.Jr: Dan, what are we doing about installment buying? Walter Stewart told me that Win Riefler made a study on it and you said he wasn't getting anywhere with it, and I suggested that if he cared to send me a copy, I would like to interest myself in it; but I never got one.

Stewart: I told him about that. The study consists of four or five books. Perhaps that is one reason he didn't send it.

H.M.Jr: The point that Bell and I brought up the other day with Jesse Jones, for example, that on FHA instead of ninety percent mortgages they ought to have an eighty percent mortgage, and Mr. Jones received the suggestion very well.

- 7 -

I just wondered, does anybody know what group in Washington, Dan, is doing anything about installment buying?

Bell: Well, Federal Reserve has done quite a bit of studying on it.

White: And I think the Consumers Representative Group has done something. I can find out this morning easily enough.

H.M.Jr: Dan, would you mind taking that on, and find out - possibly you might call a little meeting of the people and see what has been done.

Stewart: I think Leon Henderson has brought Ralph Nugent of Russell Sage to work with him, and I believe they are working with the people at the Reserve Board on that.

H.M.Jr: Well, whoever is doing it is so quiet about it that - in these exciting days unless we shout about something, we don't get heard.

Bell: There was a representative of the General Motors Finance Company in town a few weeks ago, and he had several conferences, I think, with Roy Blough. I don't know whether he saw you or not, did he, George?

Haas: No.

Bell: And he went over and had a conference with Henderson.

H.M.Jr: Will you, Dan?

Bell: I will find out who is studying it.

H.M.Jr: All right. Well, that is all I have got.

Norman?

- 8 -

Thompson: I have nothing.

H.M.Jr: Dan?

Bell: Mr. Giannini has been in town for the past week, and he wants to know what procedure he could follow to get back in the good graces of the Treasury and -

H.M.Jr: Which one?

Bell:the President. Mario. He asked Cy Upham if he would undertake to make an appointment to see you, and Cy said no, that he didn't make appointments with the Secretary, he would have to go to Lieutenant Stephens. They have accepted --

H.M.Jr: You know, this is the first time he has ever asked to see me.

Bell: Yes, that is right.

H.M.Jr: I will see him. I will be glad to see him.

Bell: I think he would like to come in. I don't know that I would do it just yet. They have now accepted, at least informally, all of the points in our memorandum; and the Committee out there has-at least two of the members of the Committee recommended that we accept four million dollars as the write-off.

H.M.Jr: If he came in I wouldn't talk business at all. I have been waiting for him to ask to see me.

Bell: Well, he has asked Cy --

H.M.Jr: When did he ask?

Bell: Well, he has gone back now. He was in on

- 9 -

Friday the thirteenth. But he will be in town again. He comes here quite often.

- H.M.Jr: Why not tell Cy to write him a little note-- I will write him a little note.
- Bell: I think I would just let it drag for awhile and let him come to town again.
- H.M.Jr: All right.
- Foley: They hired Ted Granick, who used to be a lawyer over at PHA and runs that radio program that the Government people participate in once a week. Granick came in on Sunday and said that he had been retained and was working for Giannini and he was trying to build up good-will now between the Comptroller's Office and Giannini and you and Giannini and would it be possible to effect kind of a love feast between you and Mario.
- I told him I didn't know. I didn't like it because Granick is close to Wagner and it seems to me that they hired that fellow to keep our bill from coming up in the Senate Banking Committee.
- H.M.Jr: You are too suspicious.
- Foley: Well --
- Schwarz: Are they selling savings bonds for us out there? I had a letter from the West Coast which said that very few banks out there had many posters, in San Francisco especially.
- H.M.Jr: Supposing you check up on the four hundred odd Bank of America banks, Harold.
- Schwarz: They said you could walk all over San Francisco and only in union headquarters and some places like that would you find posters.

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Foley: They hired first this former general counsel of FDIC, who is very close to Stegall and made him an executive vice-president. Now they take on this Granick, who operates almost out of Wagner's office. He is always around Wagner's office.

They have got a fellow by the name of Kelley, who used to be an assistant to Merriam when Merriam was the governor out there, who is now head of the business department. He practically opened up offices here. He has come in and made himself known and wants to know what they can do to get back into the good graces of the Treasury.

They have got all this money, and they want to finance defense and they want to sell savings bonds. They want to do their part to overcome this cloud that they are living under.

H.V.Jr: All I want to do is, I want to deliver that speech on bank holding companies, and then I am willing to have a love feast.

Foley: I think we ought to wait until we deliver that speech. I don't want any love feasts before then. As long as that bill is over them, they have got them good without a love feast.

H.M.Jr: Well, I still say --

Bell: I think I would wait --

H.M.Jr: I still say if Mario Giannini wants to see me, I am ready to see him, because this is the first time he has ever asked to see me, and I am perfectly willing to see him.

Foley: He didn't ask directly. Why didn't he ask the right way?

Bell: Well, he asked through his contact with the Treasury, which is the Comptroller's Office.

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- H.W.Jr: I think that is pretty near the right way. I think that is about as near right as he could do it.
- Foley: Well, I guess you are right.
- H.W.Jr: What do you think he should do, call up Chief Wilson? (Laughter)
- All right, what else?
- Bell: President Day was in yesterday from the San Francisco Bank, Federal Reserve Bank, and he was commenting on this situation out there. He said that the old man has really become an old man in the last six months.
- H.W.Jr: What is the name of the president of Cornell University?
- Bell: Day.
- Here are two memoranda for your record on the New York and Boston situation. That is all I have.
- Cochran: Do you want this memo, Dan, on Keynes?
- Bell: I would like to read it first.
- Cochran: All right.
- H.W.Jr: Harold?
- Graves: Nothing.
- H.W.Jr: I think if we are having Monroe down Friday, we might also have Miss Connie Ernst come down with him, too. Let him bring her down.
- Graves: I sent word to Mr. Monroe to be here on Friday.

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Mr. Callahan is not here today, so I will not do anything except to have Monroe down here Friday.

H.M.Jr: Tell him to bring Miss Constance Ernst with him.

Graves: I will.

Oh, by the way, Senator Barkley suggested that Senator Byrnes be his substitute on this thing. Senator Byrnes has been contacted and has accepted.

H.M.Jr: Oh, wonderful. That is going to be a good - what time is that program?

Graves: It seems to me it is eight forty-five.

H.M.Jr: Grand.

Anything else, Harold?

Graves: Nothing else.

Bell: Did you hear Colonel Knox last night in Canada?

H.M.Jr: No, did you?

Bell: Yes. He made quite a speech.

H.M.Jr: I listened to Fiorello LaGuardia. He was terrible.

Schwarz: Knox was in Montreal.

H.M.Jr: Dr. White?

White: I have a table of the U. S. assets in continental European countries. It raises a question

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of our information. The most important items are American direct investments in foreign countries. The only information we have, which anybody has here, is based on 1936 data. That is over five years ago, and that is quite inadequate. I was wondering whether the Treasury wouldn't wish to consider preparing an Executive order making it possible for us to obtain accurate information as to the American holdings in these countries in which we--

H.M.Jr: Will you put it up to the three o'clock committee, please?

White: I will do that. I will leave this here in case you are asked any questions about those assets.

H.M.Jr: What else?

White: I have nothing else.

H.M.Jr: Chick?

Schwarz: I have a lot of freezing stories.

H.M.Jr: You know when anybody makes his debut, they always give him--

Schwarz: Flowers?

H.M.Jr: lilies.

Schwarz: Lilies? (Laughter)

H.M.Jr: Mr. Foley entered into the moving picture business yesterday.

Schwarz: How was his screen test?

Foley: You will find out.

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- Schwarz: Sometimes they take those without any film, you know.
- H.M.Jr: What else?
- Haas: I have nothing this morning.
- H.M.Jr: Are you going to get something from Mrs. Morgenthau this morning?
- Kuhn: Yes.
- H.M.Jr: She said for me not to give you any more assignments today, please.
- How was Atlantic City?
- Kuhn: Very fine. I think I had better go away again. It makes things happen around here, Executive orders and what not.
- I would like to find out first hand about Amherst later, if I may.
- H.M.Jr: Sure.
- Walter? What I would like you to do today, if you would, I don't know what happened yesterday, but you can get in touch with Mr. Bell. We are right in the midst of this thing with the English on this Keynes memo. I wish you could review that thing and bring yourself up to date and then I would like to talk to you sometime this afternoon, if I could. I mean, I would like to - It is the principal thing, if you could do that. About four o'clock?
- Stewart: All right.
- H.M.Jr: But it is quite a tricky piece of business. Bell knows about it, and White and Cochran and Foley. If any and all of you would make

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available what you have so that Stewart could bring himself up to date on it.

Cochran: We have some more documents on that since yesterday. I think if you want to see those--

H.M.Jr: No, I will wait until Bell makes a report. You had a meeting yesterday didn't you.

Bell: Yes, and we will give you a memorandum of that meeting with those documents attached.

H.M.Jr: Did you make any headway?

Bell: Oh, not a lot. We made headway sufficient to get Cox and some of their people together actually going over the contracts, and we may get something out of it.

Cochran: I have this letter to the Attorney General that you asked about yesterday.

H.M.Jr: Oh, yes.

Cochran: I rewrote it to include a paragraph that Harry suggested.

H.M.Jr: Admiral King told me a good story about - you know, we had all these little tickers marked "Urgent," red tickers. He said he was waiting in Admiral Stark's office and the messenger came in with a message for him and laid it on his desk so he saw it there. Instead of the word "Urgent," he had a ticker marked "Frantic." (Laughter)

Cochran: You didn't want these photostat copies back on the Cox cablegram?

H.M.Jr: No, no. That is for you people. I sent Harry a note on that. I want to know what is the matter with Rogers. You will get it, Harry.

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Foley:

Herbert and Berle and Biddle and I last night took some action to keep the German Nazi agents from leaving the country. We sent out two telegrams. The first telegram we sent by the Department of Justice to all Immigration Directors.

Shall I read it?

"The Executive Order of the President of June 14, 1941 regulating transactions in foreign exchange and foreign owned property and providing for the reporting of all foreign owned property and the regulations of the Secretary of the Treasury issued thereunder with the approval of the President on the same date prohibit any German national from exporting or withdrawing from the United States any gold or silver coin or bullion or any currency and require German nationals to file reports with respect to any and all property situated in the United States in which such German nationals have any interest whatsoever.

"You are accordingly instructed to take all necessary steps immediately to prevent any German national from departing from the United States in any manner whatsoever until you have received further instructions to insure compliance with the Executive Order and regulations. Detain only if necessary to prevent departure.

"Cover all possible means of departure including vessels, trains, buses, airplanes and international border roads. Cooperate with and make report to customs officials who have received similar instructions from the Secretary of the Treasury. Submit telegraphic report to Deputy Commissioner Savoretti of each alien prevented from leaving giving

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immigration status, place of intended departure and destination, whether alien detained and address in the United States, alien registration number, what passport and visa possessed by alien. Notify all immigration officials and Border Patrol stations so that these instructions may be immediately complied with throughout your district.

"In the case of German diplomatic or consular officials, wire immediately for further instructions."

That was signed by Schofield. We sent a telegram to all Collectors of Customs to implement those instructions. Our telegram is substantially the same. It is not quite as detailed as that.

Gaston: I am not sure just what authority we have, but I think we can take a chance that we have general authority.

Foley: We could have done it either under our power to detain anybody from leaving the United States until we are satisfied that all income taxes have been paid--

H.M.Jr: Well, you ought to explain to the President that you asked for this.

Foley: Biddle preferred to do it this way. The President called Biddle and asked Biddle to do it.

Gaston: I think this is better because this is a power of the Secretary of the Treasury which they have general authority, I think, to enforce orders of the Secretary of the Treasury.

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- H.M.Jr: Of course the Germans will think how smart we are. We freeze Monday morning, and then at eleven o'clock, after we have frozen, then we tell the German consulates to get out. It is all carefully planned, step by step. Instead of saying to German consuls, "Get out," and then freezing about a month later and let them have access to their money. Now we freeze Monday morning and then at eleven o'clock we tell them to get out, and Tuesday morning we say, "You can't get out until we are ready." (Laughter)
- Foley: "Try and get out. You have got no money, and you can't get across the border."
- H.M.Jr: It is all right.
- Foley: There is a bill that was reported out by the Senate Judiciary Committee which I understand has already passed the House which will give complete control over American citizens and aliens who wish to leave the United States to the State Department, and this is designed to hold these people here until that bill is passed.
- H.M.Jr: Well, I am sure what is in the President's mind is, he wants to get these people back in continental Europe and not get them in Central and South America. I think it is very smart.
- Is there anything else? We have got a whole crowd outside, you know.
- Foley: There is a report on the accounts of the German and Italian consulates in the Riggs Bank.
- H.M.Jr: Anything else?

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Foley: We have an action in Chicago brought by a man by the name of MacDonald who is president of the Zenith Radio Company to enjoin the captain of the port from enforcing certain anchorage regulations based upon the length of his yacht.

His yacht is over a hundred feet, and he wants to anchor in close to shore, and the captain of the port has ordered him to anchor out farther so that the smaller boats can anchor in, and there is a question of defense involved because these are general regulations and the validity of them has been attacked.

We can't afford to lose the suit, and our people have been out there and have talked with the judge, and the judge is supposed to favor MacDonald.

An implementation of our anchorage regulations will make this suit moot, and we think, Herbert and I, that these anchorage regulations, which are of general character and which are not aimed directly at MacDonald, should be issued.

Gaston: It gives the captain of the port specifically the power to--

H.M.Jr: Who is the president of this thing?

Foley: MacDonald.

H.M.Jr: Is it public that he is doing this?

Foley: Oh, yes.

H.M.Jr: Chick, tell--

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Gaston: It is quite political. Both he and the judge are quite political.

H.M.Jr: What is the name of the manager here of the Chicago Daily News?

Schwarz: Paul Leach.

H.M.Jr: Tell him about it.

Schwarz: Mr. MacDonald one time tried to get six Coast Guard officers fired because they wouldn't let him board a cutter while intoxicated.

H.M.Jr: Will you tell Paul Leach about this with my compliments?

Schwarz: With my delight.

Gaston: This is a drunken party boat he keeps out there.

H.M.Jr: And will you also please find out whether the Zenith has any Government orders?

Foley: Right.

H.M.Jr: And let me know.

Foley: Right.

Huntington said something about this fellow having sent radios around.

Gaston: He sent two radios, one for the non-commissioned officer at headquarters and one for the officer-in-charge, the commander. The commander was out at the time; and when he came back, he sent the radios right back.

H.M.Jr: Tell that to Paul Leach, and find out if he

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has any Government orders will you?

Foley: Yes.

H.M.Jr: Anything else?

Herbert?

Gaston: No, I haven't anything.

H.M.Jr: Would you people please, those that are coming tonight - I mean, for your own amusement and education, if you are coming tonight, would you leave your names with Stephens, because I don't want anybody to come in that he doesn't know about. If anybody is coming to the movie at nine tonight, would you leave your name with Stephens?

You have arranged for it, have you?

Gaston: Yes.

H.M.Jr: Fine.

I mean, it is only if you care to come. I mean it isn't by any means - you know. Stewart, we are showing a picture tonight which we are trying to decide whether we do or don't want it to come in. You (Gaston) might have a little mimeographed stub, I vote yes or no, and I am going to hand them around afterward to vote whether they should or shouldn't be admitted.

Will you have it done, Herbert?

Gaston: Yes.

refd to 930 6/17

SECRET

EMIGRATION

To all District Directors:

The Executive Order of the President of June 14, 1941 regulating transactions in foreign exchange and foreign owned property and providing for the reporting of all foreign owned property and the regulations of the Secretary of the Treasury issued thereunder with the approval of the President on the same date prohibit any German national from exporting or withdrawing from the United States any gold or silver coin or bullion or any currency and require German nationals to file reports with respect to any and all property situated in the United States in which such German nationals have any interest whatsoever.

You are accordingly instructed to take all necessary steps immediately to prevent any German national from departing from the United States in any manner whatsoever until you have received further instructions to insure compliance with the Executive Order and regulations. Detain only if necessary to prevent departure.

Cover all possible means of departure including vessels, trains, buses, airplanes and international border roads. Cooperate with and make report to customs officials who have received similar instructions from the Secretary of the Treasury. Submit telegraphic report to Deputy Commissioner Saveretti of each alien prevented from leaving giving immigration status, place of intended departure and destination, whether alien detained and address in the United States, alien registration number, what passport and visa possessed by alien. Notify all immigration officials and Border Patrol stations so that these instructions may be immediately complied with throughout your district.

In the case of German diplomatic or consular officials, wire immediately for further instructions.

SCENFIELD.

Repts to 930 meeting
6/17/41

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CONFIDENTIAL

JUN 16 1941

TO ALL COLLECTORS OF CUSTOMS

THE EXECUTIVE ORDER OF THE PRESIDENT OF JUNE 14, 1941, REGULATING TRANSACTIONS IN FOREIGN EXCHANGE AND FOREIGN OWNED PROPERTY AND PROVIDING FOR THE REPORTING OF ALL FOREIGN OWNED PROPERTY AND THE REGULATIONS OF THE SECRETARY OF THE TREASURY ISSUED THEREUNDER WITH THE APPROVAL OF THE PRESIDENT ON THE SAME DATE PROHIBIT ANY GERMAN NATIONAL FROM EXPORTING OR WITHDRAWING FROM THE UNITED STATES ANY GOLD OR SILVER COIN OR BULLION OR ANY CURRENCY AND REQUIRE GERMAN NATIONALS TO FILE REPORTS WITH RESPECT TO ANY AND ALL PROPERTY SITUATED IN THE UNITED STATES IN WHICH SUCH GERMAN NATIONALS HAVE ANY INTEREST WHATSOEVER. NOW YOU ARE ACCORDINGLY INSTRUCTED TO TAKE ALL NECESSARY STEPS IMMEDIATELY TO PREVENT ANY GERMAN NATIONAL FROM DEPARTING FROM THE UNITED STATES IN ANY MANNER WHATSOEVER UNTIL YOU HAVE RECEIVED FURTHER INSTRUCTIONS TO INSURE COMPLIANCE WITH THE EXECUTIVE ORDER AND REGULATIONS. STOP. IN THIS CONNECTION YOU ARE TO COOPERATE WITH THE OFFICIALS OF THE IMMIGRATION AND NATURALIZATION SERVICE OF THE DEPARTMENT OF JUSTICE WHO HAVE COMPARABLE INSTRUCTIONS STOP. IN THE CASE OF GERMAN DIPLOMATIC OR CONSULAR OFFICIALS REFER IMMEDIATELY FOR FURTHER INSTRUCTIONS.

1/s/ Herbert E. Gaston

ACTING SECRETARY OF THE TREASURY

June 17, 1941
11:41 a.m.

Francis
Biddle:

This is Francis, Henry.

HMJr:

This is Henry, Francis.

B:

Good morning, Henry.

HMJr:

How are you?

B:

Fine. I want to tell - I want to say a word about the release - you see, in order to hold these fellows we've sent out and there will be sent out probably several hundred orders all over the country...

HMJr:

Yeah.

B:

The thing is out. Now, the place will be swarming with questions and answers. My feeling is very strongly this. Berle wanted to wait till questions had come in, I think that looks like a somewhat defensive policy.

HMJr:

Yeah.

B:

I think it's very much stronger to give reasons for doing - this is a very drastic thing and I think we need say nothing about the act, but I think it would be very much - Congress will be calling up and Nice will want to know why we did it when the act was in the hopper and all that. I'm going to call Nice personally and explain it to him. But I think it's very much stronger now. We needn't release that until a certain hour. I had first thought 12 o'clock today. The release is very brief and it's been approved. We are doing it solely under the registration of property.

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HMJr: Well, from which Department is it to be released?

B: Joint.

HMJr: Joint who?

B: Treasury and Justice.

HMJr: Oh, I see.

B: And Ed has - we got a - it's about a half a page, Ed has approved it, I've - would you like to see it too?

HMJr: No, not

B: It's all right, Henry, and I would suggest releasing it at 12. These fellows will be running up and then what are we to say to them - when the first reporter comes in, what are we to say?

HMJr: Well, what I told Ed this morning was to sit tight until there was a leak and then let it go.

B: Well.....

HMJr: That's what you are doing, isn't it?

B: Yes. You approve of that?

HMJr: Yes.

B: Well, now don't you think - shall I just keep Jim Allan in touch with your man?

HMJr: My

B: My hunch would be then - let's say to release it tomorrow morning at 10 unless there is a leak before then.

HMJr: Well, why don't you want to do it today?

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B: Well, I'd a little rather release it today.

HMJr: Well, why not release it tonight for tomorrow morning's papers

B: Check, I agree.

HMJr: What.

B: I agree.

HMJr: I'll tell Schwarz to get in touch with Foley....

B: No, with Foley and Jim Allan.

HMJr: Well, I'll just tell Foley it's okay. Then Foley can take care of it.

B: Thank you very much.

HMJr: And remember, my latch string is out.

B: Oh, you are very nice, Henry.

HMJr: Are you coming to see that picture?

B: I'm not sure. My wife is in New York and I'm trying to get in touch with her. Is it a good picture, is it?

HMJr: Well, we don't know - it's - I'm showing it secretly.

B: Good. It's 9 o'clock tonight.

HMJr: Yeah, right in the Treasury.

B: Can I bring my boy down?

HMJr: Oh, love it.

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B: Fine. Well, I think we'll come.

HMJr: Love it.

B: Fine.

HMJr: Yeah.

B: All right.

June 17, 1941
2:39 p.m.

HMJr: Hello.

Frank Walker: Hello, Henry

HMJr: That's my name, Frank.

W: How are you?

HMJr: I'm fine.

W: I was going to say I read your speech and by the way it was very good.

HMJr: You liked it?

W: I enjoyed it very much.

HMJr: That's nice of you.

W: I read it through and I do that with many documents that are sent from speech makers.

HMJr: (Laughs)

W: Do you?

HMJr: No.

W: But I honestly did read it.

HMJr: Well, I was amazed that the President read it. He said he liked it very much.

W: Henry, I just got a wire from Brooklyn. I thought I might read it to you, you might be interested in it.

HMJr: Please.

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W: "A telephone message was just received from the Postmaster at Brooklyn advising that withdrawals of Postal Savings funds today exceeded normal daily withdrawals by approximately 15 thousand at Stations T and Gravesend - his office. These stations sell a large Italian population. Postmaster expressed the opinion the abnormal withdrawals are caused by the depositor's fears that their funds might be frozen. On communicating with the Postmaster in New York he advised that there had been no abnormal withdrawals of Postal Savings funds at any of his stations."

HMJr: Could you get that over to me?

W: Yeah.

HMJr: Right away?

W: I will.

HMJr: And I'll put it in the right hands.

W: Yeah.

HMJr: Will you send it and tell them to put it in the hands of Lieutenant Stephens who's in the outside of my room.

W: Lieutenant Stephens.

HMJr: Yeah.

W: All right, Henry.

HMJr: I'd like to have that.

W: Yeah. All right.

HMJr: Thank you.

June 17, 1941
2:46 p.m.

Higgins:the Internal Revenue building, Mr. Morgenthau, is waiting to see Mr. Schoenman.

HMJr: Yeah. Well, Mrs. Klotz told me of your conversation.

H: Yes.

HMJr: And not only is there no reason why you shouldn't go after Mr. Foy but every reason in the world why you should.

H: Exactly.

HMJr: And - after all the repair work they did on my truck, I paid cash for....

H: Yes, I understand that perfectly, Mr. Morgenthau.

HMJr: Are you having trouble with it?

H: Well, he was behind - we had him in on a hearing you see, and when he came up to the point we arrived at a part payment plan with the supervisor and the point was that when it came to the question of whether he was going to pay his current taxes, he didn't think he would be able to pay but 10 out of 75 thousand, you see?

HMJr: Well, isn't he still President of Chrysler?

H: Yes, he's pretty active with Chrysler now, but the unfortunate part is, he seems to be tied up with a lot of other obligations, you see, and I thought he talked rather in big terms, you see, and everybody he knew and all that business.

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HMJr: Well, the only way to treat a man like that is to be a little extra hard boiled.

H: Well, I understand that perfectly, that's your attitude on it certainly.

HMJr: Well, and I'd go right after him.

H: Well, thanks very much, Mr. Secretary.

HMJr: Well, I'm glad you brought it to my attention.

H: Yes, I thought perhaps it might be well to - I don't like that sort of business and I know you don't.

HMJr: No. Treat him a little extra rough.

H: I will.

HMJr: All right.

H: Very well, sir.

HMJr: Thank you.

H: Right-o.

JUN 17 1941

TREASURY DEPARTMENT ORDER NO. 408

By virtue of and pursuant to the authority vested in me, I hereby direct that all authority, duties and functions relating to foreign funds control which heretofore have been delegated or assigned to any other officer or office of the Department shall continue to be exercised and performed by such officer or office subject to the general supervision of Edward H. Foley, Jr., as Acting Secretary of the Treasury.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Original on file in
Mr. Charlie Bell's office.

June 17, 1941.

MEMORANDUM FOR THE SECRETARY'S FILES:

A meeting relative to the administration of Executive Order 8389, as amended, was held in Mr. Foley's office at 3 p.m., June 16, 1941, attended from time to time by the following:

Messrs. Foley, Gaston, White, Cochran, Pehle, Coe, Klaus, and Bernstein for the Treasury, Messrs. Acheson, Hiss, Luthringer and Fisher for State, Messrs. Shea, McNamara and Creeger for Justice.

Mr. Acheson told of the visits that he had had from the various representatives of the neutral European countries.

(1) Ambassador Oumansky said that the Order was discriminatory because it was not world-wide. Acheson said that the Order made a reasonable classification in taking in all of the continent of Europe. Acheson said that Oumansky's attitude was quite unsatisfactory and that he doubts whether Russia will give this country any of the requested assurances, in which case we will only grant specific licenses to Russia.

(2) The Swiss Minister suggested getting a general license for the Swiss Central Bank until the Swiss Government could work out foreign exchange control over their transactions. Similarly he hoped that general licenses could be obtained for any Swiss Government accounts and for the accounts of the Cargo Commission, which was a governmental commission.

(3) The Swedish representative wanted a general license for the Riksbank account and also for the Joint Trustee account of Minister Bostrom and Commercial Counsellor Eriksson at the Federal Reserve Bank and for the account of the Swedish Cargo Commission over which Eriksson has drawing powers. This latter Commission makes purchases for Sweden in the United States. The Swedish Minister felt that the desired assurances may come in

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by Thursday. Otherwise he hoped that if he said the assurances would arrive, we would be willing to issue general licenses for the joint account and the Swedish Cargo Commission account.

(4) Finland, it is believed, will come through quickly with the required assurances.

(5) Portugal will probably give the requested assurances.

(6) It was hard to say what Spain would do. The Spanish representative threatened reprisals against U.S. diplomatic and consular officials in Spain. Mr. Acheson also referred to the fact that our Ambassador Weddell had been unable to see Franco for about eight weeks even though he had requested an interview practically every day.

Mr. Acheson had indicated that Portugal was troubled by having to certify that Germany and Italy had no interest in any of its transactions but was quite willing to certify that none of the blocked countries had any interest in any transaction that it was undertaking under the general license. Apart from this reaction, Mr. Acheson said none of the diplomatic representatives said anything to indicate that the Executive Order made difficult the position of such neutral countries vis-a-vis Germany or Italy.

Mr. Acheson also mentioned discussions that he had had with these diplomatic representatives relative to their expenditures in this country and their need for obtaining licenses. He was rather general in his talk with them and said that specific information on the problems could be taken up with Pehle of the Treasury Department. The Russian Ambassador had indicated that he wouldn't take up the matter with the Treasury Department. Mr. Acheson asked Pehle to prepare a memorandum which could be furnished to the Russian Ambassador of the procedure for the Ambassador to follow in obtaining licenses for diplomatic and consular expenses.

Mr. Foley discussed at length the problems of the cooperative efforts of the three Departments in working out and administering the freezing control, and also mentioned the press conference that he had had earlier in the day on the Order.

There was a general discussion on the telegram of instructions that had been sent to Federal Reserve Banks late Sunday night and the procedure that was being followed in sending names to the Federal Reserve Banks of persons who, it was believed, should be blocked under the Order. The Treasury described the additional steps that it was expected will be taken in obtaining further names to be added to this list. We agreed to furnish Mr. Shea with a list of the names of the persons that we have sent out and will hereafter send out for blocking.

Bernstein raised the question of what action should be taken with regard to shipments in transit through the U.S. and between blocked countries and Latin America. Dean Acheson described the procedure being followed by Export Control on this matter since they have adopted the rule that export control applied to in transit shipments. He asked that for the time being the freezing control should not do anything in this field. At Bernstein's suggestion, State is to furnish to the Treasury a memorandum showing the general and special licenses issued by Export Control covering in transit trade and other general trade problems, and also indicating the basis for the action which is being taken. With this memorandum in hand, the Treasury will be in a position to take appropriate parallel action.

There was also an extensive discussion at the meeting as to the manner in which Shea's office will deal with the other branches of Justice on the problems related to freezing control. The possibility was considered of working up a memorandum showing how the field of investigative work would be divided up between the Treasury and the Department of Justice and how cooperation between the two Departments on freezing control problems would be worked out.

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June 17, 1941

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MEMORANDUM FOR THE SECRETARY'S FILES:

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Messrs. Foley, Gaston, Bernstein, Pehle, Klaus, Coe, and Aikin for the Treasury, Messrs. Acheson and Luthringer for State, Messrs. Shea, Kreiger, and Tamm for Justice.

There was considerable discussion to explore how the activities of the F.B.I. could continue to be coordinated most effectively with the Treasury Department. Mr. Foley stressed the importance of cooperation between the two departments, recognizing that in many border-line cases the work of both may well overlap, but that this problem can be satisfactorily ironed out provided a general understanding is reached beforehand. It was agreed that investigations of subversive activities and sabotage were functions of the F.B.I. Mr. Gaston explained that the Treasury Department, when making investigations which might involve persons in which F.B.I. was interested would consult with F.B.I. and obtain any information available. He stated that if there was no F.B.I. information available and no objection to our investigation the Treasury then would proceed through other channels. Mr. Shea asked just what these were, and Mr. Foley replied:

1. Foreign Funds Investigatory Unit under Mr. Erwin G. May
2. Customs
3. Secret Service
4. Comptroller's Office

Mr. Shea and Mr. Tamm briefly described what the F.B.I. was presently doing. There was a staff of from 150 to 200, the majority of whom were in New York City, Philadelphia, and other metropolitan areas. This group has been monitoring bank accounts of, roughly, 150 persons and corporations suspected of subversive activities, sabotage, etc. Mr. Pehle remarked that much previous day-to-day monitoring would no longer be necessary following the latest freezing Order, and both Messrs. Klaus and Bernstein agreed that this was the case and that the Treasury would only be interested in having unblocked accounts monitored.

In general it was decided that the Treasury Department wanted:

1. The F.B.I. to continue monitoring unblocked accounts for the time being
2. To be able to consult with the F.B.I. for information other than that available through regular Treasury investigatory channels
3. To be able to call on the F.B.I. for assistance in conducting investigations in those areas in which the F.B.I. is already in operation and where such assistance is desired by the Treasury.

Mr. Foley asked Mr. Klaus to prepare a brief memorandum outlining the problem under discussion.

Mr. Pehle outlined discussions he had had with representatives of the Swedish and Swiss Governments. It was easier for the Swedes to give assurances of the basis on which their operations might be conducted under a general license because of effective exchange control in that country. All private and commercial banks are required to clear their foreign exchange transactions through the Swedish Exchange Control and hence broad assurances can legitimately be given. The only problem arising would be in those cases where an individual's account was maintained directly on the books of a foreign bank with whom the individual had a test cypher key arrangement. However, the Swedes believed that this would present no real difficulties. Mr. Pehle explained that the Swiss problem was different in that there was no centralized foreign exchange control but only a gentleman's agreement between the commercial banks and the Bank Nationale Suisse. Nevertheless, it was believed that a satisfactory arrangement could be worked out to confine a general license to those transactions over which Swiss control would be effective. A general license might be granted to the Banque Nationale Suisse with a conduit clause. The Swiss representatives informed Mr. Pehle that it was their wish that any such arrangement would not be prejudicial to their interests in obtaining in the future a broader general license. Both Messrs. Bernstein and Acheson indicated their agreement to the tentative arrangements outlined by Mr. Pehle. Mr. Pehle then mentioned two points which the Swedes had raised:

1. Technical interpretation of the assurances to be given with respect to Finns who had resided a long time in Sweden.

2. Cargoes on Swedish vessels about to depart.

Mr. Pehle then read a cable which the Dutch Legation had received from Batavia explaining the 14 million dollars paid to Japan in the period from June 3 to June 12. Briefly, the Dutch state that following the collapse of Holland, substantial purchases, principally textiles, had been made in Japan resulting in large accumulations of dollar deposits belonging to Japanese in the Dutch East Indies. Coincidental with the unfavorable Dutch reply to the Japanese economic proposals, the Japanese had withdrawn these substantial amounts.

Mr. Pehle then read a telegram from the American Consul at Tsingtao explaining how Germany was converting exports into United States dollars. Mr. Bernstein asked whether it would be unfair to require branches or subsidiaries of American banks in China to segregate funds in their omnibus accounts. His idea was along the same lines which the B.I.S. has been following with respect to their "Special Account C". It was agreed that this would place American banks in the Orient at a disadvantage.

Mr. Pehle then mentioned a telephone call from Mr. Slade of the Federal Reserve Bank of San Francisco advising that one of the banks (Wells Fargo) in his district had been requested to open a letter of credit for \$300,000 relating to a shipment of quicksilver from Mexico to Japan. Mr. Gaston brought up the question of preclusive buying of strategic materials and Mr. Acheson stated that the State Department was trying to work something out along these lines but meanwhile wondered whether or not some sort of moral embargo might be instituted. Mr. Pehle questioned the effectiveness of any moral pressure, stating that the result might only be to drive the business away from reputable banking institutions or to the financing of such operations elsewhere (as, for instance, in Mexico).

Mr. Bernstein then brought up the question of a hoarding amendment to the Executive Order. He said that only a simple amendment was necessary but emphasized the importance of a correct public understanding of such an amendment. The public must clearly understand that it is directed against Germans and Italians primarily. Mr. Foley asked Mr. Bernstein to prepare an amendment for further discussion.

Mr. Klaus stated that their investigations had revealed that Germans had recently withdrawn about 3½ million dollars, mostly in

small bills, which were difficult to trace. The Germans were also liquidating investments.

There was some discussion about retaliatory action which the Italians were taking as a result of the latest freezing Order. The State Department will cable Ambassador Phillips at Rome tonight to find out if there has been a blocking of the Banca d'America e d'Italia which is owned by the Bank of America.

Mr. Acheson said he had received a complaint from the Russians that the Treasury was discriminating against them and mentioned that all of Amtorg's payments to American concerns had been permitted, but Amtorg itself was not allowed to make withdrawals. Mr. Pehle explained that this situation arose as a consequence of the general license permitting payment of checks outstanding and in process of collection as of the effective date of the Order.

Mr. Pehle said that very gratifying results had been obtained from the telegrams despatched to the various Federal Reserve Banks drawing attention to accounts which this Department was anxious to see blocked. Mr. Pehle also mentioned that the Federal Reserve Banks had been given the names of Panama holding companies which were cloaks for blocked nationals.

In response to Mr. Acheson's query, Mr. Coe said that he had been working on registration forms which will, of course, have to go "through the mill" in the Foreign Funds Control, State Department, S.E.C., Department of Commerce, Department of Justice, and other interested agencies.

Mr. Pehle will provide Mr. Shea with a list of the names sent to the Federal Reserve Banks and Mr. Coe will give Mr. Shea a rough draft of the proposed new registration form as soon as one is ready.

June 17, 1941.

MEMORANDUM FOR THE SECRETARY'S FILES:

Mr. Berle called Mr. Bernstein to ascertain whether the Internal Revenue laws could be used to prevent German aliens from leaving the country for a few days pending the passage of legislation now before Congress which would enable the Government more adequately to deal with such aliens. Mr. Bernstein advised Mr. Foley and Mr. Wenchel of the inquiry. Mr. Wenchel called Mr. Berle and discussed with him the provision of the law which prohibits an alien from departing who has not shown evidence of having paid all his taxes. Mr. Berle indicated that the matter was going to be considered further with Acting Attorney General Biddle. Mr. Foley discussed the matter with the Secretary, and the Secretary indicated his general approval to taking action along such a line. Thereafter Mr. Wenchel went to the office of Mr. Biddle and participated in the discussions of this problem with Mr. Biddle, Assistant Solicitor General Fahy, and Major Schofield. It seemed to be the general view that from a public point of view it might be unsatisfactory to use an old tax statute for this purpose. Mr. Fahy mentioned the possibility of using the freezing control Orders and suggested that regulations be prepared for that purpose. Mr. Wenchel then suggested that the instructions be issued first in view of the fact that time was of the essence. At this point Mr. Biddle called the White House and informed Miss Tully that he was working on some procedure to halt the German aliens at the border but was not quite satisfied as to whether to use the tax powers or the freezing control powers. Mr. Biddle was then told that the President did not care a damn how these aliens were stopped so long as they were stopped. They could examine their teeth if they wished but in any event the instructions had to be issued within an hour.

Mr. Biddle called Mr. Foley and discussed with him the possibility of using the freezing control powers. Mr. Foley and Mr. Bernstein also discussed the problem, and it was felt that a fair argument could be made that such German

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nationals as were leaving the country probably were violating the Order by taking currency with them without a license and that we also had the right to take steps to see that they filed proper reports. Mr. Bernstein then went to Mr. Biddle's office and participated in the discussions, pointing out various ways and means of dealing with the problem. In particular, Mr. Bernstein pointed out that if German aliens were either served with grand jury subpoenas or were otherwise arrested, our legal position would be somewhat stronger. Mr. Biddle felt that this would take too much time and would be too complicated, and that since the President had directed him to get this job done one way or another, he, Mr. Biddle, was prepared to say that it was legal for the Secretary of the Treasury to instruct the Collectors of Customs to prevent the departure of any German nationals in view of the freezing Order pending the working out of arrangements for obtaining satisfactory evidence that the Executive Order is being complied with.

Accordingly, two telegrams were drafted, one from the Secretary of the Treasury to the Collectors of Customs and the other from Major Schofield, Chief of the Division of Immigration and Naturalization Service to his field offices directing that they take appropriate steps to carry out the aforementioned program. Copies of such telegrams are annexed. Mr. Bernstein cleared the telegrams over the telephone with Mr. Foley and Mr. Gaston and they decided that it would not be necessary to check further with the Secretary, in view of the conversation earlier in the day between the Secretary and Mr. Foley. Mr. Biddle also cleared the telegrams over the phone with Mr. Berle. Mr. Berle felt, however, that it might be undesirable to issue any press release on the matter at this time as Mr. Biddle had suggested. The pros and cons of issuing the press release were considered and the matter was left over until the following morning. The group also discussed the question as to whether the instructions should apply to departing diplomatic and consular officials. Mr. Biddle took this matter up with Mr. Berle, who agreed that instead of "detaining" departing diplomatic and consular officials, their departure should be held up until the Customs and Immigration officials could communicate with Washington and receive instructions on the matter.

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Later in the evening, the Treasury telegram was telegraphed to all the Customs Collectors and Commissioner W. R. Johnson telephoned to the Customs officials along the Mexican border ports and wherever a boat might be leaving so that there would be no delay in imparting the instructions at these points.

Early on June 17 Mr. Foley discussed the action taken with the Secretary, who gave full approval thereto. The Secretary thought that it would be preferable not to issue the press release at this time. Major Schofield telephoned Mr. Foley and read to him a draft of the press release, which seemed satisfactory subject to determination as to when, if at all, it should be released. A copy of such draft of press release is attached. Later in the day Mr. Biddle phoned to say that he thought it was desirable to issue such press release, and the press release was issued on that day.

During the afternoon of June 17 Major Schofield talked to Mr. Foley and to Mr. Bernstein and told them of the situation of neutral boats coming into American ports and German sailors coming off temporarily and then seeking to return to the boats. It was agreed that the instructions would apply so that such sailors would be unable to return to their boats until the facts were communicated to Washington and further instructions issued. In other words, these sailors would be treated in a manner similar to the way in which departing diplomatic and consular officers were being treated.

F. W. H.

Attachments.

TREASURY

CONFIDENTIAL

June 16, 1941

TO ALL COLLECTORS OF CUSTOMS

THE EXECUTIVE ORDER OF THE PRESIDENT OF JUNE 14 1941 REGULATING TRANSACTIONS IN FOREIGN EXCHANGE AND FOREIGN OWNED PROPERTY AND PROVIDING FOR THE REPORTING OF ALL FOREIGN OWNED PROPERTY AND THE REGULATIONS OF THE SECRETARY OF THE TREASURY ISSUED THEREUNDER WITH THE APPROVAL OF THE PRESIDENT ON THE SAME DATE PROHIBIT ANY GERMAN NATIONAL FROM EXPORTING OR WITHDRAWING FROM THE UNITED STATES ANY GOLD OR SILVER COIN OR BULLION OR ANY CURRENCY AND REQUIRE GERMAN NATIONALS TO FILE REPORTS WITH RESPECT TO ANY AND ALL PROPERTY SITUATED IN THE UNITED STATES IN WHICH SUCH GERMAN NATIONALS HAVE ANY INTEREST WHATSOEVER STOP YOU ARE ACCORDINGLY INSTRUCTED TO TAKE ALL NECESSARY STEPS IMMEDIATELY TO PREVENT ANY GERMAN NATIONAL FROM DEPARTING FROM THE UNITED STATES IN ANY MANNER WHATSOEVER UNTIL YOU HAVE RECEIVED FURTHER INSTRUCTIONS TO INSURE COMPLIANCE WITH THE EXECUTIVE ORDER AND REGULATIONS STOP IN THIS CONNECTION YOU ARE TO COOPERATE WITH THE OFFICIALS OF THE IMMIGRATION AND NATURALIZATION SERVICE OF THE DEPARTMENT OF JUSTICE WHO HAVE COMPARABLE INSTRUCTIONS STOP IN THE CASE OF GERMAN DIPLOMATIC OR CONSULAR OFFICIALS WIRE IMMEDIATELY FOR FURTHER INSTRUCTIONS

(signed) Herbert E. Gaston
ACTING SECRETARY OF THE TREASURY

IMMIGRATION

June 16, 1941.

To all District Directors:

The Executive Order of the President of June 14, 1941 regulating transactions in foreign exchange and foreign owned property and providing for the reporting of all foreign owned property and the regulations of the Secretary of the Treasury issued thereunder with the approval of the President, on the same date prohibit any German national from exporting or withdrawing from the United States any gold or silver coin or bullion or any currency and require German nationals to file reports with respect to any and all property situated in the United States in which such German nationals have any interest whatsoever.

You are accordingly instructed to take all necessary steps immediately to prevent any German national from departing from the United States in any manner whatsoever until you have received further instructions to insure compliance with the Executive Order and regulations. Detain only if necessary to prevent departure.

Cover all possible means of departure including vessels, trains, busses, airplanes and international border roads. Cooperate with and make report to customs officials who have received similar instructions from the Secretary of the Treasury. Submit telegraphic report to Deputy Commissioner Savoretti of each alien prevented from leaving giving immigration status, place of intended departure and destination, whether alien detained and address in the United States, alien registration number, what passport and visa possessed by alien. Notify all immigration officials and Border Patrol stations so that these instructions may be immediately complied with throughout your

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district.

In the case of German diplomatic or consular officials,
wire immediately for further instructions.

SCHOFIELD.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, June 18, 1941.
6/17/41

Press Service
No. 25-89

The Treasury Department and the Department of Justice tonight ordered Customs officials and Immigration officers to take all necessary steps to prevent any German national from departing from the United States pending further instructions.

The action was taken to insure compliance with the Executive Order of the President of June 14, 1941, regulating transactions in foreign exchange and foreign-owned property.

The Executive Order and the regulations approved by the President prohibit German nationals from exporting or withdrawing from the United States any gold or silver coin or bullion or any currency and require reports with respect to any and all property situated in the United States in which such German nationals have any interest whatsoever.

The instructions require Customs officials and Immigration officers to cover all possible means of departure, including vessels, trains, busses, airplanes and international border roads so that no Germans may leave this country without having fully complied with the Executive Order and the regulations.

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GENERAL COUNSEL
TREASURY DEPARTMENT
WASHINGTON

6/17/41

List of names of those who worked day and night over the
week-end on extension of freezing control and were received
Assistant General Counsel's Office by the Secretary today

Mr. Bernard Bernstein, Asst. Genl. Counsel

Attorneys

Mr. Ansel F. Luxford

Mr. Josiah Du Bois

Miss Florence Hodel

Mr. J. R. Johnston

Mr. T. Maxwell Anderson

Mr. Joseph Murphy

Stenographic Staff

Miss Myrtle Utech

Mrs. Norma De Lacy

Mrs. Dorothy Bradley

Mrs. Margaret Raynor

Miss Miriam Camp

Miss Marion Alcorn

Miss Florence Wilson

Mrs. Tessie Schlieffer

June 17, 1941

Sir Arthur Salter called on me today. He said that during the first three months of this year, January, February and March, they landed about 7,000,000 tons of food in England. In the month of April it was slightly more, and in the month of May, he thinks that it was still a little more.

However, on the sinkings, he is very much worried because for the five weeks in April and the four weeks in May, they lost about 750,000 tons. While he had made arrangements after he came over here so that between the United States and England, we would be able to produce 5,000,000 tons a year, which would be in excess of the sinkings at present, recently the sinkings have increased so that they are considerably in excess of 5,000,000 tons a year.

I asked him if they had any real shortage of food so far and he said, "No." I then asked him, "Have you had to slow down any of your factories?" and the answer again was "No."

Salter said the only bright spot is that when ships have had real protection or adequate protection they have gone through without any loss as, for example, the movement of troops from Canada to England. He said, "They have been unable to give anything like full protection to most of their ships."

He said that recently the sinkings have been moving farther and farther west until within the last fortnight they lost a lot of ships at or about Parallel 45, which is pretty close to Newfoundland.

He seemed very discouraged, but I told him that I thought things were going much better. When you sum up his talk, it seems to me that he was painting this very dark picture, all leading up to the fact that if our Navy got away from what he called simply a reporting system to real convoying, that is what they really want and hope for.

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For the first time, I felt that Salter was handing me propaganda rather than facts. He is sending me over some figures to substantiate his statements, and I will be interested during the next month or two to see how things work out in view of today's conversation.

June 17, 1941

Norman Thompson
Secretary Morgenthau

In the new setups that we have, such as Pehle's office and the one for Defense Savings Bonds, are there any trained nurses on duty during the working hours, and especially when the girls work at night? Please give me a report on it. *See Thompson's*

memo of 6/17/41 in reply to this -

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE June 17, 1941

Hand

TO Secretary Morgenthau
FROM Mr. Thompson

In response to your inquiry with respect to trained nurses, the Public Health doctor and nurses in the Treasury Building relief room look after the Treasury personnel in the Washington Building where the Defense Savings Staff is located. We have no such facilities for Mr. Pehle's staff, although we have been discussing the question, and now that the organization is growing to such large proportions I think we should proceed to put on there a full-time day nurse and have available a night nurse to be on duty when night work is being performed. These nurses would operate under the supervision of the Public Health doctor assigned to the Treasury Building. We also have up with the Public Health Service the necessity for additional nursing service at the Bureau of Engraving and Printing when night work is being performed and will have that arranged shortly.

Thompson

June 17, 1941

Harold Graves

Secretary Morgenthau

Please let me know if there is a Mrs. Woods doing anything in the Treasury in connection with Defense Savings Bonds. Mrs. Roosevelt is under the impression that she has a room and is working here.

*See Graves memo
to H.W. Jr. dated
June 17-1941 and
6/19/41*

Finished

June 17, 1941.

MR. GRAVES:

Early in June, we employed Mrs. Helen Hamilton Woods in my office as assistant on correspondence and contacts with organizations and individuals that come directly to me with inquiries or offers of service.

In private life, she is the wife of former Police Commissioner Arthur Woods, who is hopelessly ill. She is president and treasurer of the Arizona Desert School at Tucson, Ariz.

Having been a neighbor at Cedarhurst, L. I., I have followed her activities in the New York Police Department, in the War Department Committee on Housing, 1918, and the President's Committee on Unemployment, 1932, as well as at Williamsburg, Va., and in various departments of the Rockefeller Institute.

She is, as you doubtless know, a great-great-granddaughter of Alexander Hamilton, and unveiled his statue at the south end of the Treasury.

Harford Powel.

June 19, 1941.

MEMORANDUM FOR THE SECRETARY:

Mrs. Woods' salary is \$5,600.

GRAVES.

June 17, 1941

Memorandum for the Secretary's Record

H.D.W.

**Chronology of Secretary's Proposals Regarding Labor
Training and Utilization of Labor Resources**

1. On April 24, Secretary Morgenthau testifying before the House Committee on Ways and Means said that savings of a billion dollars were possible on non-defense expenditures. This statement lead various members of Congress to ask for more specific proposals and aroused a good deal of public discussion.

Subsequently, Secretary Morgenthau took the position that it was not the function of the Treasury but rather of the Budget Bureau and of the various committees of Congress to deal with such matters. However, in view of the discussions and of the possibility that the Secretary might be called again on these matters, Secretary Morgenthau asked Mr. White of the Treasury staff to undertake a brief investigation of the programs of C.C.C., N.Y.A., Office of Education, W.P.A., U.S.E.S., the labor training activities of the O.P.M. and the agricultural program. It was envisaged that the investigation of the agricultural program should be a separate matter with Mr. Haas of the Treasury participating.

The Secretary asked Mr. White to make a brief trip into the field to inspect the projects and classes and field offices of the various agencies and also to contact the officials of these agencies for information and advice. The Secretary wanted a report written around this investigation.

Pursuant to these instructions, Mr. White interviewed various officials of the agencies, obtained from them such data as they were in a position to furnish and made a field trip in the nearby States of North Carolina, Virginia, Maryland and Pennsylvania.

2. On May 31, Mr. White submitted a report which embodied the results of this investigation. This report appraised the program of these agencies from the point of view of national defense and made a number of recommendations. One important finding in the report was that the United States was wasting its labor supply on a very large scale. This waste was traced back to the failure of any agency or group in the Government to make plans for defense which would fully

utilize the labor and other resources of the country. Another finding was concerned with labor training where it was obvious that there was wide dispersion of authority and an absence of coordination.

Secretary Morgenthau, after reading this report, telephoned to Mr. White about his reactions (June 8). His general reaction was that the report did not go far enough. He said he was convinced that the training program ought to be unified not only to a much greater degree than it now is, but also to a much greater degree than was recommended in the report. Secretary Morgenthau said that further consideration of these matters had convinced him that the question of saving money upon non-defense expenditures was much less important than the question of adequate training and using the labor resources of the country. Although the Secretary's mind was made up on the need for a better organization of the labor training program, he said that he was not clear on the organization and use of the otherwise unemployed labor. The Secretary proposed that Mr. White should prepare for an evening conference at his home on Tuesday, June 10, a brief memorandum going farther on the subject of labor training and proposing better use of labor resources.

3. This memorandum was prepared and brought to the Secretary's house for the conference on the evening of June 10. At this evening conference there were present besides the Secretary, Messrs. Gaston, Foley, Odegard, Coe and White.

Secretary Morgenthau briefly reviewed the development sketched above and then asked Mr. White to give his analysis of the situation and the steps which he was recommending. Mr. White reviewed the findings which were set forth in the longer memorandum and discussed the recommendations of the report which had just been prepared. In this memorandum it was proposed that the administration of the defense training programs now being run by the various agencies should be further centralized so as to give a single individual or office (a proposed separate Office of Labor Training and Supply) the authority, the control of funds and the responsibility for a more adequate labor training program. It was also proposed that in the interim period, while the defense program was being expanded, there should be set up under the Federal Works Agency a Defense Projects Administration which would undertake to employ several million persons building defense highways, defense homes, community facilities and utilities for defense boom towns, new defense plants, airports and the like.

Following a general discussion of the facts and problems, the Secretary said that he was still not satisfied with the recommendations. He did not believe that they went far enough. The Secretary said that

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he was very much concerned with the problem of morale. He believed that there was much popular confusion, alarm and uneasiness. He thought that this was fertile ground for agitators who were against the Administration's program and particularly for those who were either now or could in the future become Fascists. The Secretary said that although he did not believe it would happen, he thought that the possibility of England's being defeated in the course of the summer had to be faced. In the event of such a defeat, he thought that groups like the America First Committee would become much more active. He thought that the Nazis and others would redouble their efforts and in the demoralization and uncertainty would make rapid headway unless the Government acted quickly.

The Secretary said that he thought that continued toleration of unemployment at a time like this was very dangerous. Accordingly, he believed that a program which would really give every able-bodied person who wanted it jobs at vital tasks should be devised and set into operation.

The Secretary called on Mr. Odegard to repeat some views he had given the Secretary in a discussion that morning. Mr. Odegard pointed out that there was nothing so destructive of morale as the feeling that the individual did not belong anywhere in the community. He said that the unemployed under present arrangements were bound to have such attitudes. He told from his experiences in Germany in 1932 how Hitler's prime appeal was not a promise of higher wages, of better houses, or of other amenities, but was simply the promise that if he came to power, he would see that every man had a job which was useful to his country. It was pointed out that by contrast, a stigma was attached to W.P.A. service. Instead of the individual's being made to feel, and the community's being made to feel, that such work was useful and necessary, everyone took the attitude that W.P.A. work was dishonorable. Mr. Odegard felt that propaganda of the deed was necessary for effective propaganda of the word. He thought that a program of defense employment for everyone would revitalize the morale of the country. He did not think such a program was the whole solution. Not only should jobs be given, but they should be given in such a way that individuals found meaning and dignity in work and in their own activities. He agreed with the Secretary that the continued failure to solve this problem would leave this country very vulnerable to Nazi and Communist agitators.

After further general discussion, the Secretary said that he was now ready to recommend a three-fold program. The first part was a unified

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training program which would provide a pool of workers for the defense industries. The second part of this program was an expanded and better-trained defense program. The third part was a defense building program of such size as to give employment to every person capable and desirous of work.

In the discussion which followed, the Secretary emphasized the need for making the defense building program flexible so that workers employed on it could be made available for more important defense work when necessary. He thought that standard rates of pay and the highest possible efficiency should prevail in such work. The Federal Works Agency seemed a desirable place to center this work. He thought further that the job of labor training and labor supply required a separate department.

At the conclusion of the evening meeting the Secretary asked that a new memorandum embodying the decisions which had been reached should be drawn up by Mr. White for the luncheon to be held the following day with Mrs. Roosevelt. This was done and the memorandum was discussed briefly with the Secretary before noon on June 11.

4. The Secretary's meeting with Mrs. Roosevelt was a luncheon in the Treasury at 12 o'clock on June 11, 1941. Present besides the Secretary and Mrs. Roosevelt were Mrs. Morgenthau, Under-Secretary Bell, Messrs. Currie and Lubin of the White House, and Messrs. Odegard, Coe and White of the Treasury.

The Secretary explained that he had arranged the luncheon to discuss certain matters with Mrs. Roosevelt and other members of the White House. He explained that he had invited Budget Director Smith but that the latter had been unable to come. The Secretary opened the discussion by describing briefly the development of his thinking on the subjects of labor training and defense production. He explained that what had started as a proposal to save a billion dollars on non-defense expenditures had developed into proposals to give defense jobs to everyone in the country available for such jobs. The Secretary asked Messrs. White and Coe to read the brief memorandum which embodied the proposals to be discussed.

When the memorandum had been read, Mrs. Roosevelt said that she was wholeheartedly in favor of it and had been advocating such a program for well over a year. Mr. Currie stated that he believed such a program if undertaken speedily would be of immense benefit to the country, and that he would certainly enthusiastically support the ideas of the Secretary. Mr. Lubin agreed that the present organization, planning and scope of defense production was inadequate. He thought that some of the persons in Mr. Hillman's office were trying to get started the kind of training program which the Secretary favored but that the present dispersal of authority was standing in the way.

The Secretary repeated to Mrs. Roosevelt his fears of what would happen to the country if England should go under. He said that what was really prompting him to make these drastic recommendations was the consideration that continued unemployment made this country vulnerable to agitation by the Nazis and Communists. The Secretary asked Mr. Odegard to give the line of analysis which he had previously presented to the Secretary regarding the problems of morale.

Mrs. Roosevelt stated that these views coincided with her own. She agreed that organizations like the America First Committee and others found fertile ground for their activities in the present unsatisfactory economic situation. She said that she was constantly being confronted with hostile questions in youth organizations. She said that the most telling point which the Youth Congress was making against the nation's defense program was that this program was still not providing jobs and meaningful activities for the youth of the country. Mrs. Roosevelt said that she was frankly stumped when radical youth or youth which had listened to radical ideas asked her why this country in such an emergency as the present could not provide useful jobs for the young people. Mrs. Roosevelt pointed out that it was embarrassingly true that not only had Hitler promised jobs but had managed to give them to the German people.

There was general discussion led by Mrs. Roosevelt on the present training program especially as it concerned youth. Mrs. Roosevelt knew of the divided authority which prevailed and of the very spotty character of the work which was being done. She too thought that the administration of this program should be unified and that the amount of this training should be greatly stepped up. She recognized that this was difficult in view of the way the current defense program was being planned. Mrs. Roosevelt pointed out that a number of brilliant businessmen had been brought in to manage defense production. She said it was becoming clear that although these men were competent in their own lines they had consistently under-estimated the requirements of our national defense, and they had failed to make plans for utilizing a large number of unused workers.

Mrs. Roosevelt thought there was no lack of projects which should be undertaken. She personally would like to see a health program well under way. She thought that the present policy of barring people from Selective Service because their health was too poor was wrong, that instead we should utilize the Selective Service to improve the health of those people. She thought the C.C.C. and other organizations had shown an incapacity to deal with these problems. They wanted to take the pick and to let somebody else improve the health of the remainder.

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The Secretary brought forward his idea of a Ministry of Supply. He said that he thought that a Ministry of Supply could be the central part of the defense program. On the right hand of such a Minister there should be the Director of Labor Training and Supply. On the left hand there might well be the Defense Projects Administration.

Mrs. Roosevelt asked the Secretary how he intended to carry out these ideas which had been put forward at the luncheon. The Secretary said that he intended to polish up his report and give it to the President on Friday. Mrs. Roosevelt asked what Secretary Morgenthau wanted her to do. The Secretary said that he believed she could do a good deal, that he would like her to give the report to the President. Mrs. Roosevelt said she thought it would be better if Secretary Morgenthau presented the report but that if he would give her a copy she would discuss the report with the President on Saturday.

Mrs. Roosevelt asked the Secretary what he was doing about his idea of a Ministry of Supply. The Secretary replied that he was sowing seeds wherever he could but that he was finding it "a cold spring." Mrs. Roosevelt said that she believed some of his seeds were sprouting. The Secretary expressed gratification. Mrs. Roosevelt suggested that in the report which Secretary Morgenthau was presenting to the President on labor training and defense projects he should outline his ideas of how this work fitted in with the Ministry of Supply. She thought that now was the time to talk to the President about the over-all organization of the defense program.

The Secretary suggested that Mr. White draft a new report in 24 hours. He wanted to have it ready Thursday evening. He wanted this report to be submitted to Messrs. Currie and Lubin for their suggestions. In the new report he wanted more statements or more analysis on the problems of morale. He suggested that there should be a covering letter to the President in which he stated quite frankly the basis for his present position. The Secretary also said that the covering letter should contain a discussion of the Ministry of Supply — Office of Labor Training and Supply — Defense Projects Administration.

After Mrs. Roosevelt's departure, the Secretary asked those who had attended the luncheon to speak to him briefly in his office. He gave to Messrs. Currie and Lubin copies of his proposed bill to set up a Ministry of Supply, promised to send them the draft of the new memorandum when it was completed, and asked for their frank criticisms and help.

June 17, 1941

MEMORANDUM FOR THE SECRETARY:

The dismissal compensation program proposed by
Dr. J. Douglas Brown

In view of the relapse in production and employment expected to follow the completion of the defense program, Dr. Brown proposes that provision be made for a compulsory dismissal compensation system for workers engaged in industry. The plan involves joint employer-employee contributions to workers' individual savings accounts, which may be used by the employee in case of unemployment, sickness, accident, death, or old age.

The plan would cover at least the workers included in the present Old Age and Survivors Insurance and Railroad Retirement systems. Self-employed individuals and others would be encouraged to enter voluntarily by making deposits through the post offices.

The program would be financed by employees' contributions in accordance with their earnings; employers would match these contributions. Additional voluntary contributions might be encouraged, especially from employees whose earnings are increased through over-time or wage increases.

The funds would be invested in defense compensation stamps and certificates, the latter to bear interest at a rate comparable to that paid on United States savings bonds.

The employer would deduct the employee's contributions from his wages and send them together with his matching contributions to the Bureau of Internal Revenue at the end of the quarter. During the continuation of the defense program, requests from employees or their heirs to draw on their compensation funds would be approved only in case of emergencies. Sometime after the close of the defense program, employees would be at liberty to either withdraw their funds, leave them on deposit, or use them to buy Government securities or annuities.

The proposal was approved before the Temporary National Economic Committee by Mr. Isadore Labin. The Social Security Board has not considered it, believing dismissal compensation to be outside the strict scope of social insurance; it is prepared to recognize, however, that the scheme might be useful in connection with the Government's fiscal program.

RD

June 17, 1941

MEMORANDUM FOR THE SECRETARY

The 1941 Legislative Program of the Social Security Board

The 1941 legislative program of the Social Security Board extends over all the fields of social security.

- A. With respect to public assistance (aid to the aged, the blind, and the dependent children) the Board is recommending:
1. The liberalization and simplification of eligibility tests under the old-age assistance program with a view to raising the standard of assistance in the less liberal States.
 2. The introduction of variable Federal grants for old-age assistance, aid to dependent children and aid to the blind, with a view to making larger Federal grants to low income States and to States where cash assistance is now inadequate.
 3. The introduction of Federal grants to States to provide assistance to needy persons now ineligible for aid under the existing public assistance programs (general relief).
- B. With respect to old-age and survivor's insurance, the Board is recommending:
1. The extension of payroll taxation and coverage to farmers, agricultural labor, domestic service workers, employees of non-profit institutions, government employees, businessmen and other non-covered groups.
 2. The broadening of the insurance program to include cash benefits for unemployment due to temporary disability and permanent disability.

- 2 -

C. With respect to unemployment insurance the Board is recommending:

1. The liberalization of benefits with a view to improving the protection afforded those who under existing laws are disqualified from benefits after a few weeks and to those whose protection is now inadequate.
2. The extension of payroll taxation and coverage to all wage workers.
3. The conversion of the present Federal-State unemployment insurance system to a straight Federal system.

D. The Board is also recommending:

1. That in addition to the cash benefits for temporary and permanent disability, consideration be given to other proposals for meeting the risks arising out of insecurity of health. It is suggesting that hospitalization benefits be included at this time.
2. The consolidation of all social security programs into one national security system, to provide for a more uniform program, including the collection of one social security contribution by the Treasury in lieu of the present separate taxes.

E. The Board is considering three amendments to the present act to meet conditions arising out of the defense program:

1. The protection of the social insurance rights of workers engaged in military service.
2. The possibility of a Federal system of unemployment allowances for demobilized men, should the need arise.
3. The possibility of developing a system of dependents' allowances for the needy families of men who enter military service, should the need arise.

(See Cochran's memo to
Jury dated 6/12/41)

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JUN 17 1941

Dear Mr. Attorney General:

As of interest to your Department, and for possible future reference, I have pleasure in inviting your attention to the following record.

On October 24, 1940, Mr. Jay Crane, the Treasurer of the Standard Oil Company of New Jersey, called on me, under instructions of his Board of Directors, to confirm and expand a brief statement which he had given me the preceding day by telephone concerning a business matter of his company. In the interview in my office Mr. Crane stated that the Standard Oil Company of New Jersey had been approached through a representative of the I. G. Farben, in Switzerland, as to whether the Standard would be willing to sell, against dollars, its oil wells in Hungary. Mr. Crane added that the Deutsche Bank had sounded the company out on such a proposition earlier, but that nothing had come of it. It was Mr. Crane's belief that the Farben people would probably be making the purchase in behalf of the German Government. He explained that the wells of his company are the principal, if not the only, oil producers in Hungary and that the output thereof was around 300,000 tons per annum. Mr. Crane thought that this might be a welcome opportunity for his company to withdraw from one of its European investments. Consequently, he felt that this matter ought to be considered carefully by his Directors. After their Rumanian experience, the Standard Oil people would, according to Mr. Crane, naturally prefer to sell their Hungarian wells for cash rather than see the Germans come in and take them over. In answer to my question, Mr. Crane stated that he had come directly to me with this information. He welcomed, however, my idea that the Treasury pass on to the Department of State the information which he had volunteered. Consequently, Mr. Cochran of my office summarized the above information to Mr. Atherton of the Department of State on the same day that Mr. Crane had visited me.

On one or two later occasions Mr. Crane had spoken with members of my staff when calling at the Treasury, or by telephone, concerning the German approach. It appeared, however, that the price which the Standard had suggested had discouraged the Germans from going any further. On June 10, 1941, however, Mr. Crane telephoned Mr. Cochran and reported as follows. He referred to the information

- 2 -

which he had given us several months ago to the effect that certain German interests were "nibbling" with respect to the Standard Oil's properties in Hungary. Since that occasion he said the Standard had kept Mr. Atherton in the Department of State informed of developments. The latest word was that a German representative had come to South America and is now proceeding to Havana for the purpose of having contact with the Standard Oil people on the above subject. It had been decided unwise for this representative to come to the United States. Mr. Cram said that, after consultation with Mr. Atherton, the Standard had decided to send one of its officials to Havana shortly to meet the German agent. Mr. Cram himself might go. He said that he had made the point to the Department of State that the officers of the Standard Oil Company felt that they could not, considering the interests of their shareholders, refuse the approach of the Germans. He stated, however, that going to Havana involved no commitment whatever on the part of the Standard, and that he would let both the State and Treasury Departments know before any negotiations were concluded. Mr. Cram would also make appropriate inquiries of the Treasury Department as to whether a license might be required, and could be approved, for the transaction in question. Mr. Cram recalled that the Standard originally was thinking of a price of around \$30,000,000 for the Hungarian property. They now had a hint that the Germans might be willing to pay \$20,000,000. In answer to Mr. Cochran's question, Mr. Cram denied the press story that the visit to the United States of the German ex-diplomat Rieth had any connection with the negotiations under reference.

In the current issue of the LAMP, the house organ of the Standard Oil Company of New Jersey, there is an article entitled "Our Business with Germany" which I believe should be read in connection with this letter. I shall take the liberty of keeping you informed with respect to any further developments in the premises which may come to my attention, since this whole matter raises some question in my mind as to what our position should be.

Since Germany has been brought under foreign funds control, the following facts need to be especially carefully considered: the contemplated German dollar payment for Standard Oil's Hungarian properties is several times as large as Germany's known short-term assets in this country and constitutes a considerable fraction of Germany's known total assets in the United States. The release of blocked German assets to pay Standard Oil would therefore impair the position of other American interests who also have claims against Germany, but who have not been so quick to advance their claims.

- 3 -

May I have the benefit of your advice on these matters?
I am providing Secretary Hall with a copy of this letter.

Very sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable
Robert H. Jackson,
Attorney General of the United States.

By Messenger 10 45

HMG:lag-6/12/41

DEFENSE SAVINGS STAFF

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ADVANCE NOTICE RADIO PROGRAMS

TUESDAY - JUNE 17, 1941

Time: 6:15 - 6:30 PM.

Program: Mr. Keen, Tracer of Lost Persons

Station: WMAL

Time: 6:30 - 7:00 PM.

Program: Second Husband
Specially prepared script presents New York's
Postmaster, Albert Goldman selling Defense
Savings Stamps to Helen Menken's Children.

Station: WJSV

NOTE: In addition to the above, each of the 368
radio stations in the United States, terri-
tories, and possessions are broadcasting
five Defense Bonds and Stamps announcements
each day.

TENSE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 17, 1941

TO Secretary Morgenthau
 FROM Mr. Haas
 Subject: Current Developments in the High-grade Security Markets; Canadian War Loan

SUMMARY

- (1) Price movements of Treasury bonds and notes since the end of May have been somewhat mixed. Notes and medium-term bonds have gained on balance, while long-term bonds have declined (Chart I).
- (2) Treasury bond holdings of weekly reporting member banks increased by \$142 millions in the week ended June 4 (Chart II). This figure, reflecting principally commercial bank absorption of the new issue of 2-1/2 percent Treasury bonds, amounts to only about 21 percent of the new money portion of the issue, indicating a very moderate proportion of bank absorption. Purchasers other than banks appear to have taken about two-thirds of the cash portion of the issue. During the week ended June 11 reporting member banks decreased their holdings of Treasury bonds by \$44 millions, indicating a considerable amount of secondary distribution.
- (3) High-grade corporate bonds have improved moderately in price since the end of May. Municipal bonds are currently at all-time high prices.
- (4) A campaign to raise \$600 millions through a popular loan is now in progress in Canada. On a per capita basis this loan would be roughly equivalent to \$7.0 billions in the United States, or more than the total amount of new money borrowed from the public by the United States Government during the current fiscal year. The loan consists of a 2 percent, 5-1/2 year bond and a 3 percent, 10 year bond. Both issues were priced about in line with the market which has been fairly stable for some time past (Charts III and IV). Upon completion of the current loan campaign, the Dominion direct and guaranteed debt will amount to about \$6.7 billions, equivalent on a per capita basis to about \$80 billions in the United States (Chart V).

Secretary Morgenthau - 2

I. United States Government Securities

Price movements of Treasury bonds and notes since the end of May have been somewhat mixed. Notes and medium-term bonds have gained on balance, while long-term bonds have declined in price (Chart I). These movements are shown, by maturity classes and by tax-exemption status, in the following table:

				Average price change May 31 - June 16		
				Taxable	Tax-exempt	All issues
				issues	issues	
(In thirty-seconds)						

Notes

1 to 3 years	+ 5	+ 1	+ 2
3 to 5 years	+ 6	+ 4	+ 4

Bonds

5 to 15 years to call	+14	+ 5	+ 6
15 years and over to call	-	- 3	- 3

Taxable issues rose, on the average, more than tax-exempt issues, as the table above indicates. The best performance of all was that of the three outstanding taxable Treasury bonds, which rose almost half a point on the average. As a result of this move, the spreads between the yields of the outstanding taxable bonds and the estimated yields of corresponding partially tax-exempt bonds have narrowed. The comparative figures are shown below:

Secretary Morgenthau - 3

		: Spread between yield of taxable : Treasury bond and yield of cor- : responding partially tax-exempt : bond	
		: May 31	: June 16
		: (Percent)	
2	percent 3/15/48-50	.32	.31
2-1/2	percent 3/15/52-54	.35	.31
2-1/2	percent 3/15/56-58	.32	.28

II. Bank Holdings of Government Securities

Treasury bond holdings of weekly reporting member banks in leading cities increased by \$142 millions during the week ended June 4 (Chart II). This movement reflects principally the delivery on June 2 of the new issue of 2-1/2 percent Treasury bonds, and amounts to only about 21 percent of the cash portion of that issue. Reporting banks outside of New York City accounted for \$96 millions, or about two-thirds of the increase in bonds held by all weekly reporting banks.

Most of the remainder of the cash portion of the offering is accounted for by a decrease of \$432 millions in the individual and corporation deposits of the weekly reporting banks. Thus, it would appear that about two-thirds of the new cash borrowed by the Treasury came from idle bank deposits and real savings.

During the week ended June 11, the last for which figures are available, considerable secondary distribution was indicated by the movement of Government securities in the portfolios of weekly reporting banks. Treasury bonds held by banks in New York City decreased by \$70 millions, while the Treasury bond holdings of banks outside of New York City increased by \$26 millions. The remaining \$44 millions went to other than weekly reporting banks or to non-banking investors.

Secretary Morgenthau - 4

III. Other Domestic High-grade Securities

High-grade corporate bonds have improved moderately in price so far this month. Our average of the yields of such bonds, moving inversely to prices, has decreased on balance by 5 basis points since May 31 to 2.70 percent at yesterday's close.

Municipal bonds, as represented by the weekly Dow-Jones average yield of twenty 20-year bonds, stood at all-time high prices (and an all-time low yield of 2.07 percent) at the end of last week.

New corporate and municipal bond offerings to the public in the New York market amounted to \$32.9 millions in the first week of June and to \$24.3 millions last week — a total of \$57.2 millions for the first half of the month.

IV. Canada's Third Victory War Loan

The Canadian Government is in the midst of a national campaign to raise \$600 millions from the Canadian people through a public offering of Victory War Loan bonds. The magnitude of this undertaking becomes apparent when it is realized that the objective of the loan is over 10 percent of the Canadian national income, and nearly 20 percent of total domestic bank deposits.

The current Victory War Loan drive, which is the third and by far the most ambitious of the present war period, is equally impressive when translated into terms of borrowing by the United States Government. On a per capita basis, Canada's Third Victory War Loan objective is the rough equivalent of \$7 billions in the United States, which is in excess of the total new money borrowing by the United States Government from the public on account of the direct and guaranteed debt combined for the fiscal year 1941.

The drive to induce the Canadian public to purchase \$600 millions worth of War Loan bonds began on June 2 in ceremony and fanfare, with a primary appeal to the patriotism of Canadian citizens and companies, and secondary emphasis upon the investment value of the securities offered.

At the close of 11 week days of campaigning, total subscriptions amounted to \$445 millions, or \$40 millions per week day, compared with an average of \$33 millions necessary

Secretary Morgenthau - 5

to the complete success of the loan. The campaign has, therefore, a good chance of reaching its goal by June 21, when the subscription books are scheduled to be closed.

The new Victory War Loan bonds are offered in two maturities, one of 5-1/2 years and one of 10 years, each dated June 15, 1941, and priced about in line with the prevailing market for Dominion Government bonds (Chart III).^{*} The terms of the loan were announced May 27. The 2 percent Victory War Loan, 1946, is offered at 99, is payable at 100 at maturity, has no call period, and yields 2.19 percent to maturity. The 3 percent Victory War Loan, 1950-51, is offered at 100, is payable at 101 at maturity, and yields 3.09 percent to maturity. A convenient plan providing for payment in six monthly installments has been arranged to facilitate subscriptions by those who wish to pay out of anticipated income.

The yield of Dominion Government long-term bonds has been fairly stable in 1941. The spread between the yield of long-term bonds of the Dominion Government and the yield of long-term United States Treasury bonds has increased steadily during the last three months, primarily because of the strength of United States bonds during the period (Chart IV).

Notwithstanding the magnitude of the Canadian Victory War Loan of 1941, large additional loan flotations in the Canadian market will be necessary to provide cash for the purposes of the Dominion Government in the fiscal year ending March 31, 1942. The deficit on ordinary account (including war expenditures) is estimated in the budget at a minimum of \$369 millions, or less than two-thirds of the anticipated proceeds of the Third Victory War Loan. The Dominion Government has, however, undertaken to finance the British dollar deficit with Canada, and as a consequence of this commitment the total Government outlay to be financed by borrowing in the Canadian market during the fiscal year is estimated at a minimum of \$1,169 millions.

The Minister of Finance expects war savings certificates and stamps, non-interest-bearing loans, and Government trust funds to provide about \$200 millions in 1941-42. Further

* The apparent discrepancy with respect to the yield of the shorter maturity is explained by the higher coupon rates of the surrounding issues.

Secretary Morgenthau - 6

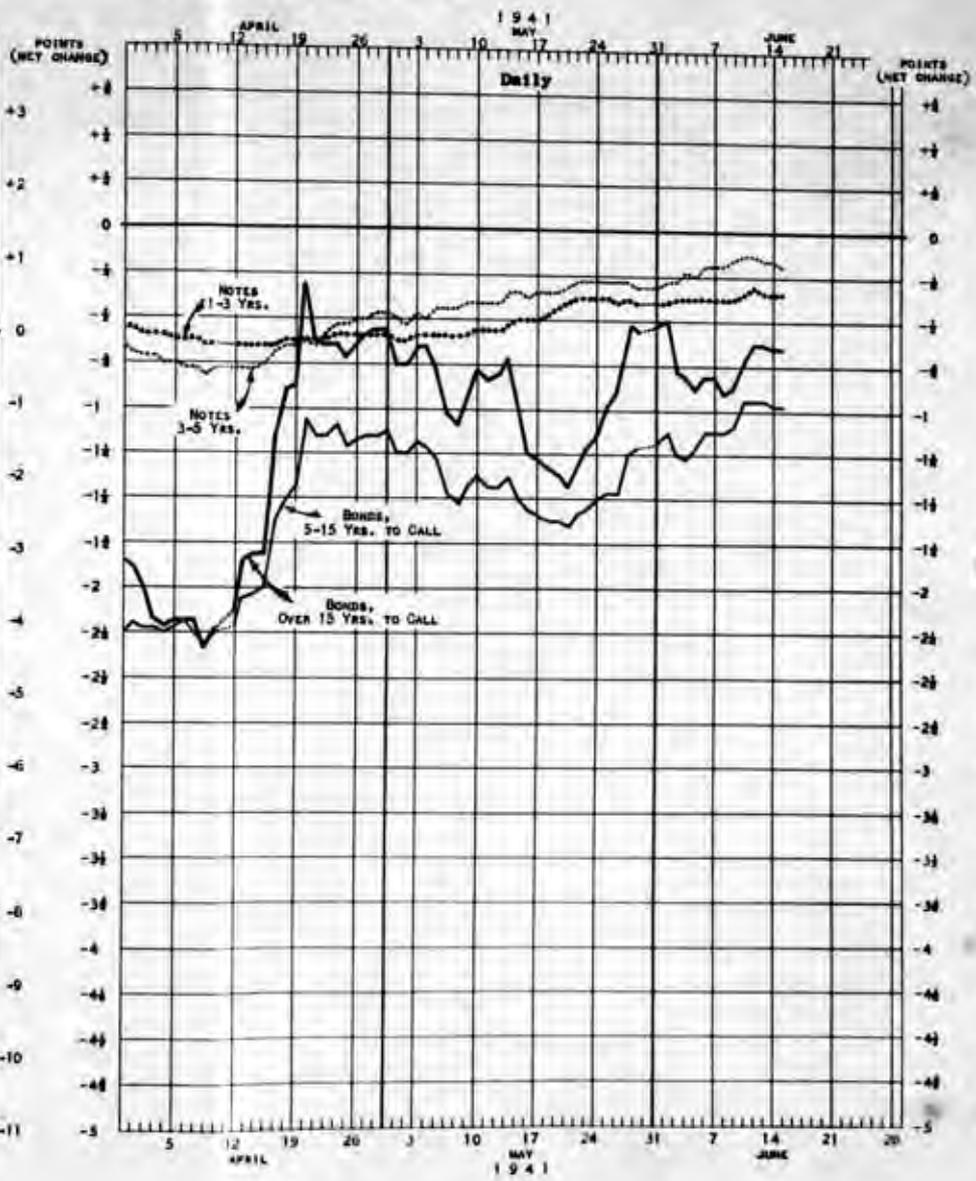
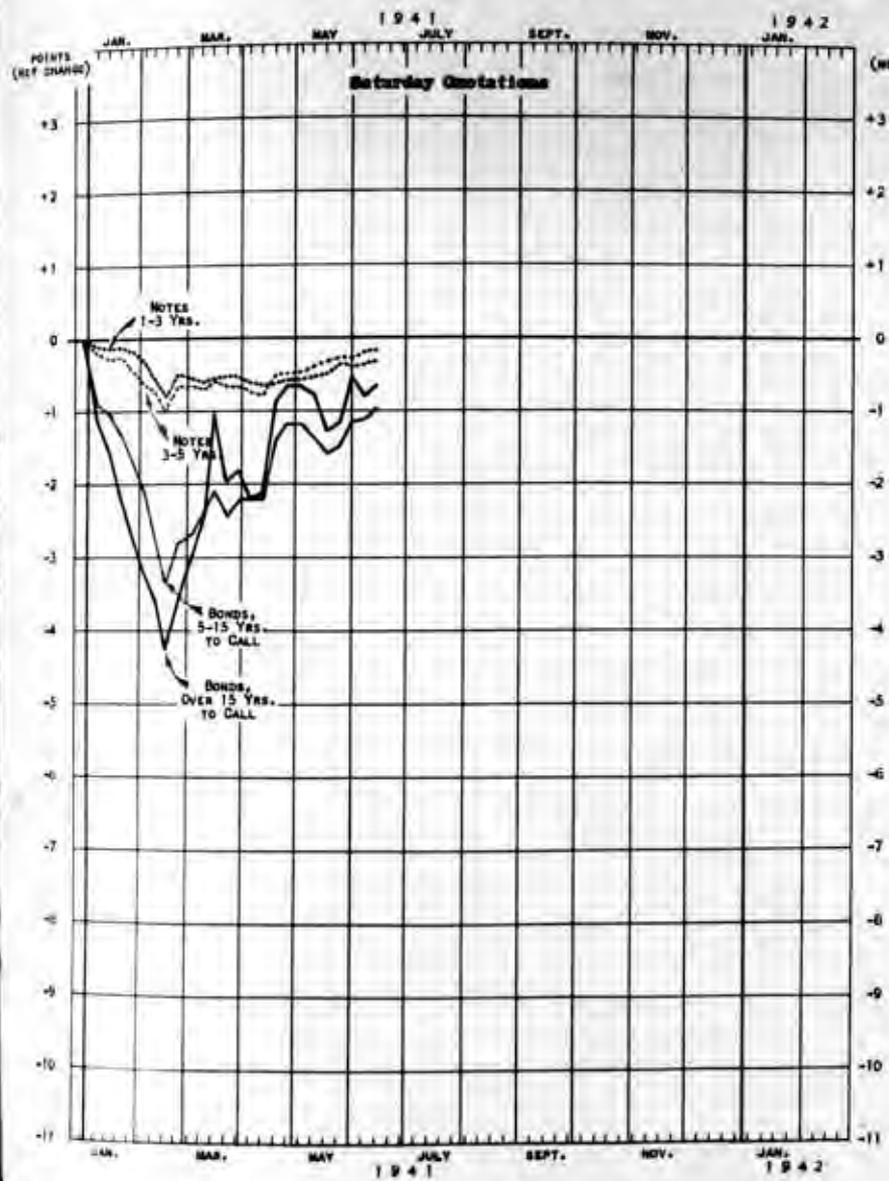
net borrowing in the Canadian market to the extent of at least \$369 millions will, therefore, be necessary during the fiscal year.

The total direct and guaranteed debt of the Dominion Government increased from \$5.3 billions to \$6.1 billions in the fiscal year 1940-41, and, with the addition of the new Victory War Loan will reach about \$6.7 billions (Chart V). On a per capita basis, this is equivalent to about \$80 billions in the United States.

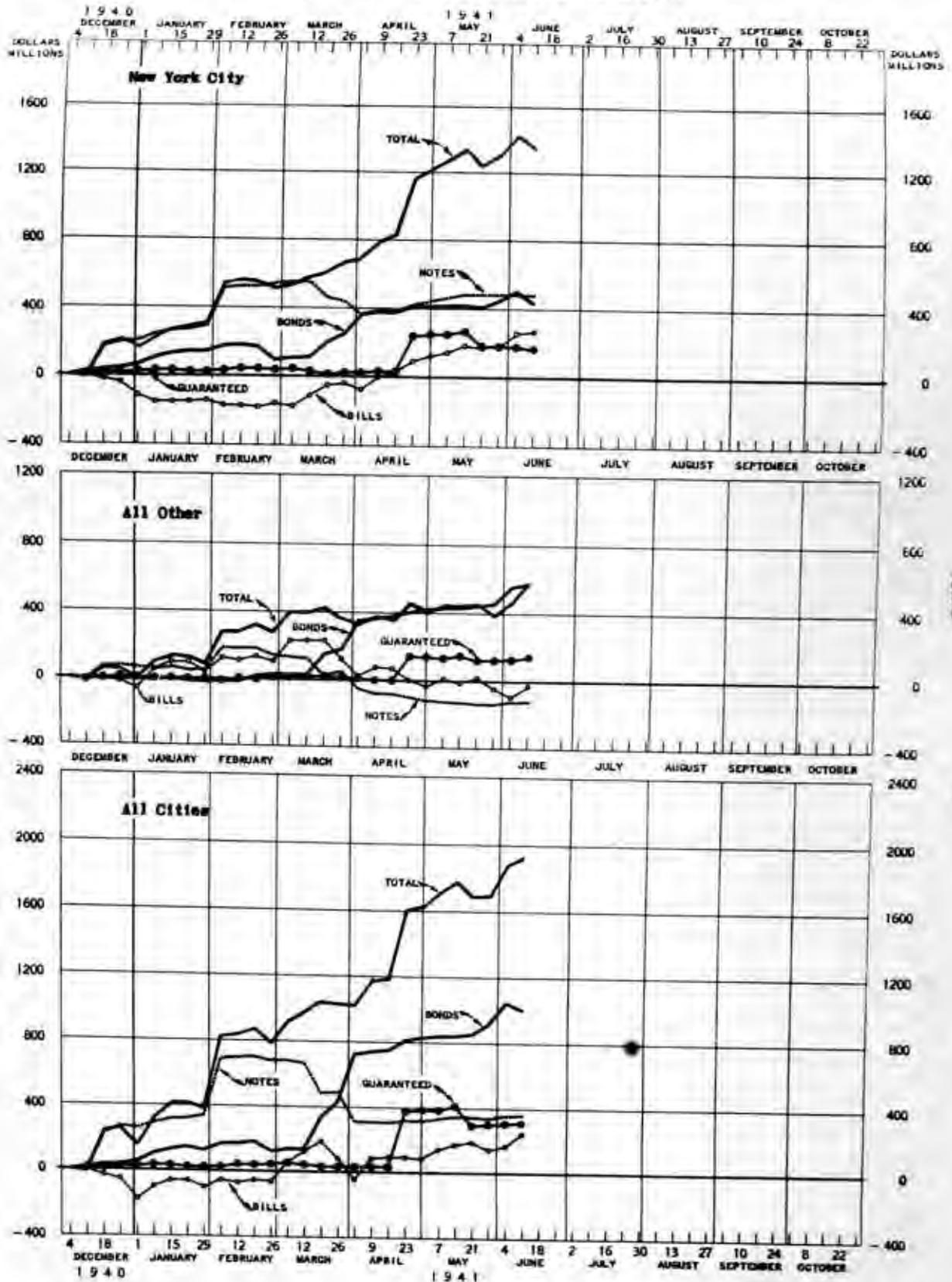
Under the budget of April 29, 1941, expenditures and revenues of the Dominion Government in the fiscal year 1941-42 are estimated as follows:

	: Minimum :	: Maximum :
	(Millions of dollars)	
Civil expenditures	468	468
War expenditures	<u>1,300</u>	<u>1,450</u>
Total, domestic	1,768	1,918
To finance net British dollar deficit	<u>800</u>	<u>900</u>
Total to be obtained by taxation and borrowing	2,568	2,818
Ordinary revenues	<u>1,399</u>	<u>1,399</u>
To be borrowed	1,169	1,419

CHANGES IN THE PRICES OF U.S. SECURITIES
Points Plotted Represent the Difference from December 28, 1940 Price of Each Maturity Class



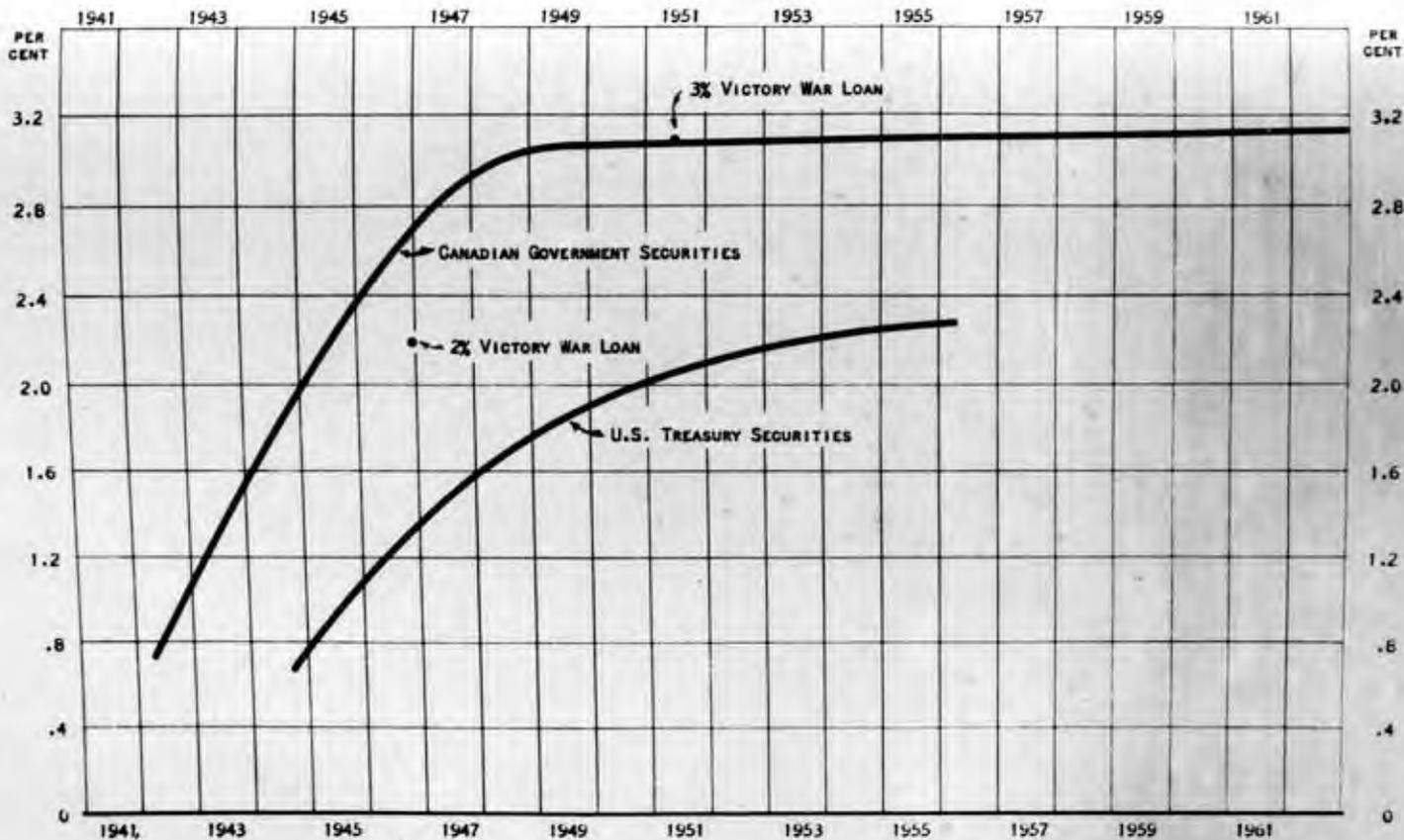
U. S. GOVERNMENT SECURITY HOLDINGS, WEEKLY REPORTING MEMBER BANKS
 Cumulative Net Change from December 4, 1940



230

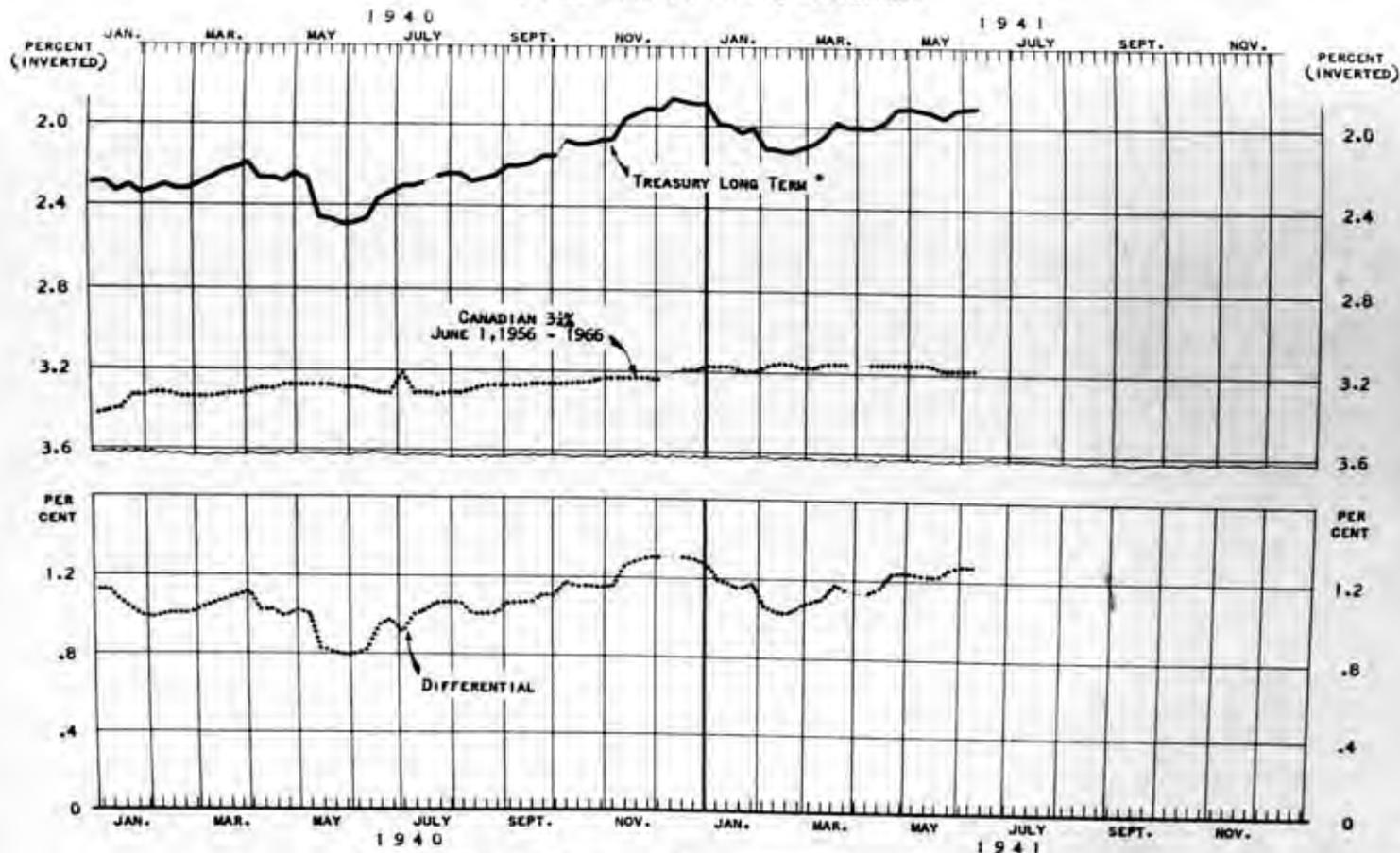
YIELDS OF U.S. GOVERNMENT TAXABLE SECURITIES
AND CANADIAN GOVERNMENT SECURITIES

May 27, 1941



**AVERAGE YIELD OF LONG-TERM U.S. PARTIALLY TAX-EXEMPT TREASURY BONDS
AND YIELD OF CANADIAN GOVERNMENT 3½% BONDS OF 1950-'66**

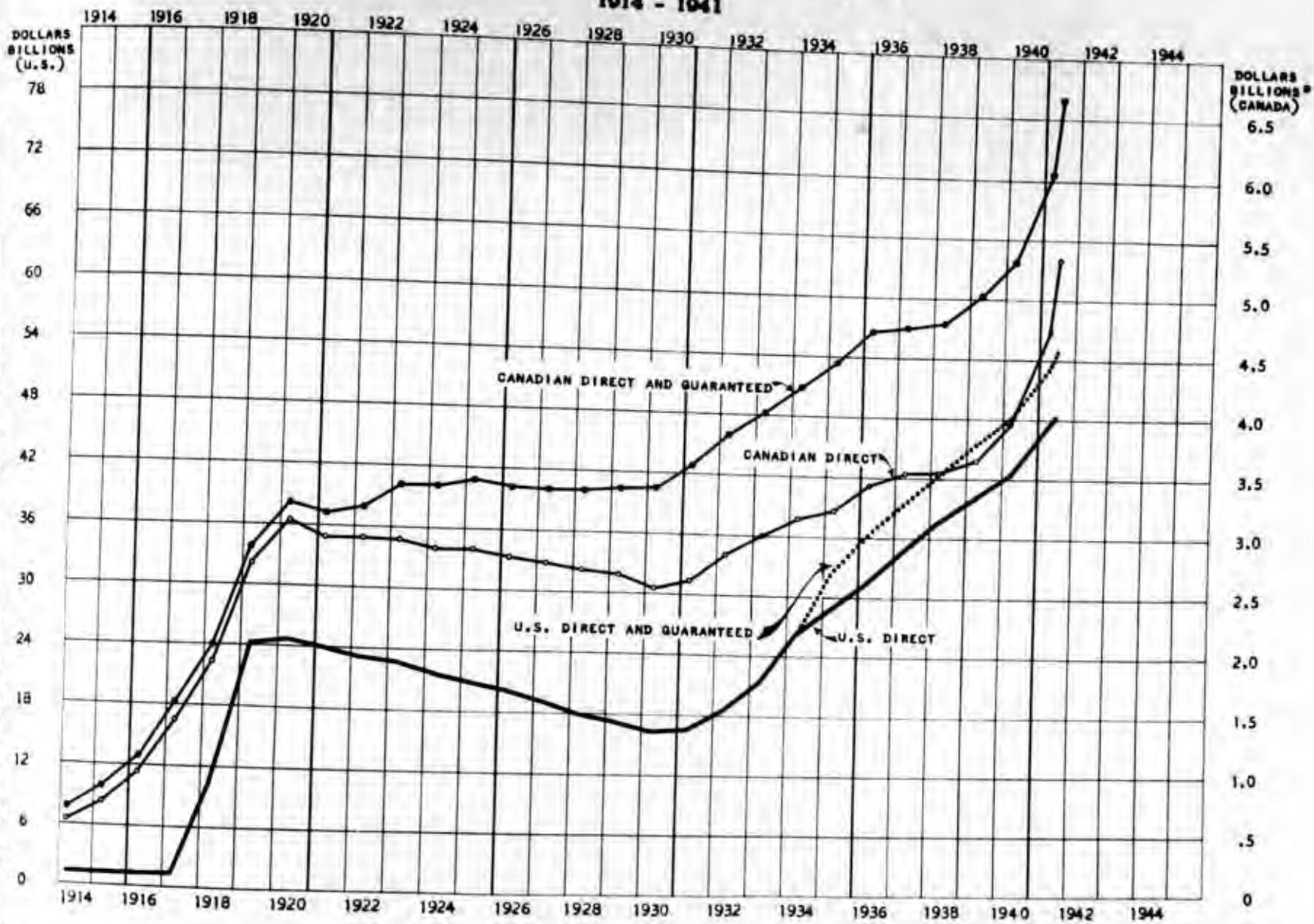
Yields Based on Tuesday Quotations



* BREAK IN LINE INDICATES CHANGE IN COMPOSITION OF LONG TERM TREASURY AVERAGE

Chart V

COMPARISON OF DIRECT AND GUARANTEED FEDERAL DEBT
IN UNITED STATES AND CANADA
1914 - 1941



NOTES: THE FIGURES ARE AS OF MARCH 31, EXCEPT THE LAST PLOTTINGS WHICH ARE AS OF JUNE 15, 1941 AND WHICH ARE ESTIMATED FOR CANADA

*THE CANADIAN SCALE HAS BEEN ENLARGED 12 TIMES TO CORRECT FOR DIFFERENCE IN POPULATION

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War Department
Office of the Chief of Staff

MEMORANDUM FOR *Mr. Morgenthau:*

The attached for your information.

W. H. S.

RESTRICTED

WAR DEPARTMENT
OFFICE CHIEF CHEMICAL WARFARE SERVICE
WASHINGTON, D. C.

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In reply refer to OWS 470.6/1302

June 17, 1941

Memorandum for Major Walter B. Smith, Office of the Chief of Staff, Munitions Building.

Subject: Screening Smokes.

1. With reference to your memorandum of June 14, 1941, OCS 9290-5, in which you report a telephone call from Secretary Morgenthau of the Treasury Department, you are advised that the Chemical Warfare Service has carried out extensive experiments with screening smokes (frequently called artificial fog) for screening fixed installations in the Panama Canal Department and in various coast defense forts.

2. During the past year, a number of commercial orchard smudge pots have been tested out and a very efficient oil smoke generator has been perfected and is now being adopted as standard. In connection with this development, complete information has been transmitted to the British Government and it is understood that the British are adopting, for all future production, an oil smoke generator essentially the same as that being adopted by the Chemical Warfare Service.

3. A large machine, mounted on wheels, of the sprayer type, was tested in Great Britain and similar machines have been tested here. They are regarded as much less efficient than the smaller smoke generator which can be placed in position and kept in operation for a long period of time. The experience to date in Great Britain, and the observations made in this country, indicate that a light layer of oil smoke or any other type of white smoke is highly efficient on moonlight nights for preventing observation and aimed bombing of industrial plants.

4. Further work along this line is being carried out by the Chemical Warfare Service and the Camouflage Section of the Corps of Engineers.

M. E. Barker
M. E. BARKER
Lt. Col., C.W.S.
Assistant

RESTRICTED

VOLUNTARY

ELEVENTH ANNUAL
GENERAL MEETING
OF THE
BANK FOR INTERNATIONAL SETTLEMENTS
BASEL, SWITZERLAND

From _____ American Vice Consul
M. Williams Blake

Basel, Switzerland Date of Completion: June 16, 1941.
Date of Mailing: June 17, 1941.

The eleventh ordinary general assembly of the Bank for International Settlements was held at the Bank's offices in Basel at 3 p.m. on Monday, June 9, 1941.

Mr. Ivar Rooth and Mr. E. Weber were present, representing the Swedish National Bank and the Swiss National Bank, respectively. All the other central banks entitled to representation at the assembly were represented by Mr. Thomas H. Moritzjak, the president of the Bank for International Settlements.

After having approved the Bank's balance sheet, and the profit and loss account as of March 31, 1941, and after having allowed, in accordance with the statutes, the sum of 264,695 Swiss gold francs to the legal reserve fund, the assembly decided that a dividend of 6 percent should be distributed on the Bank's paid-up capital, calculated at its gold value. To make up the 7,500,000 Swiss gold francs required for the payment of this dividend, it was decided that 6,029,214 francs should be drawn from the balance of the net profits and the remainder, 2,470,786 francs, made up from the dividend reserve fund. The dividend is to be paid as from July 1, 1941.

It has been learned confidentially that the net profits for the period, although smaller than in previous years, were still large enough to have enabled the Bank to have paid the whole of the dividend from this account alone, without the necessity of making use of any of the funds in the dividend reserve. It was felt, however, that, had the whole of the dividend been paid from profits, the general opinion would have been created that the Bank's net earnings had not undergone

any diminution. It was, therefore, decided to resort to the reserve fund for some of the funds needed for the payment of the dividend as it was thought that, by this procedure, a more accurate picture would be presented of the results of the Bank's operations for the period in question. The following are the reasons given for the Bank's decreased profits: (1) the lower interest rates prevailing in certain countries; (2) the fact that the Bank's dealings in gold bullion have been necessarily curtailed as a result of the difficulties encountered in arranging transportation and insurance; and (3) the fact that the Bank has had less money to work with, due to the withdrawal of deposits.

The Bank's statement as of May 31, 1941 is enclosed with this report.

851.6
MVB/pm

Enclosure:

1 Table

In sextuplicate

- 1 copy to American Embassy, Paris.
- 1 copy to American Legation, Bern.
- 1 copy to Consulate General, Zurich.

BANK FOR INTERNATIONAL SETTLEMENTS

Statement of Accounts as of March 31, and April 30, and May 31, 1941.*

<u>ASSETS</u>		<u>March 31, 1941</u>	<u>April 30, 1941</u>	<u>May 31, 1941</u>
		Swiss Francs	Swiss Francs	Swiss Francs
I	Gold in bars.....	40,070,131	36,574,854	37,405,177
II	Cash On hand and on current account with Banks.....	41,010,608	27,447,955	31,544,026
III	Sight Funds at interest.....	16,168,480	15,610,088	14,012,903
IV	Rediscountable Bills and Acceptances 1. Commercial Bills and Bankers' Acceptances..... 2. Treasury Bills.....	111,629,542 29,621,796	118,710,803 25,727,428	117,364,791 34,554,328
V	Time Funds at interest, not exceeding 3 months.....	21,338,067	21,240,889	22,406,215
VI	Sundry Bills and Investments 1. Maturing within 3 months (a) Treasury Bills..... (b) Sundry Investments..... 2. Between 3 and 6 months (a) Treasury Bills..... (b) Sundry Investments..... 3. Over 6 months (a) Treasury Bills..... (b) Sundry Investments.....	84,325,716 84,121,536 25,944,046 31,238,534 25,483,077 42,330,091	83,741,320 83,175,442 25,376,954 29,498,549 26,536,520 42,529,104	82,875,715 59,186,828 15,700,023 33,694,680 31,135,577 35,202,423
VII	Other Assets.....	2,346,490	2,365,119	2,397,323

* In Swiss gold francs (units of).290 322 58... grams fine gold)
(Art. 5 of the Statutes)

<u>LIABILITIES</u>		<u>March 31, 1941</u>	<u>April 30, 1941</u>	<u>May 31, 1941</u>
		Swiss francs	Swiss francs	Swiss francs
I	Capital			
	Authorized and issued 200,000 shares, each of 2,500 Swiss gold francs.....	500,000,000	500,000,000	500,000,000
	of which 25% paid up.....	125,000,000	125,000,000	125,000,000
II	Reserves			
	1. Legal Reserve Fund.....	5,515,507	5,515,507	5,515,507
	2. Dividend Reserve Fund.....	6,671,325	6,671,325	6,671,325
	3. General Reserve Fund.....	13,342,650	13,342,650	13,342,650
III	Long term Deposits			
	1. Annuity Trust Account Deposits.....	152,605,250	152,667,500	152,667,500
	2. German Government Deposit.....	76,305,125	76,333,750	76,333,750
IV	Short term and Sight Deposits (various currencies)			
	1. Central Banks for their own account:			
	(a) Not exceeding 3 months.....	16,892,665	3,968,300	3,968,300
	(b) Sight.....	16,984,135	12,102,821	10,545,497
	2. Central Banks for the account of others:			
	Sight.....	1,678,570	1,729,725	1,644,029
	3. Other depositors:			
	(a) Not exceeding 3 months.....	24,350	24,335	24,297
	(b) Sight.....	1,156,647	1,589,730	1,183,199
V	Short term and Sight Deposits (Gold)			
	1. Not exceeding 3 months.....	1,619,836	1,619,836	1,619,836
	2. Sight.....	33,934,771	30,429,960	21,238,510
VI	Miscellaneous.....	44,098,015	44,887,744	45,600,782
		495,823,225	475,583,897	465,357,762

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P
YDEPARTMENT OF STATE
WashingtonIn reply refer to
EA 840.51 Frozen Credits/1932

June 17, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses one copy of telegram No. 830, dated June 16, 1941, from the American Embassy at Rome, regarding the freezing of Italian assets in the United States.

Enclosure:

From Embassy, Rome,
No. 830, June 16, 1941.

Copy:lg 6/17/41

C
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Y

KD

GRAY

Rome

Dated June 16, 1941

Rec'd. 1:20 p. m.

Secretary of State,

Washington.

830, June 16, 1 p. m.

Referring to Executive Order of June 14 freezing German and Italian assets in the United States.

The official Italian Stefani News Agency yesterday issued the following communique:

"In consequence of the blocking of Italian and German funds and the taking of a census of all foreign property ordered by the President of the United States the Fascist Government besides having immediately adopted suitable measures of retaliation has ordered the immediate taking of a census of all the American-owned property in Italy."

This morning Commercial Attache Livengood, calling on the Associate Director of the Italian Foreign Exchange Institute, was informed as follows:

"The detailed regulations for carrying into effect the freezing of American funds have not yet been issued. The issuance of these is being held in suspense pending receipt

-2- #830, June 16, 1 p. m., from Rome.

receipt of information as to the regulations and procedure applied to Italian funds in the United States. This information has been requested by telegraph and is expected to be received promptly." The only comment which can be made is that the principle of "eye for eye, and tooth for tooth" will be applied.

Meanwhile, the Embassy has learned that local banks have received instructions that they may allow no transactions in accounts maintained in Italy by American citizens or institutions without specific authorization therefor from the Foreign Exchange Institute.

The Embassy has various accounts with the American Express Company Rome, totalling \$3,975.14 and lire 401,863.25. Of these sums \$8,096.61 and lire 400,000 are United States Government funds, remainder being funds held for representation of various foreign interests.

Our Consulates maintain similar accounts in their respective cities and there are several private accounts standing in the name of American Government officials, all of which are similarly blocked.

I shall take no action for the release of these or other blocked funds pending receipt of the Department's instructions in the premises.

PHILLIPS.

AIG

Copy:lg 6/17/41

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YDEPARTMENT OF STATE
WASHINGTONIn reply refer to
EA

June 17, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses one copy of a paraphrase of the following telegrams: No. 22, June 12, 1941 to the American Consul, Saigon; No. 24, June 16, 1941 to the American Consul, Saigon; regarding Indochina.

Enclosures:

To American Consul,
Saigon, No. 22,
June 12, 1941.

To American Consul,
Saigon, No. 24,
June 16, 1941.

PARAPHRASE OF TELEGRAM SENT

TO: American Consul, Saigon, French Indochina

DATE: June 16, 1941.

NO. : 24

The Department has just been informed by the French Embassy that instructions have been received under which the Embassy can not go forward with the negotiations for the sale of any Indochinese rubber to the United States Government.

HULL
(DA)

EA:HF:LWW

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PA/H

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EA:FL:PAK

PARAPHRASE OF TELEGRAM SENT

TO: American Consul, Saigon, French Indochina.

DATE: June 12, 1941, 6 p.m.

NO. : 22.

Conversations have been commenced between the representative of the Bank of Indochina, Mr. Robert Soliva, and the Rubber Reserve Company for the purchase of about 10,000 tons of rubber from Indochina. Department expects that at such time as agreement here is reached on the details, the actual negotiation of the contract will be effected through you in the same way as arrangements were made for previous purchases. However, the decision on this may not be made till the last minute.

Reports have been received to the effect that out of the total supply of Indochinese rubber, a large tonnage was allocated for shipment to France--around 18,000 tons--but that it is now dubious as to whether this full total will be desired or required by France. Department would be very glad to purchase any or all of this amount that might be made available. You are requested to investigate the possibilities and report.

HULL
(HF)

EA:HF:LWW JE

EA:MSG

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YDEPARTMENT OF STATE
WashingtonIn reply refer to
EA 012.3/5078

June 17, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits a copy of telegram No. 162, dated June 4, 1941, from Brussels via Berlin, relating to Belgian exchange control policies.

A copy of the telegram has been forwarded by the Department of State to the Guaranty Trust Company of New York.

Enclosure:

From Embassy, Brussels,
No. 162, June 4, 1941.

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PLAIN

FROM Brussels via Berlin

Dated June 4, 1941

Esc'd 10:23 p.m. 7th

Secretary of State,
Washington.

162, Fourth.

FOR GUARANTY TRUST, NEW YORK, FROM SAME, BRUSSELS.

"5203. Your eighty-five. Lists airmailed May 21st.

Yours fifty-six and ninety-five. Lists securities airmailed May 28th. Authorities advise they will not authorize until further notice payments here against credit in New York in blocked dollar account giving as reason that American Treasury refuse grant license payments in United States urgent character for personal upkeep or for patents by debit Belgian blocked dollar accounts. Payments here will be authorized only against credit in free dollar account. This would apply to allowances mentioned your cable page ninety-eight. Yours May 22nd. Credit us in free dollar account if possible and advise by cable."

BROY

RMB

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DEPARTMENT OF STATE
WashingtonC
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YIn reply refer to
EA 856D.5151/27

June 17, 1941.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury, and encloses 4 copies of paraphrase of telegram no. 60 of June 16, 1941, from the American Consulate General, Batavia, Java, reporting the transfer of an amount in dollars from the Java Bank to the Yokohama Specie Bank.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Batavia, Java

Date: June 16, 1941, 4 p.m.

No.: 60

The Java Bank transferred to the Yokohama Specie Bank an amount of 14 million dollars, which represents most of the trade balance accruing to Japan since the first of January 1941. The transfer was made under the terms of an agreement made by the two banks last January.

The reason for this favorable balance is that after the Netherlands was invaded, a shortage of textiles and other commodities developed here, making necessary their importation in large amount from Japan. This decision on the part of Japan to withdraw the balance was reached at almost the same time that the Netherlands memorandum was delivered to the Japanese trade delegation. The local authorities look on this act as probably a clumsy attempt by Japan to carry on a "war of nerves" on a small scale.

FOOTE.

EA:LWV

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DEPARTMENT OF STATE

Washington

In reply refer to
EA 840.51 Frozen Credits/1933

June 17, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of telegram No. 2388, dated June 16, 1941, 5 p.m., from the American Charge d'affaires at Berlin, regarding the freezing of German assets in the United States.

Enclosure:

From Charge d'affaires,
Berlin, No. 2388, June 16,
1941.

Copy:alm 6-18-41

DES

COPY

GRAY

BERLIN

Dated June 16, 1941

Rec'd 4:07 p.m.

Secretary of State,

Washington.

2388, June 16, 5 p.m.

A Berlin newspaper this evening published brief news items in the financial pages reporting the bare fact of the freezing of German and Italian assets in the United States. The DIENST AUS DEUTSCHLAND states that "a political reaction will come only after careful examination" and that "although a number of different agencies are naturally involved in the examination of such questions it may nevertheless be assumed that Germany will make its views known in a short time." The spokesman at the Foreign Office is reported to have stated at the press conference this noon that the American action was unjustified and that Germany will take suitable counter measures.

MORRIS

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Copy:alm 6-18-41

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PLAIN

Stockholm

Dated June 17, 1941

Rec'd 1:26 a.m., 18th.

Secretary of State,
Washington.

342, June 17.

Riksbank announced last night that owing freezing European credits all Swedish dollar transactions now subject prior approval Foreign Exchange Office in Riksbank pending clarification Presidential proclamation thus rescinding previous practice allowing commercial banks deal in foreign exchange without previous approval Exchange Office. All trading in dollars in Stockholm suspended yesterday.

Riksbank report June 15 gold reserves 792, foreign exchange holdings 797, note circulation 1,337, loans and discounts 689, all million crowns.

May exports increased to 133 owing larger shipments lumber, pulp, paper machinery imports unchanged at 177 both million crowns.

Trade Board wholesale price index May rose one point to 171.

Thorden

EH -2- 342, June 17, from Stockholm.

Thorden Line cancelled sailings New York-Petsamo owing shipping losses and British simultaneously recalling all navicerts issued pending clarification situation in Finland.

INFORM TREASURY, COMMERCE.

STERLING

EMB

KD

PLAIN

London

Dated June 17, 1941

Rec'd. 12:50 p. m.

Secretary of State,
Washington.

2505, SEVENTEENTH.

FOR TREASURY.

(1). The Bank of England issued the following notice to banks and bankers yesterday:

"At the request of His Majesty's Treasury, the Bank of England informs banks and bankers that until further notice no United States dollar balances held on behalf of persons not resident in the sterling area may be drawn on without prior permission of the Bank of England. No permission is required for payment by debit of such a balance of a bill of exchange expressed in United States dollars drawn on or before the 13th June 1941. Banks and bankers should also refer to the Bank of England before carrying out any instructions regarding securities held in the United States of America on behalf of persons not resident in the sterling area."

The press refers to the close connection between
this

-2- #2505, Seventeenth, from London.

this and the recent order freezing Axis funds in the United States and points to the fact that under the latter Great Britain is the only remaining "free" country in Europe for exchange purposes.

(2). Another exchange control order has just been issued, of which the text is not yet available, but a description of which is given in the TIMES as follows:

"A further small loophole for the loss of foreign exchange will be closed by an order affecting the movement of funds within the empire and other parts of the sterling area. A remittance from Britain to another country in the sterling area will in future, for example, be permitted to be made only to the credit of a resident account in that country unless the United Kingdom Exchange Control has approved the transfer to a specified non-resident account. There has been some leakage of funds to the United States and Canada via Australia and Bermuda which will be stopped by this new regulation. Similarly banks in the United Kingdom will have to obtain the approval of the control in the country of origin before agreeing to credit sums received from other sterling area countries to non-resident accounts."

JOHNSON.

WSB

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GRAY

Berlin

Dated June 16, 1941

Rec'd 3:08 p.m.

Secretary of State,
Washington.

2371, June 16, 10 a.m.

According to a DIENST AUS DEUTSCHLAND press release of June 14, 1941 payments between Rumania and Greece and Rumania and Serbia on commitments made after June 1, 1941 will be cleared in the first place over the German-Rumanian clearing account in Berlin.

Inform Treasury and Commerce.

Reputed to Bucharest.

MORRIS

HPD



TREASURY DEPARTMENT

WASHINGTON

June 17, 1941

TO: SECRETARY MORGENTHAU

FROM: MR. PEHLE

The attached paraphrase of telegram No. 32 of June 6, from the American Consul at Tsingtao was, of course, sent before the blocking of German and Swiss funds in the United States. Nevertheless, it is perfectly true that insofar as Germany is able to send goods to the Far East for consumption therein, or transshipment to South America and other unblocked areas, Germany can thereby obtain free foreign exchange assets.

If the foreign exchange assets thus obtained consist of dollars, it will, of course, be necessary to have the dollars cloaked so as to avoid our freezing order. This obviously can easily be done under Japanese, Chinese, or Latin-American names. Insofar as the New York Office of Credit Suisse is involved, these transactions may be stopped, now that the Treasury has representatives in the Credit Suisse office scrutinizing its activities. However, these transactions can be easily carried on through accounts not subject to the freezing order.

As an example of the use to which Germany can put foreign exchange assets obtained in this manner we were advised yesterday

- 2 -

by the San Francisco Federal Reserve Bank that one of the banks in its district had been requested to open a letter of credit for \$200,000-\$300,000 covering a shipment of quicksilver from Mexico to Japan. The ultimate destination of any such shipment may very well be German, although it would be difficult to prove this in any particular case.

A handwritten signature in dark ink, appearing to read 'J. P. Hale', is written in a cursive style.

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(CONFIDENTIAL)

PARAPHRASE

A telegram (no. 32) of June 6, 1941 from the American Consul at Tsingtao reads substantially as follows:

At the present time strenuous efforts are being made by German firms at Tsingtao, and perhaps elsewhere also, to procure United States dollar remittances on New York. According to information received by the Consul's informant from the Deutsch Asiatische Bank the procedure is that German firms sell for local dollars shipments of goods received by way of Siberia from Germany. The local dollars are changed into United States dollars and remitted to Credit Suisse in New York for the account of the German Government which in turn repays in reichmarks the German firm in Germany. In view of the remark made recently by the Secretary of the Treasury that already German funds in the United States have disappeared, the above information may be interesting.

sh:copy
6-13-41

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 17, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£29,000
Purchased from commercial concerns	£ 8,000

The Federal Reserve Bank of New York sold £10,000 in registered sterling to the American Express Co., and £10,000 to the Royal Bank of Canada.

Open market sterling held steady at $4.03\frac{1}{2}$, and there were no reported transactions.

The Continental currencies were not quoted in the New York market today.

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

Canadian dollar	11-9/16% discount
Argentine peso (free)	.2380
Brazilian milreis (free)	.0505
Uruguayan peso (free)	.4200
Mexican peso	.2070
Cuban peso	1-1/8% discount

In Shanghai, the yuan was quoted at $5\frac{7}{16}$ ¢, up $1\frac{1}{32}$ ¢. Sterling advanced $1\frac{1}{2}$ ¢ to 3.92.

There were no purchases or sales of gold effected by us today.

The Treasury issued licenses under the Gold Reserve Act and Executive Order No. 8389, as amended, permitting the Federal Reserve Bank of New York to effect the following transfer of gold in its vaults:

\$3,375,000 from the Bank of Finland's account to the account of the Bank of Sweden.

No new gold engagements were reported.

Spot and forward silver were again priced at $23\frac{3}{8}$ d in London, 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 four purchases of silver totaling 279,915 ounces under the Silver Purchase Act. Of this amount, 29,915 ounces represented new production from Java, purchased for spot delivery. The remaining 250,000 ounces represented new production from Peru, bought for forward delivery.



CONFIDENTIAL

BRITISH EMBASSY,
WASHINGTON, D.C.

Personal and Secret.

June 17th 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,

Harold Butler

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

TELEGRAM RECEIVED FROM LONDON DATED June 14th.

Pocket battleship Lutzow last seen returning to Skaggerak with considerable escort with reduced speed.

2. Sheffield has sunk 10,400 ton German tanker in 44 degrees 48 minutes North 24 degrees West.

3. Faroese trawler Thor, attacked by aircraft Kinnsird Head p.m. 12th shot it down. Dalemoor British 5,800 tons in convoy bombed off Stonehaven on 13th. Aircraft was shot down by Dalemoor which was towed into harbour.

4. Naval aircraft torpedoed French destroyer Guepard class in Djounie harbour north of Beirut night of 12th/13th.

5. On 11th Maryland aircraft from Malta bombed and hit 5,000 ton merchant vessel; total loss claimed. On 11th two Blenheims from Malta dropped five bombs on 5,000 ton merchant ship in convoy off Pantellaria. One Blenheim lost in striking ship east.

6. Over Malta on 12th our fighters destroyed nine enemy fighters and two sea float planes. We lost three Hurricanes, two pilots safe.

7. Off Sidon 13th Tomahawks shot down three and damaged two JU 89's with Italian markings attempting to dive bomb our naval units.

8. Syria. Vichy French have evacuated Kiswe and are holding positions on the road to Damascus. In Mardjayoun Sector Royal Air Force in close support attacked 40 enemy vehicles. On left of this sector we hold Nebatiye. On coast artillery opposition was encountered

at Sidaon now reported but not officially confirmed, in our hands. Action there is being strongly supported by our naval forces.

9. Lybia, Egypt. Morning of June 12th aircraft attacked pumping station and anti-aircraft positions Tobruk. No damage. One enemy aircraft shot down. Enemy armoured car captured in frontier area. Later enemy A.F.V.S. operating south east of Halfaya were withdrawn.

10. On night of 11th/12th three Wellingtons set fire to two ships and hit third at Benghazi.

11. Abyssinia. Our patrols were 12 miles from Ginna June 12th. General Pralermo has notified willingness to surrender.

12. Eritrea. Aerodrome near Assab secured and force now fully disembarked. Prisoners 950.

13. Iraq. Force at Haditha encountered local rebels who have withdrawn into Syria.

14. Night of 12th/13th our bombers dropped 300 tons of H.E. and 7000 incendiaries on four railway centres attacked. Night of 13th/14th we sent 184 aircraft of which 110 went to Brest, 42 Schwerte marshalling yards.

15. Night of 13th/14th enemy sent 145 to United Kingdom and United Kingdom waters, 70 of these over Kent. Several attacked Portsmouth but bombs fell in harbour off Eastney and Langstone harbour. Two civilians reported killed. No special damage reported. Seven shot down by fighters certain, possibly two more.

CONFIDENTIAL

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Transmittal of Code Callagran
Received at the War Department
at 09:58, June 17, 1941.

London, filed 16:33, June 17, 1941.

1. British Air Activity over the Continent.

a. Night of June 16-17. The following is the number of R.A.F. bombers which operated on this night, together with their objectives.

Cologne	104
Dusseldorf	72
Duisburg	39
Boulogne	7

b. Day of June 16. Principal targets of operation on this day were shipping around the Islands off the Dutch coast and offensive patrols in Northern France. Four ships were struck.

c. Night of June 15-16. Night fighters of R.A.F. attacked airports in Northern France.

d. Day of June 15. Seventy-one tons of bombs on Cologne and 54 tons on Dusseldorf were used in the previously reported attacks on this day.

2. German Air Activity over Britain.

a. Day of June 16 and Night of June 16-17. Attacks during this period were on a small scale with a little activity over Southern England.

b. Day of June 16. One hundred fifty fighters of the German Air Force were involved in defensive patrols over their own territory.

c. Night of June 15-16. The number of German planes involved in operations on this night were 15 long range bombers and 10 fighters.

CONFIDENTIAL

INFORMATION COPY

4. Day of June 15. Fifteen reconnaissance planes, an equal number of long range bombers, and 10 fighters were employed by the German Air Force in their operations on this day.

3. Aircraft Losses German Theater.

a. As a result of British operations during the night of June 16-17, four planes have not been heard from. As a result of the operations on the day of June 16 the British lost five fighters and an equal number of bombers.

b. On the day of June 16 the British shot down 11 German planes, probably six others, and damaged five.

4. British Air Activity Other Theaters.

a. Egyptian Theater. The reconnaissance bomber patrols of the R.A.F. again operated throughout the Middle East Theater.

5. The War Office is of the opinion that the German battle cruiser SCHARHORNST is capable of operating on the high seas but has not been sufficiently repaired to fend off attack. There is a possibility of this cruiser and the PRINZ EUGEN putting to sea.

LEE

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
 G-3

RESTRICTED

G-2/2657-230; No. 419 M.I.D., W.D. 12:00 N., June 17, 1941.

SITUATION REPORTI. Western Theater

Air: Sharp daylight air combats over the English Channel on the 16th.

German. Raids of moderate intensity last night over southern England.

British. Attacks involving an estimated 200 planes were made last night. Main effort was again made over the Ruhr and Rhineland. Small raids were made on Boulogne and Dunkerque.

II. Mediterranean and African Theaters.

Ground: North Africa. British troops have driven into Libya as far as Fort Capuzzo, an outpost 15 miles inside the Libyan Frontier. Rome and Berlin report heavy fighting with Axis forces counter-attacking and causing severe British losses. There is no confirmation of the report that a British mechanized force has reached Gambut, about 40 miles inside Libya and halfway to the besieged British garrison in Tobruk. The outcome of the British attempt to relieve the Tobruk garrison is still in doubt.

Air: Considerable close support activity and some air fighting over the Western Desert, Libya. Last night the R.A.F. attacked Benghazi.

III. Syria.

Little change in the front lines. French counter-attacks have developed south of Damascus.

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