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June 18, 1941
9:30 a.m.

GROUP MEETING

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

H.M.Jr: Herbert, we will start with you.

(Mr. Foley entered the conference.)

Gaston: I don't think I have anything special.

H.M.Jr: Have you got that thing I asked you?

Gaston: Yes, I have. I have got a little note for you that I didn't get to yesterday. I had Birgfeld up and talked to him at some length and I don't know whether that letter is right.

H.M.Jr: Thanks.

(Mr. Sullivan entered the conference.)

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Gaston: The transports are rendezvousing at present down off Norfolk. They were - the transports which our men are manning. They have - I think all three of them have left New York and they are to meet down at another point.

H.M.Jr: Where is Sullivan?

Sullivan: Right here, sir.

H.M.Jr: All right, John, say your piece.

Sullivan: You spoke yesterday about not permitting any further extension of time on the filing of excess profits tax returns. The Commissioner has sent a memorandum to all of the collectors of internal revenue and has drafted a press release to be given out so that the collectors will be protected and it will help them in their job. I thought I might give that to Mr. Schwarz and he can release it over here.

H.M.Jr: All right. What else?

Sullivan: Yesterday afternoon they worked most of the time on the state taxes. We disposed of the two troublesome proposals that would - one, proposed by Congressman Dewey, that would allow a person to buy a tax anticipation certificate to be used for paying his state taxes, those certificates to be tax exempt.

The other proposal was that they could take out insurance payable to the United States and that insurance would be tax exempt, and both of those have been eliminated.

I think today they will vote tentatively on the surtax schedules on individual income taxes and excess profits taxes. They are back now talking more definitely in terms of three and a half billion dollars.

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H.M.Jr: Is the story in the Wall Street Journal fairly accurate?

Sullivan: I didn't see it, sir.

H.M.Jr: Well, take a look at it.

Schwarz: Here it is.

H.M.Jr: While you are looking at it, I will talk to Blough.

Sullivan: Yes, sir.

H.M.Jr: Blough, I have got a memo here that you were to collaborate with Mr. Brown to submit a report of the skilled labor shortage and the advisability of increasing Social Security rates. Are you making any progress?

Blough: Yes, we were in touch with Professor Brown yesterday and the memo - I had hoped to have it with me this morning, but it required some revision. It will be ready any time today, however.

H.M.Jr: Can you have it for tomorrow's meeting?

Blough: Yes, indeed, sir. All you wanted in that, as I understand it, was the dismissal compensation side and not the skilled labor shortage side. You said you had that in hand otherwise.

H.M.Jr: That is right.

Senator Harrison recommended Percy C. Young for a position on the Processing Tax Board on May 16.

Sullivan: That is right, and Mr. Doughton recommended somebody else. We have been sitting on the

lid. I think we can continue to sit on it until this bill is through. There are vacancies there, but --

H.M.Jr: Nothing will happen until the bill passes?

Sullivan: I don't think it will be wise, because we will have to choose between them; and incidentally, I talked with one of Senator Harrison's best friends, and he said that the operation was an agreeable surprise. They expected to find something malignant and they did not find it.

This story is partly true. I think there is a likelihood they will go above this net figure on the increase in corporate taxes, because there is a feeling that the more they get out of the corporate taxes, the less they will have to take in excise taxes.

H.M.Jr: Anything else?

Sullivan: No, sir.

H.M.Jr: Roy?

Blough: I just want to report progress on that - those tabulations of return on invested or on equity capital of corporations for the excess profits material. I have one additional table today, and there will be some more coming along. I don't know if you want it handed to you piecemeal or whether you would rather wait.

H.M.Jr: I don't think so. Kuhn is very much interested and is working on it for me.

Is that all?

Sullivan: Yes, sir.

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Bell: Before they go, Mr. Secretary, you remember some time ago I brought up the question of the Social Security Board report. The President wanted to submit it this month. I think you ought to have about an hour's conference with Roy and John and me, and probably if you had some evening that might be better. We could take it from eight-thirty to nine-thirty.

H.M.Jr: Next week?

Bell: Yes. Roy ought to have a day or so in order to get the points together.

H.M.Jr: All right. Will you remind me again?

Bell: Yes.

H.M.Jr: Can they be excused now?

Bell: Yes.
(Mr. Sullivan and Mr. Blough left the conference.)

H.M.Jr: Herbert, if you will stay behind, I want to ask you a couple of questions.

Gaston: Yes.

H.M.Jr: Anything else?

Gaston: There is one thing I should have mentioned to you. Guy Helvering called me up yesterday, John being up on the Hill, to tell me that they were compromising - they were settling, rather, a case against a man named Kaplan and you knew of him because of his interest in a molasses concern that had alcohol connections when you were over at Farm Credit.

H.M.Jr: That is right.

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Gaston: He had some Canadian personal holding companies and he is paying a million and three quarters in back taxes.

H.M.Jr: A million and three quarters?

Gaston: I think it is a million and three quarters. It is a large sum. It is over a million. I have got a notation on my desk.

H.M.Jr: You remember that?

Graves: Very well.

H.M.Jr: I would like to have the figures.

Gaston: I will get you the details on it.

H.M.Jr: I have an interest in knowing what it is.

Graves: Incidentally, on that case they called on me for our files about that old matter. You remember, a special corporation was organized to take over the capital of the molasses interests. Corn Products was interested and so on. I sent them --

H.M.Jr: It was quite a smelly case.

Graves: Yes, it was.

Gaston: He said - I asked him if there was any present Alcohol Tax interest and he said no, that he was entirely out of that.

H.M.Jr: Yes, if it comes to me, I would like to see it.

Gaston: I will get a better memorandum.

H.M.Jr: There are sort of collateral things that I was interested in. You (Graves) might take

a look at it, too. You remember we never quite understood that particular thing in New York State, you remember.

Graves: Yes. Well, it turned out all right. The new corporation took over the business of the capital corporation and it was kept straight.

H.M.Jr: It is a long time ago. Anything else?

Gaston: No.

Graves: Thirty-five and thirty-six, I think.

H.M.Jr: Foley?

Foley: The news commentator at seven-thirty and again at eight-thirty, I am told, said that the President was contemplating reorganizing OPM and creating a Department of Supply, the idea being discussed with Wallace, Henderson, and Currie. There wasn't anything in the paper about it, but it was on the radio this morning.

Schwarz: It is on the ticker this morning.

H.M.Jr: A Department of Supply?

Foley: Yes.

H.M.Jr: Where do you suppose he gets those ideas from? (facetiously)

Foley: I haven't any idea.

H.M.Jr: Currie is up to something again, is he?

White: Yes, Currie is always up to something.

Bell: Aided and abetted.

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- Foley: Zenith Radio, so far as we have been able to find out, hasn't any contracts but has a couple of sub-contracts with the Sperry Gyroscope and Bendix Aviation Corporation amounting to a couple of million dollars.
- The President approved those anchorage regulations yesterday and we had them put in the Federal Register and sent them air mail to our lawyer last night so he will have them this morning to use in court. I think that will take care of that suit.
- H.M.Jr: You say he has got Government contracts.
- Foley: No prime contracts, but there are a million or more sub-contracts with Bendix and Sperry Gyroscope.
- H.M.Jr: Did you give that story to Leach? Did he like it?
- Schwarz: He wired it instead of air mailing it.
- H.M.Jr: Would you get a copy of today's Chicago Daily News?
- Schwarz: I have asked them to watch for it. I don't know how much advertising they get. They might thin it down.
- Foley: If you have any more trouble with him, the Navy might be interested in his boat.
- Gaston: Advertising doesn't affect the news policy of reputable modern newspapers, Chick.
- H.M.Jr: You are talking about a publisher and also a man who is a member of Mr. Roosevelt's Cabinet.
- Schwarz: They tell me McDonald is no longer a Commander of the Naval Reserve.

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- H.M.Jr: What happened to him? Oh, McDonald is the president.
- Schwarz: Of Zenith.
- Foley: He is the fellow that is giving us the trouble.
- H.M.Jr: Can the Navy take his yacht?
- Foley: Sure.
- White: And pay him for it. Maybe that is what he wants.
- Schwarz: He is asking too high a price so far.
- Gaston: He has a grudge against the Coast Guard. One time they made a spectacular rescue there, and he considers himself sort of the big boy of the yacht basin and he came bustling aboard or tried to go aboard the Coast Guard cutter to find out what they had done, and the petty officer in charge saw no reason why he should let him aboard or tell him anything about it and he told him, "I am a Captain of the Reserves in the United States Navy and I demand to come aboard," and the chief boatswain said, "That doesn't make any difference to me, you haven't any business aboard here," and sent him away."
- H.M.Jr: Who decides where his yacht is to be anchored?
- Gaston: We are clarifying in this amendment to the regulations the power of the Captain of the Port to classify ships and yachts according to their draft and length and so on and assign them different anchorage regulations by classifications, and what his complaint was, is that other craft were allowed to anchor in this location so he should be allowed to anchor, and it was discrimination against

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him for the Captain of the Port to tell him to move, so now we are clarifying the right of the Captain of the Port to say that because of size and so on he wants him to go somewhere else.

H.M.Jr: If there is any more trouble, let me know; and we will move him out another half mile.

Schwarz: Four Coast Guard reserve boats have been able to go in where he moved out of.

Foley: Dean Acheson called up last night and said that some of the people over in the State Department were disturbed in connection with the procedure that he had approved in connection with the reporting of diplomatic funds by these neutral countries under the order. They have to tell us how much they need and what they propose to spend it for, their payrolls and the salaries and so forth.

Then after they spend it, if they want to get more money, they have to account for the expenditures and then explain how they are going to spend the next allotment that they request. What he wants, he thinks, is a modification of that in so far as these neutral countries are concerned, whereby they would give us the names of the banks where their bank accounts are and then be permitted to use their funds without restrictions under the general license. Of course, we would be able to watch those accounts. We would be able to have daily reports from the banks as to the withdrawals from those accounts and then any time anything looks suspicious, we could report that to the State Department and they could call in the Ambassador or Minister and put it up to him.

I told him I thought that you would be disposed to go along with the State Department on a matter of that kind.

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H.M.Jr: Sure.

Foley: He said that they were going to have a meeting over there this morning, and he would call back before they did anything.

H.M.Jr: What else?

Foley: Huntington Cairns went up to New York yesterday and say CBS and NBC, and they are now willing to play without restriction the Treasury song.

H.M.Jr: Now there is something. Now I can knock off the rest of the week after getting them to put their - they can play that?

Foley: Yes. They were a little afraid you might be worried if you turned the radio on sometime and heard just part of the song, but that would be only because they didn't have time to run the whole thing. (Laughter) They don't want you to crack down on them just on account of that.

H.M.Jr: Tell Huntington, "Good work," will you?

Foley: Yes.

H.M.Jr: That is something. (Kuhn) Call up Irving and tell him.

Foley: We asked Dean to find out from Phillips whether or not the Italians had given equal treatment to Giannini's bank in Italy in connection with their retaliations against American interests.

H.M.Jr: Yes. In Italy?

Foley: Yes. I thought it would be good to find that out.

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H.M.Jr: Me too.

Anything else?

Bell: They own a bank over there, don't they?

Foley: They own several. They have got a big bank and it has branches. It has branches in Trieste and Naples and Rome.

Bell: Transamerica?

Foley: Yes, owned by the holding company

H.M.Jr: Maybe Johnny Hanes was right after all. You just want to rub them out.

Foley: I just want to see that he gets treated the same way everybody else does. He has got more immigrant accounts in that bank of his--

H.M.Jr: So far, we have just gotten this far.
(Laughter) Everything we do is a rub-out so far.

Foley: I have got a--

H.M.Jr: Good work.

Foley: I have got a personnel problem in the Bureau. Jimmy Ryan, who is one of the assistant chief counsels to Wenchel, is resigning to take a position with a large Chicago firm. What I would like to--

H.M.Jr: Not Zenith?

Foley: No, this is a law firm.

What I would like to do is to take Ralph Dwan, who is chief counsel for Customs, and move out

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Dwan's assistant, Chambers, to be chief counsel for Customs. I discussed it with Bill Johnson and that is agreeable to him.

H.M.Jr: How about Herbert?

Foley: Well, I assume if it is all right with Bill, it is all right with Herbert.

Gaston: That is right. Bill is a pretty good lawyer.

H.M.Jr: It means nothing to me.

Foley: I believe it will strengthen the Bureau a little bit.

H.M.Jr: Clear it with Norman.

Anything else? No more rub-outs?

Foley: No more rub-outs.

H.M.Jr: Or rub-downs?

George?

Haas: I have got a minor thing, Mr. Secretary, that I thought ought to be brought to your attention. You sent to Undersecretary Patterson a copy of that industry report. Sometime back his secretary called our office and said - marked the report for attention, Mr. Lovett, and the acknowledgment comes back now signed by Lovett, Assistant Secretary of War for Air, and I wondered if - originally he was just an Assistant to Patterson, I take it, and I wondered if you - we could address it direct to Lovett.

H.M.Jr: Sure. O.K.

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Haas: And leave Patterson out completely?

H.M.Jr: That is all right.

Cochran: Stopford was by yesterday afternoon, and he had the first draft of a memo on South America that you mentioned when he was in here. He decided to hold it until he gets some replies from cables which he sent to his people in Buenos Aires and Rio.

H.M.Jr: I would like to see him myself.

Cochran: All right. I will tell him to bring it in as soon as he gets it.

Playfair asked to be remembered to you. He is flying back today.

H.M.Jr: Oh!

What else?

Did you (Kuhn) take care of my Mrs.?

Kuhn: All taken care of this morning.

H.M.Jr: Gone back up, has it?

Kuhn: Yes, sir.

H.M.Jr: In the not too distant future, Jake, I will talk to you. I will tell you what I had in my mind a little after I get straightened out.

Is the baby all right?

Odegarde: Fine.

H.M.Jr: Can't we take a picture of that baby and use it in--

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Odegarde: Suits me.

H.M.Jr: For Defense Bonds or something? I think everybody would want to buy--

Odegarde: Suits me.

H.M.Jr: I will get in touch with you during the day.

Schwarz: I assume you have seen page four of the New York Times.

H.M.Jr: Yes. I was just struck dumb.

Schwarz: Maestre, the president of that company is the leading spirit, I understand. I have checked.

H.M.Jr: Maestre, Bob Maestre?

Schwarz: M-a-e-s-t-r-e. It is not Bob, I think. He is New Orleans, isn't he?

H.M.Jr: Mayor of New Orleans.

Schwarz: This is the St. Louis Maestre.

H.M.Jr: I would like to know how come. I think you will find the director of it is Mr. Darcy of the Darcy Advertising Agency.

It is a full page advertisement by a St. Louis bank in the New York Times saying, "Uncle Sam is too modest."

Graves: Yes, I have seen the advertisement.

H.M.Jr: But this is in the New York Times, a St. Louis bank.

Graves: They are also advertising out of St. Louis.

H.M.Jr: That costs money, a full page ad in the New

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York Times.

- Gaston: That is Darcy showing us that if he were running the thing he could put some real pep into it.
- H.M.Jr: That is what I thought.
- Gaston: Yes.
- H.M.Jr: That was my reaction, that that was Darcy. Is that page in here? Get it. You (Graves) haven't seen it, have you?
- Graves: I haven't seen it in the New York Times, but I have seen it elsewhere.
- Schwarz: I can get it photostated down to a handier size.
- H.M.Jr: Send it around.
- Graves: I told you once that such advertisements had been put in the papers by more than fifteen hundred banks during May, and I have the collection. It includes this one among many others.
- H.M.Jr: Anything else, Chick?
- Schwarz: That is all, sir.
- H.M.Jr: Harry?
- White: Nothing.
- H.M.Jr: I will get in touch with you later on. Are you going out this morning to any meetings? Will you be out of the Treasury today, this morning?

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White: No, sir.

H.M.Jr: Because I have got to talk to you about this thing of - the request of Ambassador Winant.

White: Yes. You also wanted to talk about a couple of other things.

H.M.Jr: All right. Harold?

Graves: Nothing.

H.M.Jr: Bell?

Bell: We have gotten several cables from Fox.

H.M.Jr: Yes.

Bell: And in each one he seems to be more worried about Mr. Rogers.

H.M.Jr: So I see.

Bell: The last one he sent got into the economic studies of China and also about a confidential secretary for him.

Now, as to Rogers, we think he ought to keep his shirt on and keep out of that mess because that is a matter for the British and Chinese Governments, and we think it is more important that he start the board and get busy there than to start this economic study, and we would like to send him a cable along these lines. Want me to read it? Harry hasn't seen it, but Merle and I just finished it as we came in.

H.M.Jr: Talk it over with Harry.

Bell: This is part of Harry's draft. We expanded it, Harry, to take in the cable we got last

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night.

H.M.Jr: Would you mind talking with Harry first?

Bell: No. I should think that he ought to keep out of that Rogers mess.

H.M.Jr: I don't know. What else?

Bell: Congressman Hebert, who introduced the bill to provide for staggered paydays, wrote you a letter yesterday criticizing the Treasury for not answering his letter of May 28 addressed to Mr. Bartelt and for not giving him the information that he asked for. He said he wanted to know if it was the policy of the Treasury that Congressmen should get their information from the newspapers.

H.M.Jr: Yes.

Bell: Well, he had written Bob Jackson asking him if it was legal for the departments to change the present paydays' scheme or was it necessary to have legislation. Bob wrote back and told him that there was no legislation needed, that it was an Executive matter and could be taken care of, and he says, "As to the history of why the paydays are now the fifteenth and the thirtieth, you would have to go to the Treasury, and I suggest you write Bartelt, Commissioner of Accounts."

Hebert writes Bartelt on the twenty-eighth and said, "I am enclosing a letter from Jackson which is self-explanatory, and I should be glad to have your comments on this matter." It was acknowledged on June 2. It came in on Saturday and was acknowledged on Monday, the second. We told him that we would study it and give him the information,

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assuming that he wanted a history of the paydays.

We have acknowledged it this morning. I have got a letter here for your signature acknowledging his letter and telling him why he didn't get a reply earlier and telling him that Treasury did not give any - out any press notice whatever. It was given out at the White House.

H.M.Jr: Anything else?

Bell: That is all.

Thompson: Woodside how has word from the factory that your new Cadillac will reach Washington Saturday.

H.M.Jr: It will get here Saturday?

Thompson: It will probably take a couple of days to get it all tuned up.

H.M.Jr: All right.

Thompson: I have some Stabilization cables.

H.M.Jr: All right, ask Stephens.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 18, 1941

TO Secretary Morgenthau
FROM Mr. Cochran *For Mr. Chauncey*

STRICTLY CONFIDENTIAL

At 5 p.m. yesterday afternoon Mr. Stopford, Financial Counselor of the British Embassy, called on me. He showed me draft notes which he had prepared upon Axis funds passing through or situated in Latin America. It will be recalled that when the Secretary had him in to meet with our Group on last Monday morning where the working of the new freezing regulations was discussed, the Secretary had invited Mr. Stopford to give any comment. Mr. Stopford had raised the question as to possible leaks in Latin America which might warrant further extension of the Control. The Secretary had suggested that Mr. Stopford prepare a memorandum on this point.

Mr. Stopford told me yesterday evening that his notes were only preliminary and that he had cabled his colleagues in Buenos Aires and Rio de Janeiro requesting concrete information from them to support his memorandum. He asked, therefore, if he might delay the submission of the memorandum until he had this supporting information.

At the Staff Meeting this morning I reported the foregoing to the Secretary. He asked that the memorandum be given directly to him whenever I may receive it. Upon coming out of the meeting, I telephoned Mr. Stopford. I told him that I had reported to the Secretary upon our conversation of last night, and that the Secretary desired that I submit directly to him Mr. Stopford's memorandum as soon as it is received. Mr. Stopford promised to pursue its preparation actively.



June 18, 1941
11:43 a.m.

HMJr: What's on your mind?

Oscar
Cox: On the British finances thing...

HMJr: Yeah.

W: All the earmarks are that the financial fellows haven't been following what their supply people are doing and it becomes fairly apparent from the commodity statements which you have George Haas get out and I sent you sort of a long winded note on it this morning.

HMJr: Well, Oscar, if you have time I'd much rather talk to you about it because I'm getting awfully restless about it.

C: Well, so am I, because the thing....

HMJr: Well, what are you doing between now and 1 o'clock?

C: Well, I got a meeting on this
gun thing,
which is a part of a rescue procedure.

HMJr: Oh.

C: And a ...

HMJr: What time is that meeting?

C: Well, it's on now and probably wont be finished until 1 o'clock.

HMJr: Oh, well.....

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C: Well, could I come after lunch?

HMJr: No, I'm free at three.

C: Oh, unfortunately I got a meeting on this price legislation up on the Hill. Why don't I check with Mrs. Klotz and see if I can make a date in the very near future. We're talking to the British at 12 on this - on the extent to which we can rescue them on contracts that have been entered into already.

HMJr: Well, when - you mean that - let me settle it this way - when will the - Bell told me that you would - it yes or no today.

C: Well, I think - I think we'll have an answer on a good part of it today after this 12 o'clock meeting.

HMJr: And you say that the supply people are not up on it?..

C: No, they have been placing orders just as one typical illustration, they've been placing orders for steel using up good dollars when there isn't any excuse in the world for it. They should have placed it under Lend-Lease and I think Phillips is got to pull the reins on his supply people.

HMJr: Well, let me - I get booked up. How about 11:30 tomorrow?

C: That'll be fine.

HMJr: What?

C: That'll be fine.

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HMJr: 11:30 tomorrow.

C: All right.

HMJr: And then by that time, you will have a yes or no.

C: I think so.

HMJr: What?

C: I think we ought to come close to one.

HMJr: Well, I'm getting very restless.

C: Well, I think you're right, I am too.

HMJr: All right.

C: Goodbye.

HMJr: Thank you. Goodbye.

June 14, 1941
2:35 p.m.

Arthur
Purvis:opinions here.

HMJr: Oh, really.

P: In a big way. That's the very first time.

HMJr: Well, that's nice of you to say that. I thought you might like to read it.

P: I enjoyed it immensely.

HMJr: I enjoyed reading the newspaper you let me have.

P: (Laughs)

HMJr: And I thought you did an excellent job in Montreal.

P: Well, you were very nice.

HMJr: Arthur, are you very busy this afternoon?

P: We've got a Council meeting, Henry.

HMJr: Oh.

P: And Byrnes is coming over at 5. If there is anything, I could possibly rearrange Byrnes.

HMJr: Well, I mean you're busy from when to when?

P: The Council meeting should be over in about an hour and a half - by about four.

- 2 -

HMJr: No, I'd have to be

P: Something before that?

HMJr: Well, I happen to be free around three o'clock and I'm - I don't want - I - this whole business of Keynes's and all that, I want to talk to you about it, particularly a letter to Hopkins which really cuts across you.

P: Yes. Well, a - I saw a letter when I got back this morning - I got a copy of that letter and noted - I mean I read it with that little feeling myself that he'd moved out a bit. I'd like to have that talk - it's just that this is a Council Wednesday and we have this time some new people coming in to sit with us.

HMJr: Well, you keep - just let me think - I tell you what we might do

P: Shall I ring you when I get out and then see what suits you?

HMJr: Well, I think we better put it off and let me just see how - - it was just that I got a break today.

P: Yes.

HMJr: And this thing bothers me.

P: Yes, quite.

HMJr: Well, your Council meeting be over when?

P: About 4 o'clock, perhaps 4:15. Then Byrnes is coming at 5 because he's worried over Lease-Lend matters.

HMJr: Oh.

- 3 -

P: It'll be between half an hour and three quarters of an hour with him I would imagine, normally.

HMJr: Why don't we - why couldn't we start fresh in the morning?

P: Yes.

HMJr: What?

P: I'd love to. Any time you say.

HMJr: Well,

P: You don't walk down, I suppose, do you?

HMJr: Well, I leave terribly early...

P: Yes, what time?

HMJr: Well, I leave the house around - oh, 8:30.

P: Well, would you like me to join you? Do you walk down or do you ride down?

HMJr: I walk part of the way.

P: Yes.

HMJr: Is that too early?

P: Not a bit.

HMJr: Surely?

P: Not a bit, I'll be there at 8:30 if that suits you.

HMJr: Fine.

P: I'd love it.

HMJr: Let's do it that way.

P: Good, I'll be there at 8:30.

HMJr: Thank you.

June 18, 1941
2:46 p.m.

HMJr: Hello.

Operator: Mr. Mellett.

HMJr: Hello.

Lowell
Mellett: Hello, Henry.

HMJr: Hello, Lowell.

M: I got a call from our Director
and Conductor this morning that

HMJr: Who?

M: Our State Director.

HMJr: Yeah.

M: That the Louisville bankers and
the Bankers Association of Kentucky
are upset because they can't get
a list of registered aliens, that
they are very fearful that they
are passing out assets to aliens
that shouldn't have them. They
have no list to check against,
said they tried to get it at
Cincinnati district office of the
Immigration and Naturalization
Bureau, but were refused the list
and then I got a wire from him
suggesting that the district
Directors be authorized to release
such lists, to Postmasters in the
various states.

HMJr: Uh huh.

M: With authority to permit inspection
by interested banks and other agencies
holding alien assets, etc.

HMJr: Yeah.

- 2 -

M: Well, I don't know whether it is a good idea or not, sounds reasonable on the face of it but any case, if it could somebody should speak to the Bureau here. I presume that would be your office.

HMJr: Aliens?

M: Yeah.

HMJr: No.

M: Frozen assets.

HMJr: Well, I tell you, there will be a meeting in 10 minutes in Foley's office with Frank Shea and Dean Acheson and I'll get this word to them and they can take it up at their meeting at 3.

M: Yes, all right.

HMJr: Is that quick enough?

M: Well, all I know is that the Bankers out there are afraid that aliens are drawing out funds that you wouldn't want drawn out.

HMJr: Well.....

M: And they think they need a list of aliens to check against.

HMJr: I don't know, but I'll put it up to this crowd within the next ten minutes.

M: All right, fine. Then the acts would have to be taken by the Bureau of Naturalization and Immigration.

HMJr: Well, of course, Shea is there for Justice and I'll tell them to let you know.

- 3 -

C: Well, all they need to do to take action on it and do it if they can - if they would let me know so I can get word to those Kentucky bankers....

HMJr: Sure. Thank you for bringing it to my attention.

C: Right-o

HMJr: Thank you.

June 18, 1941
4:00 p.m.

HMJr: Hello.

Operator: Colonel Donovan left on the 3:30 plane for New York. His Secretary, Mr. Mahar, is on the line.

HMJr: All right, please.

HMJr: Hello.

Operator: Go ahead.

Mr. Mahar: Yes, Mr. Morgenthau.

HMJr: I've been expecting to hear from Colonel Donovan.

M: Oh, you have?

HMJr: Yes.

M: Well, I guess he must have forgot about it today while he was here.

HMJr: Well.

M: I'm sure he forgot about it. He was at the White House.

HMJr: I know, he was to let me know just as soon - after he'd seen the President.

M: I see. Well, I know he must have forgot about it because I was with him all the time and almost till the time he got on the plane.

- 2 -

HMJr: Well, would you get word to him that I would appreciate - I've asked something of him and I'd like to have a yes or no.

M: Yes, all right. Now, where can I reach you this evening, Mr. Morgenthau?

HMJr: Well, I'll be home.

M: You will. And that number?

HMJr: No, he can call me through the Treasury.

M: All right, thank you very much.

HMJr: But, I would like to hear from him.

M: I'll be glad to get in touch with him and

HMJr: Tell him I'd like - I really would like to have a yes or no on the proposition I put up to him.

M: Yes, I'll be sure to tell him.

HMJr: Thank you.

M: All right.

June 18, 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 18, 1941, attended from time to time by the following:

Messrs. Foley, Gaston, Cochran, Viner, Bernstein, Pehle, Coe, and Aikin for the Treasury, Messrs. Acheson and Luthringer for State, Messrs. Shea and Kreiger for Justice.

After Mr. Pehle read a report appearing in today's Boston Daily Globe, it was decided that Mr. Pitman of the Boston Federal should contact the newspaper, correcting the misstatements, particularly with regard to the position of aliens in respect to General License 42 and in connection with remittances authorized under General Licenses 32 and 33. Mr. Aikin immediately telephoned Mr. Pitman requesting him to contact the newspaper.

The problem of coordinating F.B.I. activities with those of the Treasury was again brought up. Mr. Shea mentioned that there were active files on 8,000 names of those suspected of subversive activities or sabotage. He thought considerable duplication of effort would result unless some clear delineation of work was established beforehand. He was particularly anxious that the Treasury take no special freezing action on an account before checking with the F.B.I. in order that there would be no interference with a good source of information. Mr. Foley assured him that the Treasury would fully cooperate, and Mr. Pehle stated that the Treasury had and would continue to consult with the F.B.I. before giving Federal Reserve banks instructions to block particular accounts. Mr. Pehle gave Mr. Shea a list of the names concerning which telegrams had already been despatched to the various Federal Reserve banks. After Mr. Foley had admitted that there would be some overlapping in the activities of both the F.B.I. and the Treasury Department agencies, he repeated his remark of the previous meeting that before an effective understanding could be reached, a memorandum should be submitted outlining a tentative delineation of activities. Mr. Shea asked

- 2 -

about Mr. Pehle's press interview which indicated the Treasury Department was setting up a large staff for investigatory work, questioning the advisability of this until some workable arrangement between the F.B.I. and the Treasury had been developed. In fact, Mr. Shea said he thought this was the very purpose for which he had been called into the conference. While agreeing that this was the case, Mr. Foley emphatically stated that the Treasury Department did not intend to suspend their activities in mid-air while haggling over procedure. Messrs. Acheson and Gaston remarked that the investigatory activities of the Treasury Department did not concern themselves with criminal violations per se, sabotage, and subversive activities, which are fields clearly covered by the Department of Justice. The discussion closed with Mr. Foley again emphasizing the importance of having a memorandum outlining the various aspects of the problem.

Mr. Foley read a message from Louisville concerning the availability for blocking purposes of the Department of Justice alien registration lists. After considerable discussion during which Mr. Bernstein read an article appearing in today's New York Herald Tribune concerning "lists", it was agreed that alien registration lists should not be circularized because, as Mr. Gaston correctly pointed out, a large number of the names on them would not be those of "nationals" within the meaning of the Executive Order. The Treasury is not yet in a position to publish a black list, Mr. Bernstein pointed out, and in any case word would soon get around whose accounts ought to be blocked. Mr. Pehle mentioned that his office had also received a query from the Atlanta Federal concerning the Department of Justice alien registration lists. He believed that immigration records would be a more effective source of information for the Treasury Department.

In response to Mr. Acheson's query, Mr. Bernstein explained why the date of June 17, 1940, had been used in General License 42. From that date on, there had been a flood of refugees pouring into this country. Many of these probably have Axis connections; accordingly, the date of the collapse of France was chosen.

- 3 -

Mr. Cochran asked whether there had been a complete blocking of the accounts of those whose names had been sent to the various Federal Reserve banks on June 15, and Mr. Bernstein replied that generally this was the case but that an attempt was being made to see that no injustices were done.

Mr. Cochran then said that he had been asked by Mr. Nishyama, a Japanese consular official, whether consulate and diplomatic officials were exempted from the necessity of reporting assets. Mr. Bernstein pointed out that the report requirement is both plenary and applicable to all. In the past, the Treasury Department has not had adequate reports but the report problem is now a big one, the various aspects of which, in Mr. Bernstein's opinion, will have to be carefully studied by the State Department. Mr. Pehle suggested a compromise: diplomatic and consular officials could be relieved of reporting their assets when these are held by banks, since there is a burden on the latter to report. Diplomatic and consular officials might be required only to report those assets held other than in banks. Until the State Department has had an opportunity to explore the various aspects of this problem, it must be held in abeyance. Mr. Acheson concurred, mentioning that consular and diplomatic officials might possibly be exempted from the report requirements so far as their personal assets were concerned.

Mr. Cochran inquired whether there was any reason at this time for Federal income tax investigation of Japanese corporations. Mr. Foley replied that he did not know of any.

Discussion then turned to the proposed sale by the Standard Oil Company of its Hungarian properties to one of the I. G. Farben Industrie groups. It was agreed that this was a State Department problem and Dr. Viner called attention to the fact that Germany was still observing some sort of a commercial code in their efforts to purchase European subsidiaries of American corporations. Mr. Acheson explained the circumstances surrounding the sale of the International Telephone and Telegraph Rumanian properties, stating that at the time this was consummated "Rumania and the war were a long ways off".

- 4 -

He remarked that this company had approached the State Department recently regarding the sale of its Spanish interests, but the State Department had objected in view of the changed situation. Mr. Bernstein stated that while the sale of these foreign properties by American corporations might appear superficially to be sound, it resolved itself into an opportunity by an individual concern to get some dollars, but that as far as this Government was concerned, effective steps have been taken to assure that in any case these dollars would not otherwise accrue to Germany to prosecute the war, and furthermore, the claims of other American creditors' to the blocked dollars must be considered. Dr. Viner observed that while American corporations may have written off these foreign properties, the United States Government had not.

Mr. Pehle said that Mr. Stopford had called regarding a telegram received from the Bank of England in response to an inquiry about funds held in this country for high German officials. Reference was made to an article written some time ago by H. R. Knickerbocker. The Bank of England disclaimed definite knowledge of large deposits belonging to German officials, but suggested as a "lead", Isadore Lazarus, alias Lee Lane, presently an inmate of the Atlanta penitentiary on a passport violation charge.

Mr. Acheson asked whether any assurances had been received from foreign governments, and Mr. Pehle replied that there had been none. He did refer again to the conference which Foreign Funds Control had had with the Swedes. Mr. Bernstein stated that although general licenses had been drafted, none had yet been issued.

Mr. Pehle said that Mr. Stopford had been in to see him to discuss the problem of currency and securities held up by the British authorities in Bermuda. Since the British Government was not sure of its position, steps were being taken to clarify it in an official and public release. The British seem to be concerned lest their actions cast reflections on the efficacy of the Treasury's control.

- 5 -

Mr. Foley read a telegram advising that there had been a sizeable run on the Banco de Napoli, Chicago, whose officials were "leaning over backward" to comply with the freezing Order. Before paying depositors, the Banco de Napoli is demanding production of citizenship papers.

June 18, 1941

*Noted
SWB*

Memorandum From the Comptroller

To the Under Secretary

Mr. Oberwortmann, our Chief Examiner in Chicago, telephoned this morning and said that there is a run of sizable proportions this morning on the Banco di Napoli Trust Company of Chicago. I have passed this information along to the Federal Deposit Insurance Corporation and to the Foreign Funds Control. From a perusal of the report of examination of the bank made by the Federal Deposit Insurance Corporation, it would appear that they are in extremely liquid condition and would be able to meet any run.

Our examiners have been in the institution since last Saturday afternoon, but they find that the management of the bank is leaning over backwards to prevent any unauthorized transactions taking place. They have very few commercial accounts, nearly all of their accounts being savings in character. The bank is requiring production of citizenship papers or equivalent proof before permitting withdrawals from savings accounts. Mr. Oberwortmann says that he really feels that there is no necessity for our examiners to be in the bank at all, and that there might be some advantages to withdrawing them - the bank for instance could then say to disturbed depositors, "There isn't even an examiner in the bank." I believe there has been less cooperation on the part of the Illinois State Banking Department than is the case in New York.

Since starting this memorandum I have talked to Mr. Crowley who informs me that he has talked to his Chief Examiner in Chicago who informs him that in his opinion the run will not amount to much and will quickly subside, and that the bank is in good position to take care of any situation that may arise.

Preston Delano
Preston Delano

Estate tax rate Schedule A compared
with present estate tax rates

Net estate after specific exemption: (in thousands of dollars)	Schedule A 1/		Present rates 1/	
	Bracket rate (percent)	Cumulative tax on higher amount	Bracket rate (percent)	Cumulative tax on higher amount
0 - 5	3	\$ 150	2	\$ 100
5 - 10	6	450	2	200
10 - 20	9	1,350	4	600
20 - 30	12	2,550	6	1,200
30 - 40	15	4,050	8	2,000
40 - 50	18	5,850	10	3,000
50 - 60	21	7,950	12	4,200
60 - 100	25	17,150	12 - 14	9,600
100 - 250	25	54,650	17 - 20	36,600
250 - 500	27	122,150	20 - 23	89,600
500 - 750	29	194,650	23 - 26	151,600
750 - 1,000	31	272,150	26 - 29	222,600
1,000 - 1,250	33	354,650	32	302,600
1,250 - 1,500	35	442,150	32	382,600
1,500 - 2,000	38	632,150	35	557,600
2,000 - 2,500	41	837,150	38	747,600
2,500 - 3,000	44	1,057,150	41	952,600
3,000 - 3,500	47	1,292,150	44	1,172,600
3,500 - 4,000	50	1,542,150	47	1,407,600
4,000 - 5,000	53	2,072,150	50 - 53	1,922,600
5,000 - 6,000	56	2,632,150	56	2,482,600
6,000 - 7,000	59	3,222,150	59	3,072,600
7,000 - 8,000	61	3,832,150	61	3,682,600
8,000 - 9,000	63	4,462,150	63	4,312,600
9,000 - 10,000	65	5,112,150	65	4,962,600
10,000 - 20,000	67	11,812,150	67	11,662,600
20,000 - 50,000	69	32,512,150	69	32,362,600
Over 50,000	70	-	70	-

Treasury Department, Division of Tax Research

June 18, 1941

1/ Exclusive of temporary defense tax.

Comparison of Federal estate tax (before allowance of credit for State death taxes) under present rates and Schedule A upon net estates (before exemption) of selected sizes 1/

Net estate before exemption: (000)	Amount of tax <u>2/</u>		Effective rates		Increase in tax	
	Present law	Schedule A	Present law	Schedule A	Amount	Percent
\$ 50	\$ 220	\$ 495	0.4%	1.0%	\$ 275	125.0%
60	660	1,485	1.1	2.5	825	125.0
80	2,200	4,455	2.8	5.6	2,255	102.5
100	4,620	8,745	4.6	8.7	4,125	89.3
200	21,660	35,245	10.8	17.6	13,585	62.7
400	63,740	92,105	15.9	23.0	28,365	44.4
600	112,340	152,105	18.7	25.4	39,765	35.4
800	167,340	215,245	20.9	26.9	47,905	28.6
1,000	228,780	282,405	22.9	28.2	53,625	23.4
2,000	588,000	668,685	29.4	33.4	80,685	13.7
4,000	1,499,640	1,646,325	37.5	41.2	146,685	9.8
6,000	2,655,140	2,819,645	44.3	47.0	164,505	6.2
10,000	5,323,500	5,488,005	53.2	54.9	164,505	3.1
20,000	12,632,700	12,697,205	62.7	63.5	164,505	1.3
40,000	27,391,820	27,556,325	68.6	68.9	164,505	0.6
60,000	42,361,380	42,525,885	70.6	70.9	164,505	0.4
100,000	72,521,380	72,685,885	72.5	72.7	164,505	0.2

Treasury Department, Division of Tax Research

June 18, 1941

- 1/ Under Schedule A, the attached rate schedule is substituted for the present schedule. In all the computations, the specific exemption is \$40,000 and the credit for State death taxes is assumed to be 80 percent of the tax imposed under the 1926 Act. The defense tax is 10 percent of the Federal tax after allowance of the credit for State death taxes.
- 2/ Includes defense tax.

MEMORANDUM FOR THE SECRETARY

June 18, 1941.

In re: Mail Alluding to the Speech at Amherst Last Saturday.

Up to the last mail today (Wednesday) 26 letters had been received.

One was highly laudatory (from a personal friend and sent down-stairs.); 1 started with congratulations but was lukewarm and critical of a number of the statements; 24 were violently antagonistic, containing phrases such as -- "Your recent talk smacked of the typical come-on variety of pro-British propaganda". "How did you dare talk to the Amherst College Alumni the way you did?" "Only war can cover up the spending orgy in Washington". "We are willing to die on our feet, but not to defend international bankers." "We of the 83 percent of Americans opposed to involvement in this war are as determined to keep out of it as you 17 percenters are to get us in. No sale, Mr. Morgenthau."

One of the more thoughtful letters was from a Philadelphia Dentist, a Catholic who wrote with some perplexity and unhappiness over the conflict between the stand of the Catholic Church in this country and the Administration policy. "Our spiritual Superiors in the United States have denounced our meddling in foreign affairs as immoral and un-American. Today our Pastor, former secretary to the Papal representative told us, 'We cannot police the world because God has not delegated us as such. This propaganda is dishonest and only the ignorant believe it'." The writer agrees with his Church Superiors and not with the Secretary's talk, which he calls "very bad propaganda and morally wrong". * * * * "You can force our sons into the conflict but our Catholic moral training is against you".

I am sending the letters and postal cards to Mr. Kuhn as I think he would like to see them all, but shall keep them together and can send you either samples or the entire group if you wish to see them.

E. J. Forbush

THE WHITE HOUSE
WASHINGTON

June 18, 1941

My dear Mr. Secretary:

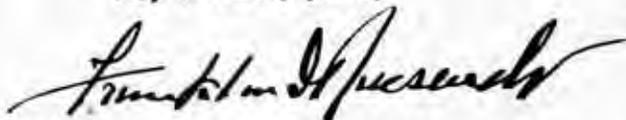
I find that:

- (1) The defense of the United Kingdom is vital to the defense of the United States;
- (2) Sections 4 and 7 of the Act of March 11, 1941 have been complied with by the necessary agreement on the part of His Majesty's Government in the United Kingdom;
- (3) It would be in the interests of our national defense to transfer the defense articles set forth in the annexed schedule.

I therefore authorize you to make the transfer to His Majesty's Government in the United Kingdom of the defense articles set forth in the annexed schedule.

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

Very sincerely yours,



The Honorable

The Secretary of the Treasury

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

Requisition Number	Articles	
	Quantity	Description
513	50	Worthington air cooled diesel driven air compressors and 12 months supply of spare parts
529	36	Caterpillar tractors
	18	Graders and spare parts

JUN 18 1941

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WASHINGTON

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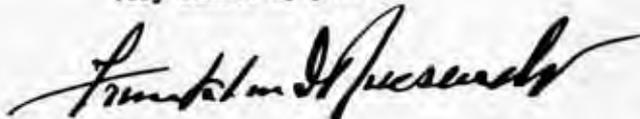
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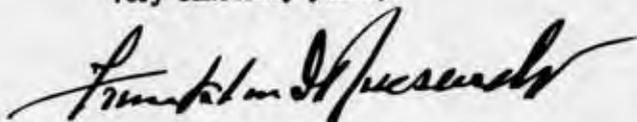
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The Honorable

The Secretary of the Treasury

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

Classification Number	Quantity	Articles Description
417	50	Worthington air cooled diesel driven air compressors and 12 months supply of spare parts
420	36	Caterpillar tractors
	18	Graders and spare parts

1941

June 18, 1941

TO THE SECRETARY:

Foley, White, Cochran and I have been over Mr. Jones' re-draft of Mr. Cochran's memorandum of the conference held in your office on June 10, 1941, at which time you advised Mr. Jones of your future relations with Sir Edward Peacock concerning the sale of British dollar assets in this country. We have agreed to Mr. Jones' rewrite of Cochran's memorandum except the last sentence. Mr. Jones said:

"Mr. Jones agreed to inform the Treasury of the results of any transactions upon which he passes, and stated that his purpose was, as far as practicable, to make RFC loans available to the British to enable them to meet their commitments to Secretary Morgenthau in paying for American supplies."

We suggest that the part underlined in this quotation be eliminated; otherwise it is O.K.

You told Jones at the conference that day that you would initial a copy of this memorandum and that he should also initial a copy for the files. I would appreciate it, therefore, if you would initial the original and one carbon, and I will see that Mr. Jones initials and gets the copy for his file.

Approved: J. W. B.

DWB:SLB

June 10, 1941

Secretary Morgenthau

Mr. Cuddehem

At 11 o'clock this evening the Secretary of the Treasury received the Secretary of Commerce, Messrs. Hull, Tolson, White and Cuddehem were present.

Mr. Morgenthau told Mr. Jones that he is reviewing Sir Edward Peacock's note this afternoon. He added that he would like to speak to Sir Edward Peacock along the following lines. Now that Mr. Jones has received the required legislation from Congress, the British representatives should approach Mr. Jones directly in any instance where they desire to obtain a loan against British assets investments in the United States, or where British owned American enterprises wish to borrow for the purpose of making funds available to the British Government. The responsibility for seeing on such transactions would be that of Mr. Jones. Mr. Jones agreed to accept this responsibility with the understanding that he be free to call upon the Secretary of the Treasury and members of his staff for support, assistance and information, with a view to obtaining for the British, or British companies, the largest possible amount of dollar loans in each situation. Mr. Morgenthau and Mr. Jones agreed that they both desire not to see that the British do not have to sacrifice their investments in this country through forced sales, or fail to obtain the maximum amount of dollars through loans to British owned American companies, or upon the security of British owned American investments, to meet their needs in this country.

The foregoing outline of the approach to Sir Edward Peacock was agreed upon by the two Secretaries. Mr. Morgenthau stressed the point that he could not look into every transaction which the British proposed to enter. Unless some system such as the above is adopted, there would be danger for confounding triangular operations such as took place this past week in the case of Carter third deal. Mr. Morgenthau considers it undesirable for the British to approach commitment of a deal with private bankers and then come to the Treasury in a rush at the last minute to obtain approval of the Secretary to the transaction under reference. He believes that British interests would best be served by the plan which he has suggested. This point was made that the Secretary of the Treasury, with the assistance of the British, made known to Congress the various holdings of the British in the United States at the time the Lend-Lease Bill was under consideration. It is now the duty of the British themselves to handle these assets in the manner most likely to procure a maximum of dollar exchange to pay for their commitments in this country. Mr. Jones agreed to inform the Treasury of the results of any transactions upon which he passes, and stated that his purpose was, as far as practicable, to make USD loans available to the British to enable them to meet their commitments for American supplies.

MORG-6/17/41

TO:

Miss Chauncey

51

Secretary has the
original.

Photostat positives
to:

Bell
Cochran
White
Foley
Viner

6/18/41

From: LIEUT. STEPHENS

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7860



Box 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

Mr Secretary Morgenthau,
The Treasury,
Washington, D.C.

June 13th 1941

Dear Mr Morgenthau,

For some five weeks, as you know, we have been spending much time, primarily in connection with your undertaking to Sir F. Phillips, on the question what old commitments we can be relieved of, consistently with the statement made by the Director of the Budget. And at last it looks as if some sort of finality would be reached on this, one way or the other.

Meanwhile time passes by (though usefully and to my great advantage in many ways), and it seemed to me advisable to attempt to crystallise the position on the other line of approach which you told me concerned Mr Hopkins primarily, namely relief by additional lease-lending in respect of entirely new commitments. I have, therefore, sent him a letter of which I enclose a copy; and I hope you will feel that the lines of approach I seek to open up are suitable and not unpromising.

Some time I should much appreciate a talk with you on the "consideration" question, about which formal negotiations have now been initiated, though they have not yet reached any degree of definition.

Yours sincerely,

JM Keynes

COPY

Werry Hopkins Esq.,
The White House,
Washington, D.C.

June 17th, 1941

Dear Mr Hopkins,

In the five weeks which have passed since I gave Mr Morgenthau a memorandum outlining what the Chancellor of the Exchequer had sent me to say, no positive progress has been made. But the possibilities of the situation have been very carefully explored by Sir F. Phillips and myself with the officials of the Treasury Department and with Mr Cox, who have been most kind and sympathetic and helpful but have been up against difficulties which were none of their making.

I am given to understand that, as a result of this examination, Mr Morgenthau will be advised shortly of the utmost which is possible by way of relieving us of existing commitments. But it is clear, I think, that the amount, if any, available after satisfying Mr Morgenthau's promise to Sir F. Phillips to find relief of from \$300,000,000 to \$400,000,000, will not go far towards satisfying the needs which I outlined in my memorandum.

The time has come, therefore, when I need guidance from you and it would be useful for me to try to make progress, in so far as this is possible through the Lend/Lease machinery. Leaving details and minor sources on one side, and assuming that we are already putting in requisitions in respect of all U.S. exports to U.K. which can be handled administratively on our side and are acceptable on yours, there appear to me to be only two methods which

of substantial importance:-

(1) The financial estimates made in London assume that munition exports to the British Commonwealth outside Britain (excluding Canada) will be lent-leased but that we shall have to pay cash for other exports to those destinations. If you were prepared to apply to requisitions under Lend/Lease on behalf of other parts of the Empire outside North America the same general criteria that you apply to requisitions from Britain, this would afford us a material relief.

I do not mean by this that you should not apply to Dominion applications stricter tests under the priority arrangements where commonsense and the necessities of the situation suggest that stricter tests are appropriate; but that types of cases which would be eligible for Lend/Lease if they were for the U.K. should also be eligible when they are for other parts of the Empire in all cases where the stuff is available for them to take.

This would, I suggest, be a sensible sort of arrangement to make, since it would amount to substituting Lend/Lease supplies which present no administrative or other difficulties in place of U.K. requirements which do present such difficulties.

It is unlikely that the relief obtainable in this way would do the whole trick, but it would go a long way. It is a difficulty in the way of my obtaining reliable estimates at short notice that London might think it inadvisable to encourage the Dominions to draw up requirements along these lines unless there was some reasonable hope of their getting satisfaction. Our total disbursements in respect of exports from the U.S. to the British Empire outside Great Britain and Canada are estimated at \$450,000,000 a year, but only a proportion of this, say a third to a half, is likely to prove workable through the Lend/Lease machinery, at any rate in the first instance.

What I contemplate in making this suggestion is not independent lend-leasing direct to the Dominions, but lend-leasing to Great Britain with authority to transfer to the Dominions. This procedure has the advantage that it does not complicate the "consideration" agreement or the organisation which is now conveniently centralised under Mr Purvis. Otherwise the President would have to make five distinct consideration agreements and you would have to deal with five independent requisitioning authorities. Moreover if the requisitions on Dominion behalf are not centralised and criticised by us before they reach you, considerable waste of time may ensue. There are also other difficulties which I need not labour.

(2) The only other important way in which you can help us would be by obtaining fresh authority from Congress when next the President asks for an appropriation.

We estimate that we are spending currently in the United States at least \$700,000,000 a year, which, for one reason or another, is not being paid for through the Lend/Lease machinery, of which \$250,000,000 is for Great Britain and \$450,000,000 for the rest of the Empire exclusive of Canada (as mentioned under (1) above). As you know, we have a common purse with the Dominions, apart from Canada, for dollar expenditure, and we must provide the dollars needed for their essential purposes as well as for our own. It is these heavy disbursements, additional to our pre-Lend/Lease commitments for munitions, which are the source of our financial difficulties. If we could be relieved of a substantial part of these, we should be - relatively speaking - in an extremely satisfactory position.

To be more precise, would it be possible for the President to take authority, when next he approaches Congress for a Lend/Lease appropriation, to ask for a sum of (say) \$500,000,000 a year (or

\$250,000,000 if the Dominions are being dealt with under (1) above) which he was free to make available for expenditure in the U.S. otherwise than through the strict Lend/Lease procedure of requisitions etc.?

This would enable him, in effect, to make a cash transfer to us provided we undertook to expend it in the U.S. for current needs other than on pre-Lend/Lease munition commitments which we should continue to meet out of our own resources as we have agreed to do. He could point out to Congress that a few months' experience has shown that the Lend/Lease procedure is convenient and appropriate over 95 per cent of the field, but that there remains a margin where it is administratively inconvenient or impracticable, so that he needs a little elbow room to deal with this marginal field.

Otherwise, it is a case of spoiling the ship for the sake of a coat of paint. We have this magnificent conception of Lend/Lease; "consideration" is being discussed on lines more magnanimous than any hitherto recorded transactions between great nations; and yet, on account of our resources having been so completely exhausted before Lend/Lease came into operation, we suffer anxiety and possible embarrassment through being unable to accumulate the minimum reserves which are necessary to carry the vast financial responsibilities of London. At the present moment the total gold reserves of the Bank of England are less than \$50,000,000, and the cash reserves of the British Treasury less than \$100,000,000 - which would be laughable if it were not so embarrassing. To build these up, except very slowly, out of our accruing resources is impossible while we are facing the double task of paying off old commitments and financing current expenditure of the sterling using parts of the Empire in the U.S. outside Lend/Lease. Yet it needs only a trifling addition to the

assistance we are already receiving to give us the necessary comfort of mind and freedom from daily cares - a gain to our Administration in all the circumstances of the present hour altogether out of proportion to the sums involved.

I am sending Mr Morgenthau a copy of this letter so that he will be aware of what I am suggesting.

Yours sincerely,
(Signed) J.M. Keynes

58

Phone. Conversa-
tions with
Hopkins, Purvis
& Co June 19-
Meeting 6/19/41-
3:30 P.M. -

OFFICE FOR EMERGENCY MANAGEMENT
DIVISION OF DEFENSE AID REPORTS

WASHINGTON, D. C.

June 18, 1941

*See diary item dated
6/19/41 dictated by Wm. G.
in his conversation
with Cox.*

Dear Secretary Morgenthau:

At the conference which was held on Monday with Mr. Bell, Mr. Cochrane, Sir Frederick Phillips and John Maynard Keynes, I called to the attention of Phillips and Keynes the illustrative fact that the British had placed an order through their purchasing missions for steel for the week ending May 31, 1941, in an amount of \$528,000. I suggested that they might want to look into this.

The very excellent British Empire Commodity Statements which are prepared by George Haas for you show that for the four-week period ended April 19, 1941, British orders placed in the United States through the British purchasing missions amounted to \$107,689,000. Since that time such orders have been placed as follows:

<u>Week Ended</u>	<u>Total</u>
April 26	\$ 4,975,000
May 3	5,437,000
May 10	11,795,000
May 17	4,830,000
May 24	3,771,000
May 31	5,571,000

These orders ought to be looked into for three principal purposes: (1) Why they were not placed under Lend-Lease; (2) Which, if any, of them could be picked up by Lend-Lease; and (3) Whether future orders of this type should not be picked up by Lend-Lease to the fullest extent possible.

If you think it wise, I think it might be desirable to have a copy of these British Empire Commodity Statements sent to Sir Frederick Phillips and John Maynard Keynes for their investigation so that the supply branches can be tied in with the financial end. As I understand it, the supply branches are probably interested

- 2 -

in doing the buying with their own funds. This would seem to be the case, for example, in steel purchases which were made for the week ending May 31. In that case the picture seems to be that by reason of having obtained a cancellation, the steel purchasers felt that they had the dollar exchange free to place their own order. As far as I know, there was no reason for not having the order placed through Lend-Lease.

Sincerely yours,

Oscar Lot

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

RECEIVED
MAY 14 1946
U.S. DEPARTMENT OF THE TREASURY

June 18, 1941

In connection with the attached memo, the Secretary instructed Mr. Cochran to tell Mr. Crane that inasmuch as it is a foreign properties matter he should get his advice from the State Department and keep the Treasury informed

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 18, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

At 10:20 this morning Mr. Jay Crane telephoned me from New York. He asked if Mr. Bell and I could receive him if he came to Washington tomorrow forenoon. I told him that we would both be here, but inquired as to what his mission was. He referred to the information which he had recently given me by telephone in regard to the approach of the Germans toward purchasing the Hungarian properties of the Standard Oil Company of New Jersey. He said that a message had now been received to the effect that the German negotiator who is in Brazil has found that he cannot get into Cuba, where it had been proposed that he should meet with a representative of the Standard Oil. Consequently the question arises as to whether one of the Vice Presidents of the Standard Oil should proceed to Rio de Janeiro for consultation with the German representative.

Mr. Crane recalled to me that he had given Secretary Morgenthau a report on the general sale proposal as soon as it had come up some months ago. I remembered this, and told Mr. Crane that I thought this present inquiry of his should be brought by me to the attention of the Secretary. Mr. Crane said that his question is whether the Treasury Department, in the light of recent changes in the relations between the United States and Germany, would look with favor upon the Standard proceeding with its negotiations with the Germans, or would prefer that the Standard drop the whole matter. I told Mr. Crane that I would let Mr. Bell know of his message, and also see whether I could get some advice from the Secretary, and then call him back. Mr. Crane offered to come down to Washington on tonight's train, or fly down early in the morning, if we wish to see him. He would have to be back in New York tomorrow night for a dinner which Dr. Randolph Burgess is giving in honor of Mr. Pinedo, ex-Finance Minister of Argentina.

In answer to my question, Crane told me that this latest development would be brought to the attention of Mr. Atherton in the Department of State, but that he did not think this had yet been done. He said Mr. Atherton had been kept informed of all earlier steps.

It will be recalled that our letter to Attorney General Jackson on this subject went out only yesterday, and that a copy thereof was simultaneously sent to Secretary of State Hull.

MM

63 6-5-41

also 6/18 meeting
per from Bell with
all re. write 3.
6/10 meeting

11.45 yesterday morning
and I raised the
with the Secy of a
to Sir Edw. Peacock

also 6/10 meeting with Secy
reported by Godman / Jones

15 Broad Street, New York

Telephone HANover 2-2460

BRITISH PURCHASING COMMISSION

May 28, 1941

PRIVATE

Dear Secretary Morgenthau.

When I was in Washington last week we were so preoccupied with the Tinacose business that it was not possible to bring up other matters, otherwise I should have mentioned the Coates-Clark group of thread companies to you.

The British authorities regard the work of these companies as of particular importance because eighty per cent of the output of the British mills is being exported and producing foreign exchange.

In order to safeguard the position as much as possible, arrangements were made many months ago by which, should one or more of the large mills in Scotland be put out of action, the American company could carry on such part of the foreign business as was affected.

Experts were sent out here some months ago, designs, gauges and all other elements necessary to produce for each country what it has been accustomed to. The British authorities would regard it as a real misfortune if anything were to happen to interfere with these arrangements.

In any event the more I looked into the matter, the more I felt that these companies were not likely to prove very satisfactory from a sale point of view. I am glad to be able to tell you, therefore, that with the help of Mr. Clarence Dillon I have been able to bring arrangements almost to completion under which a loan will be made to the company, partly by banks, partly by insurance companies, of sixteen million dollars with a favorable rate of interest. This is a great deal more than I had at one time expected, and I have no hesitation in saying that from every point of view it will be a satisfactory transaction.

If I may do so I propose to telephone on Monday afternoon, to ask if you approve of what I am provisionally arranging in order that I may have the matter closed without delay.

Yours sincerely,

(Signed) E. R. Peacock

Sir Edward Peacock

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

COPT:lap-6/5/41

JUN 18 1941

Memorandum for the President

What assets did the Nazis have available for expenditure in the United States before Germany was brought under foreign funds control?

Mr. John Franklin Carter's (Jay Franklin's) memorandum of June 12, dealing with the above topic, greatly underestimates the assets which the Nazis had available for expenditure in the United States before the recent extension of foreign funds control.

Mr. Carter rightly emphasizes the extent to which German assets in the United States have gone into hiding. Discovery of the true ownership of such hidden German assets will be one of the most difficult problems in the administration of our foreign funds control.

However, Mr. Carter is in error in saying that: "The only 'free' German reserve of dollar exchange is the approximately \$50,000,000 in American securities held in trust in Switzerland for the account of the German Dye Trust". Further, he is recording a mistaken belief when he says that: "German funds in the United States are not believed to amount to more than \$10,000,000 in cash and securities".

The following is the true picture, in accordance with the best information available before we have completed our inventory of foreign property in this country and with due allowance for gaps in our knowledge of the assets convertible into dollars which the Nazis hold in other countries:

1. Gold - - It is not at all impossible that the Germans have as much as \$1/4 billion of gold, apart from French gold.

Some gold they no doubt had when the war began. They may have taken over some of the \$68,000,000 of Polish gold which the French moved to Dakar, besides such private gold holdings as were left in Poland. The British report that the Germans

- 2 -

seized \$160,000,000 worth, from official holdings, in Holland. Probably about \$190,000,000 worth of Belgian gold (but possibly as much as \$260,000,000) is being turned over to them by France. They have certainly acquired some Swedish gold, and they have probably acquired some Swiss gold and some Russian gold. They may have acquired some private gold in Alsace-Lorraine, Belgium, the Netherlands, etc.

2. Dollar Balances -- Balances in the United States in Germany's own name are small, but she has substantial balances in other countries which, before the recent extension of our foreign funds control, could be converted into dollars at will.

Germany's known dollar balances in the United States are now only \$6 million.

By far the larger part of Germany's dollars have been held in dollar accounts (or local currency accounts convertible into dollars) in Switzerland, Spain, Portugal, Sweden, and Latin America. It is from these accounts that Germany did draw the dollars to pay perhaps as much as \$100,000,000, since the outbreak of war, for the repurchase of German securities formerly held by foreigners and to buy up branch plants in Germany owned by foreign corporations. It is with these dollars that -- while she has only \$6 million on deposit in the United States -- Germany is currently making offers totalling many tens of millions of dollars to buy up American-owned branch plants in German-controlled territory.

3. Long-term Dollar Investments -- In the United States, held in German names, perhaps \$35,000,000; held abroad, or in the United States, but not in German names, certainly larger.

A Treasury study of known German long-term investments in the United States, based on the withholding tax returns, estimated the value of such assets at the end of 1940 at approximately \$35,000,000. This estimate makes no allowance for concealment nor for liquidation since that date.

- 3 -

Germany has acquired control of United States securities which may total hundreds of millions of dollars through her administration of the occupied countries. Such United States securities, formerly belonging to nationals of the occupied countries, as she has not confiscated, purchased (with funds supplied by the occupied country), or brought under German control by the assumption of administrative authority over banks and security agents, have been required to be registered in special blocked accounts. However, we hope that our controls will now render the liquidation of those securities in the United States impossible.

(Signed) H. Morgenthau, 593

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OG:rel
6/16/41

FILE COPY

By Messenger 308

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THE WHITE HOUSE
WASHINGTON

June 13, 1941.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

FOR YOUR INFORMATION

F. D. R.

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C
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P
YJOHN FRANKLIN CARTER
(Jay Franklin)1210 National Press Bldg.,
Washington, D. C.

June 12, 1941.

MEMORANDUM ON GERMAN FUNDS AVAILABLE FOR NAZI PURPOSES IN THE U.S.A.

Reports to Frank Page of I.T. & T. from Colonel Behn indicate that the only "free" German reserve of dollar exchange is the approximately \$50,000,000 in American securities held in trust in Switzerland for the account of the German Dye Trust.

Nazi authorities are permitting trading on the Amsterdam Bourse, etc., in certificates which represent American securities seized in occupied territory or taken under what amounts to forced sale from their inhabitants. These securities are held by the German authorities against the certificates. Offer was made to purchase I.T. & T. properties in Germany with such certificates; offer was refused.

German funds in the U.S. are not believed to amount to more than \$10,000,000 in cash and securities. Much more has gone into hiding: safe-deposit boxes, dummies, etc. and is being held for use as needed by the German authorities. Perhaps a sudden freezing of all safe-deposit boxes might locate this currency etc.

(sgd) J.F.C.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin.

DATE: June 18, 1941, noon.

NO. : 2415.

At eleven P.M. the Reichsbank announced that it was continuing to pay remittances and asserts (?) to United States citizens as before, although banking institutions have been refusing to cash U.S. checks and officials of the Foreign Office have informed inquirers that they should not request by telegraph travel mark remittances from New York.

Please advise Treasury Department.

MORRIS.

EA:MSG

Copy:bj:6-18-41

TO THE DEPARTMENT OF
TECHNICAL SERVICES
DEPT. OF THE

BY 7/10 6/15 41

RECEIVED
TREASURY DEPARTMENT

dup 71

June 15, 1941

Messrs. Feis and Hamilton

Mr. Cochran

Will you kindly send at the expense of the Stabilization Fund of the Treasury, a cablegram along the following lines:

'American Embassy,
Chungking.

Per Fax from the Secretary of the Treasury.

Reference your informative messages June 11 from Hong Kong and 13 June 15 through Embassy.

- (1) Treasury feels question of Rogers appointment or non-appointment is entirely a matter for the British Government's decision and for the Chinese Government's approval or non-approval. We should not attempt to influence decision either way.
- (2) Treasury hopes that five member Board as contemplated will be set up for business at earliest practicable date. Treasury believes establishment of the Board should have priority over exploration of economic and political problems.
- (3) When Board is established Treasury contemplates writing New York head offices of American banks in China soliciting their cooperation with the Board in stabilization of yuan. Rumors have reached Treasury that some American banks in Shanghai show signs of breaking away from common front in support of fupai, each bank feeling from their point of view that there are considerable advantages in reaching early working agreement with the F.R.B. Please report any information you may receive on this point which might be helpful in Treasury's approach to the New York banks.
- (4) Please consult our Embassy on question of confidential clerical assistance."

June 18, 1941

Files

Mr. Cochran

Upon receipt yesterday from Mr. White's office of the letter of June 8 from the Free French Delegation in New York to the Secretary of the Treasury, "Attention of Mr. Acheson", I telephoned Mr. Samuel Reber, in charge of the French desk in the Department of State. I told him of this letter. He said that the writer thereof, Mr. Jacques de Staysse, had forwarded a copy thereof to Mr. Dean Acheson in the Department of State, for whom the communication was originally intended, after learning that a mistake had been made in addressing Mr. Acheson in the Treasury. Mr. Reber said, therefore, that there was no need to send this letter on.

In answer to my inquiry as to whether he, Mr. Reber, received representatives of the Free French Delegation, he told me that he did receive such people, but as French citizens who have taken refuge in United States, and not as officials.



EMC:dm:6.18.41

FREE FRENCH DELEGATION
IN THE U.S.A.

730 Fifth Avenue - New York City
Circle 7-2364

June 2, 1941.

Secretary of the Treasury,
Washington, D. C.

Attention of Mr. Acheson.

Dear Mr. Acheson:

I beg to send you herewith the copy of
a cable which I have received from General de
Gaulle's Headquarters in London.

I have reason to believe that its con-
tents will interest you.

Very sincerely yours,

(Signed) Jacques de Sieres.

Jacques de Sieres.

JdS:jf

COPY - dm - 6/17/41

C.
O
P
Y

June 5, 1941

Mr. White

Mr. Snider

Subject: Translation of a cable to Mr. Acheson from M. Jacques de Sieres, which the latter received from General de Gaulle's headquarters in London.

Mr. Acheson

June 2, 1941

Telegram from London, May 29, 1941.

Give the widest possible publicity to the following documents:

General Doyen, President of the French Delegation of the Armistice Commission at Wiesbaden, gave a report on February 5, 1941, to General Huntsinger, Minister of War at Vichy.

According to this report, if Germany should win the war, the Departments of the Nord, of Pas-de-Calais, part of the Somme, of the Aisne, of Ardennes, of Meuse, of Meurthe-et-Moselle, part of Haute Saone, and of Doubs, would, like Alsace Lorraine, not only be annexed but colonized by Germany.

Here are the essential passages of the report:

"I believe it is my duty to recall to you that the German claims have not been presented all at one time, but that the Germans have tried, and up to the present time have succeeded, in presenting them one after another. Now, the establishment of the western frontier of Germany on the Meuse and on the Escaut is part of the program of claims, the idea of which they are now seeking to inculcate into the German people.

"The more or less complete realization of this program does not depend on our policy but on the possibilities that the outcome of the war with England will give to the Reich."

Insist on the fact that a General who has the confidence of Vichy emphasizes that the treatment inflicted on France does not depend upon the policy of Vichy but only on the result of the war between England and Germany.

- 2 -

Here is the conclusion of General Doyen's report:

"A part of the territory in France appears particularly coveted by the Reich: namely, that of the occupied zone. The German Armistice Commission has just advised us that a German agricultural society has been charged with the exploitation of the lands which were abandoned following the prohibition of the return of the population into the occupied zone. When it is added that the recruitment of French workers for Germany is being carried on intensively, notably in the Departments of the Nord and of Pas-de-Calais, and that veritable raids are organized as a result of which thousands of Frenchmen are separated from their homes, there is reason to suspect that the Nazi Government seeks to depopulate systematically a part of our country in order to install Germans, as occurred in Alsace-Lorraine.

Signed: Doyen."

COPY - dm - 6/17/41

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P
1DEPARTMENT OF STATE
WASHINGTON

June 15, 1941

In reply refer to
RA

My dear Mr. Secretary:

The Charge d'Affaires ad Interim of the Republic of Haiti, at the request of his Government, has advised this Department of the desire of the National Bank of the Republic of Haiti, a government institution, to purchase \$750,000 worth of gold for the purpose of serving as a reserve against the circulation of Haitian currency. The gold, if purchased, would remain on deposit with the Federal Reserve Bank of New York for the account of the National Bank of the Republic of Haiti.

At the same time the Charge has inquired if the Federal Reserve Bank of New York would be willing to re-purchase the gold at the same price, in the event that the Haitian Government should decide later to sell it.

A translation of the instructions received by the Charge d'Affaires from his Government is attached.

I should appreciate an expression of the views of the Treasury Department in regard to this matter.

Sincerely yours,

For the Secretary of State:

/s/ Sumner Welles

Under Secretary

The Honorable

Henry Morgenthau, Jr.
Secretary of the Treasury

Enclosure: Translation of instructions from Port-au-Prince, Haiti,
May 31, 1941.

TRANSLATIONSECRETARIATE OF STATE
FOR
FOREIGN RELATIONS

URGENT

Port-au-Prince, May 31, 1941.

Mr. Charge d'Affaires:

I invite you to advise the Department of State of the United States, upon receipt of these presents, of the desire of the National Bank of the Republic of Haiti to buy \$750,000.00 in gold intended to guarantee the Haitian monetary circulation.

I also request you to ascertain, by making use of the good offices of the Department of State, the willingness of the Federal Bank to take back the gold in question at the purchase price in the event that the National Bank of the Republic of Haiti should decide to sell it.

You will note that the gold in question is to remain on deposit with the Federal Bank for the account of the National Bank of the Republic of Haiti.

Please accept (etc.)

(Signed) Fombrun

Mr. Jacques C. Antoine,
Charge d'Affaires of the Republic of Haiti,
Washington, D.C.

Tr:Ca:HSF

COPYDEPARTMENT OF STATE
WASHINGTONIn reply refer to
EA 840.51 Frozen Credits/1938

June 18, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses herewith copies of a telegram, no. 1158, dated June 17, 1941 from the American Embassy in Moscow, concerning foreign funds in the United States frozen under Executive Order No. 8785.

Enclosure:

No. 1158 from Moscow,
June 17, 1941.

GHW

GRAY

Moscow

Dated June 17, 1941

Rec'd 10:42 a.m.

Secretary of State,
Washington.

1158, June 17, Noon.

The Moscow papers this morning publish the following Tass despatch from New York:

"According to the Washington correspondent of the United Press Agency Roosevelt has sequestered German and Italian funds in the United States of America. The White House simultaneously announced the sequestration of funds of all countries of continental Europe. Along with this it was declared that the sequestration can be lifted from the funds of Sweden, Finland, Spain, Portugal, and the Union of Soviet Socialist Republics through the medium of general licenses upon the appropriate assurance that the general licenses will not be used 'for the purpose of evading this law'".

RPL

Copy:bj:6-19-41

STEINBERG
RECEIVED
JUN 17 1941

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Copy of Letter from Y. Santiago, June 18, 1941.

The political situation here has changed somewhat. It is evident that our President believes that a balance in his Cabinet between friends of the Nazis and friends of England would be desirable. Rosetti, our new Minister of Foreign Affairs, is a decided Nazi and his reputation is not too good. The Minister of the Interior, Mr. Olaverria, is leaning towards the Nazis, while the rest of the Cabinet Ministers are quite respectable people.

The activity among the German Colony for training purposes etc. still continues unabated. It appears, however, that news of the food situation in Germany is none too good and the continuation of the resistance of England, together with the attitude of the U.S., has had a considerable cooling effect upon the enthusiasm in the German Colony.

It is becoming gradually evident that Chileans of German descent are separated from Nazi activities to a certain extent and, altogether, people of German extraction who half a year ago held their heads very high are beginning to become visibly worried. The former enthusiasm is being diminished by several circumstances and incidents of which I wish to mention one rather amusing one:

You have heard that the German steamers left Chilean ports a few weeks ago. One of them was the steamer "Erlangen", which left from Puerto Montt. The steamer was first filled up with all sorts of material, principally food stuff, and all this was supplied by a Nazi firm, Wagner & Chadwick. When the Captain had everything aboard, he was confidentially advised that bombs were hidden among the merchandise. So promptly he unloaded again and when he had unloaded everything but 300 tons, he got orders to pull out. The Embassy here, then, attempted to sell the merchandise, which turned out to be a rather poor quality. Finally they brought pressure upon Wagner & Chadwick to take back everything at cost, and at last that firm consented but under the condition that the bribe money paid by them to Mr. Boettcher, the Commercial Attache of the Embassy, and Mr. Schulte, who is also close to the Embassy, be returned to them. These little incidents are gradually raising some discord in the Colony and not everybody is convinced that the high officials of the Party are acting from exclusively altruistic motives.

The firm attitude of the U.S. Government is bound to have its effects here, if it lasts, and the decision of the American companies not to have any German employees, the inability of the banks to bring funds from the States, etc. might all help to quiet things down in this part of the world.



DEFENSE SAVINGS STAFF
SPECIAL NOTICE
ADVANCE NOTICE RADIO PROGRAMS

WEDNESDAY - JUNE 18

Time: 7:00 - 7:30 PM.

Program: "QUIZ KIDS"
This program originates in Chicago, Illinois.
Mrs. Henry Morgenthau, Jr. will be Guest Speaker
from the National Broadcasting Company Studios
in Washington.

Station: WMAL

DEFENSE SAVINGS STAFFADVANCE NOTICE RADIO PROGRAMS

WEDNESDAY, JUNE 18

Time: 11:00 - 11:15 AM.

Program: Kate Smith Speaks

Station: WJSV

Time: 1:30 - 1:45 PM.

Program: "Valient Lady"

Entire Program turned over to Defense Savings Bonds and Stamps including opening and closing commercials which will be substituted by Announcements for the Defense Savings Bonds and Stamps.

Station: WRC

Time: 3:30 - 3:45 PM.

Program: Lorenzo Jones

Station: WRC

Time: 6:30 - 7:00 PM.

Program: Meet Mr. Meek

Station: WJSV

Time: 8:00 - 9:00 PM.

Program: Texaco Star Theatre with Fred Allen

Station: WJSV

Time: 9:00 P.M.

Program: Heavyweight Championship Fight between Champion Joe Louis and Billy Conn. Announcements for Defense Bonds and Stamps between Rounds.

Station: WJSV

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 18, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

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Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£94,000
Purchased from commercial concerns	£13,000

Open market sterling was first quoted at 4.03-3/4. Around mid-afternoon, it moved to 4.03-1/2, remaining at that level for the rest of the day. The only reported transactions consisted of sales of £2,000 to commercial concerns.

The Canadian dollar discount widened to close at 11-7/8%, as compared with 11-9/16% last night.

The Uruguayan free peso, which closed at .4200 yesterday, advanced to a final quotation of .4260 this afternoon.

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

Argentine peso (free)	.2380
Brazilian milreis (free)	.0505
Mexican peso	.2070
Cuban peso	1-3/16% discount

In Shanghai, the yuan advanced 1/32¢ to 5-15/32¢. Sterling was quoted at 3.92-1/4, up 1/4¢.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

We were informed that the Bombay gold price on June 14 was equivalent to \$34.15, representing a decline of 15¢ from the quotation of June 7. Silver in Bombay was 1/16¢ lower, at the equivalent of 44.61¢.

In London, a price of 23-7/16d was fixed for both spot and forward silver, a gain of 1/16d in each case. The U.S. equivalent of this price is 42.55¢.

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¢.

There were no silver purchases made by us today.

The Federal Reserve Bank's report of June 11, listing deposits of banks in Asia with the New York agencies of Japanese banks, showed that such deposits totaled \$69,986,000, a decline of \$656,000 since June 4. The two largest changes in deposits occurred at the Mitsui Bank agency, where there was a decline of \$687,000 to \$1,109,000, and at the Yokohama Specie Bank agency, where deposits rose \$650,000 to \$65,429,000. The latter agency's principal dollar liabilities to and dollar claims on Japanese banks in Asia stood as follows on June 11:

	<u>June 11</u>	<u>Change from June 4</u>
Liabilities: Deposits for Japan and Manchuria.....	\$48,319,000	+ \$1,162,000
Deposits for China.....	15,352,000	- 550,000
: U.S. Treas. Bills, comm. paper, etc.....	30,848,000	+ 3,296,000
Claims : Loans.....	\$19,539,000	- \$6,568,000
: Other - mainly Jap. import bills.....	5,910,000	- 778,000

Japanese and Manchurian bank deposits increased only \$1,162,000, despite the receipt of more than \$9,000,000 from the Bank of Java account at the Federal Reserve Bank. (Reference was made to this transfer in our report of June 11.) The difference of nearly \$8,000,000 was presumably used to reduce Agency loans, pay off Japanese import bills, and to purchase U.S. Treasury bills, etc.

CONFIDENTIAL

BRITISH EMBASSY,
WASHINGTON, D.C.

18th June, 1941.

PERSONAL
AND SECRET

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Walter Butler

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

Telegram from London dated 16th June, 1941.

On 15th June the Royal Air Force attacked convoys off the enemy coast. One merchant ship of 1,000 tons and one 4,000 tons hit with bombs, one 5,000 tons hit torpedo and left with heavy list. During one attack 6,000 ton merchant ship thought to have received glancing hit by bomb. One E boat also damaged.

2. P.M. 15th June. Vichy destroyer Cassard class was sighted by aircraft northwest of Cyprus on Easterly course and at 03:00 June 16th she was hit by two torpedoes from aircraft about 40 miles northwest of Tripolis, Syria.

3. Nine Wellingtons attacked Bengasi the night of June 13th/June 14th. During intensive operations in Libya our aircraft have destroyed 11 aircraft on the ground, 3 in the air and destroyed or disabled 3 light tanks and 23 M.T. vehicles.

4. Sollum area. British patrol reached Gambut area 40 miles west of Bardia and destroyed 12 Italian M.T. vehicles. Yesterday our forces captured Capuzzo and Bir Waer.

5. Abyssinia. In Gimnak area it appears that one enemy division has completed withdrawal from west of the river Didessa, Saco 65 miles east southeast of Maji has been evacuated by the enemy.

6. Iraq. One of our columns has left Amara en route for Bagdad.

7. Syria. On 14th June nine Blenheims destroyed at least 3 aircraft on the ground at Aleppo. On the night our forward troops are established north of river Nahr el Aouaj. Najha captured. Moukelba reported captured subject to confirmation. In center Jessine occupied/

- 2 -

occupied morning of 15th June. Sidon captured 12:00 hours 15th June.

8. Last night we sent over 182 aircraft which attacked railway centers in the Ruhr Hanover and Dunkirk. All returned but one. Enemy activity United Kingdom negligible.

Four aircraft of Gondor unit attacked a convoy at 07:50 hours on 15th June. They were engaged one by one by a Catalina flying boat escorting the convoy. Catalina reported having received minor damage but no casualties. It was subsequently reported four enemy aircraft forced landed in Portugal, 3 of which were German and it is thought probable that these were the aircraft which attacked the convoy.

PERSONAL
AND SECRET

BRITISH EMBASSY,
WASHINGTON, D.C.

18th June, 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,

Wendell Berke

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

Telegram received from London dated June 15th, 1941.

On June 14th substantial reinforcements of Hurricanes arrived at Malta.

2. P.M. 14th. Two French destroyers sighted five miles west of Beirut returned eventually when attempt to intercept was made. 3,300 ton Italian tanker was torpedoed and sunk off Cape Hellas a.m. June 10th probably by British submarine. Norwegian tanker of 6,000 tons reports that on the 12th was shelled by shore battery when 15 miles off Iles de Los, French Guinea. An aircraft which was spotting also machine-gunned her.

3. Night of 14th/15th. 29 bombers sent to Cologne. All returned but conditions bad. Night before Royal Air Force bombers dropped 71 tons of high explosives including 16 of 2,000 pounds on positions of Scharnhorst and Gneisenau, 86 tons of high explosives including 6 of 2,000 pounds dropped on positions of Prinz Eugen. Target screened and ground haze but many bursts seen very close to ships.

4. 6 offensive fighter patrols carried out over France 14th. They shot down 3 enemy aircraft and damaged 3 without loss. Night of 12th/13th 6 Wellingtons successfully bombed Benghazi. Bursts seen on or near two 3,000 ton ships.

5. Libya. Egypt. At the end of May estimated number of Italian tanks 18 medium, 45 light, all in Tobruk area. Originally there were 250. Night of 11th/12th mechanised patrol encountered 16 Italian M.T. vehicles destroying 12. Night of 12th/14th our troops

improved/

-2-

improved our position in Medawa Salient by means of advance.

6. Abyssinia. June 9th in Gambela area our troops met considerable opposition in attack from the South. Casualties slight and operation continuing.

7. Iraq. Tigris column has arrived near Amara. Haditha column reports still some enemy activity near Abu Kemal.

8. Syria. In centre our troops have reached Jezzine and operations continue northwards. About Sidon strong Vichy resistance with tanks reported.

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MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, June 18, 1941

TENTATIVE LESSONS BULLETIN
No. 121
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.

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

MISCELLANEOUS NOTES ON THE GERMAN ARMYSOURCE

These notes are based upon information released by a high British official source on March 23, 1941.

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1. CAMOUFLAGED PARACHUTE
2. FLAME THROWERS
 - a. Test Report on Portable Flame Thrower
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5. CHEMICAL WARFARE TRAINING OF PARACHUTE TROOPS

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CONFIDENTIALMISCELLANEOUS NOTES ON THE GERMAN ARMY1. CAMOUFLAGED PARACHUTE

A type of German parachute never before found in England has recently been examined. It may be used for dropping German agents. Although the parachute is of the same size and general characteristics as the German version of the Irving parachutes hitherto recovered in England, there are a number of important differences.

The whole surface of the canopy is camouflaged, and the cords, ordinarily white, are dyed sepia. The camouflage, very ingeniously executed, forms an all-over pattern on the cloth in shades of emerald green, gold, olive green, and combinations of these probably formed by overprintings.

The method of application is almost certainly printing, but it is difficult to be quite sure of this because the parachute examined was wet when found. The camouflage was apparently applied to the cloth before the chute was made up, probably by machine printing of the surface type or possibly by screen printing. Although it is not easily recognized, there is a definite repeat of the design within about 32 inches from any given point on the whole cloth, but it is most difficult to detect this, partly because of the irregular all-over effect of the pattern itself and partly because the cloth is cut on the bias. Arrangement of the triangular sections from the perimeter to the annulus further assists in disguising the repeat of the pattern.

If, the design is not printed, it may possibly be applied by spraying, with a stencil used to distribute the design.

2. FLAME THROWERSa. Test Report on Portable Flame Thrower

A standard German portable flame thrower recently taken from the tail of a DO-17 has been repaired, and tests have been completed with the following results:

(1) Mechanism

It was found that the trigger control did not operate satisfactorily for intermittent firing. This difficulty was overcome by the introduction of a suitable spring.

The hydrogen valve would not hold pressure and this defect

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was finally traced to porous metal around the valve seating. When a remedy was sought by bushing the part between the hydrogen valve and the main oil supply pipe, it crumbled away. For test purposes, commercial Schrader valves were put in, but these were found to leak gas at 150 atmospheres pressure unless a harder rubber seal was used.

There is no reason why either of these faults should be inherent in the design of the flame thrower, but it is evident that the sample tested was of indifferent quality.

(2) Performance

Under satisfactory weather conditions, a maximum range of 25 yards was obtained. Average conditions indicate a range of 20 yards, which falls to 16 yards as the nitrogen pressure drops to a minimum. The duration of the jet, when uninterrupted, was 12 seconds, with an approximate discharge rate of 1/5 gallon per second.

(3) Fuel

A mixture of 90% heavy furnace fuel oil and 10% benzol, gave satisfactory ignition and deposited burning oil on the ground at full range. A mixture of 80% heavy fuel oil and 20% gasoline gave similar results. Heavy liquid creosote free from undissolved solid matter was next tried, but inflammation was not obtained throughout the pressure range of the apparatus. The trajectory was straight, and during the part of the test when inflammation was obtained, all the creosote was burned in the air before reaching the ground unless the range was shortened by depressing the nozzle. The performance was about what would be expected from a weapon of this size and weight.

b. Possible Use of Flame Throwers in Support of Landing Operations

Reports have been received indicating that the Germans are using flame throwers during certain phases of specialized invasion training which is being carried out in Western Germany and France. The flame throwers are reported to be mounted on boats and to have a range of from 50 to 300 meters; it is considered probable, however, that if flame throwers are used on boats they are more likely to be of the one-man portable type than of the fixed type.

It has been found that the upper practical limit of a flame thrower's range is about 150 yards. A flame-thrower mounted on a boat standing off shore is not likely to find suitable targets on shore within this range. Moreover the flame thrower, with its pumping motor and fuel storage tank, would represent a volume and

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weight which attacking craft could probably not afford for a weapon of such doubtful value. The discharge rate of a jet giving a 150-yard range is about $2\frac{1}{2}$ tons a minute.

Once the troops and armored vehicles taking part in the landing have disembarked and are on the beaches, an assault on the antitank obstacles and defense positions becomes a normal land operation in which the German troops are well trained. The final reduction of pillboxes by portable flame throwers forms part of training for an assault operation, and it is quite reasonable that flame throwers of this type - or, alternatively, the tank-mounted type - would be seen in use during landing practice. The portable flame thrower has the advantage of flexibility, although its maximum range under favorable conditions is only 20 yards. Reliable details of the tank-mounted flame thrower are lacking, but it probably has a range up to 150 yards, with a jet duration of one to two minutes.

It is considered that, with resolutely defended positions and pillboxes sited to give cross covering fire, the use of flame throwers, either portable or tank-mounted, would be very restricted, since either form of this weapon is very vulnerable to rifle or machine gun fire.

3. ANTI-GAS EQUIPMENT

It has been reliably reported that tablets of bleaching powder are now being distributed to workmen in all large German towns and factories for application to the skin against the effects of mustard gas and lewisite. A sample tablet has been received. To it was attached a label bearing the inscription Chlorkalkstift D, or Bleach Pencil D.

This tablet was found, upon analysis, to consist of bleaching powder which had undergone extensive decomposition through exposure. It would still provide a slight beneficial effect on contaminated skin, although it is definitely inferior to the Losantin tablets in bakelite containers provided in German Service respirators.

4. SLEEPING GASES

There have been numerous reports of sleeping and narcotic gases, but thus far such gases have been considered impracticable for use as chemical warfare agents.

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A possible explanation of the origin of these reports has now been found. The Czechs appear to have used the names of hypnotic drugs as code names for some of their chemical warfare gases - for example, sulphonal for mustard gas, and luminal for lewisite. The fact that bombs and other weapons charged with Czech chemical warfare material have been associated with these code names is possibly responsible for rumors that the Germans have narcotic gases.

Reports that such gases have put troops out of action for five to six hours may be connected with the fact that this is the period required for mustard gas to produce vesication. Some of the longer periods mentioned - five to seven days - might refer to estimates of its persistence or the time required for action through the skin.

5. CHEMICAL WARFARE TRAINING OF PARACHUTE TROOPS

Three recent independent reports from good sources have referred to the training of German parachute troops in the use of gas or in self defense against it.

The first report stated that parachutists have been issued a special type of respirator, smaller than the normal. This reference probably involves the canvas carrier supplied in place of the normal metal one for the purpose of lessening weight. Samples of these canvas carriers have actually been obtained.

The second report, in describing a large scale parachute exercise in Germany, stated that all personnel descended wearing respirators.

The third report stated that gas hand grenades were being issued to parachutists.

In this connection, other reports have told of storage of gas in lead containers and of emptying gas-charged weapons after the comparatively short period of 17 months on account of corrosion. Both these references suggest a highly corrosive liquid such as the lachrymator, bromobenzyl cyanide.

It is considered highly probable that parachutists would be armed with gas grenades which might be filled with tear gas. Grenades of this type would be silent, quick acting, and useful for surprise attacks on isolated posts.

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G-2/2657-220

No. 420 M.I.D.,W.D.

12:00 M., June 18, 1941.

SITUATION REPORTI. Western Theater

Air: Severe air fighting over the English Channel during daylight of the 17th.

German. No reports of attacks on Great Britain.

British. Last night the attacks on the Rhine and Ruhr industrial areas were renewed in force.

II. Mediterranean and Middle Eastern Theaters

Ground: The British attack toward Tobruk has been repulsed, and the attacking force is retiring. It is unknown whether the Axis forces are pursuing.

Air: Air forces of both sides were used in close support in Libya.

Axis. Night attack on Malta.

British. In Libya, raids on airfields at Derna, Martuba and Gazala. Bardia was bombed.

III. Syria.

Ground: Slow progress by the invaders toward Damascus and Beirut. In the north a small allied force is approaching Aleppo.

Air: Widespread activity by small force.

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Paraphrase of Code Sablogram
Received at the War Department
at 14:26, June 18, 1941.

London, filed June 18, 1941.

1. British Air Activity Over the Continent.

a. Night of June 16-17. An unnamed number of bombers operated over the continent against the following targets: Duisberg, 4,000 four pound incendiaries, 500 twenty-five pound incendiaries, 48 high explosive bombs; Cologne, 80 high explosive and 11,000 incendiaries; Dusseldorf, 90 high explosive 8,800 incendiary bombs. 13 tons of bombs were carried by one Stirling. (G-2. This statement is questioned. It is believed that 15,000 pounds of bombs is nearer correct, as that is the approximate maximum load.)

b. Day of June 17. Bethune was attacked by 25 aircraft of the bomber command. Fighter protection was furnished during this flight by 36 Hurricanes, giving close escort and 36 Spitfires operating as high cover. Strong patrols of fighters carried out patrols along the French and English coasts.

c. Night of June 17-18. Bombing in the area of Cherbourg and Dunkirk and offensive reconnaissance were accomplished by aircraft of the coastal command.

2. German Air Activity Over Britain.

a. Day of June 16. Germany operated over England with 40 pursuit aircraft, 20 reconnaissance planes, and 10 long range bombers. 275 fighter aircraft operated on defensive missions over the continent.

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INFORMATION COPY

2. Night June 16-17. Summary operated against England with 20 pursuit and 30 mine-laying aircraft.

3. Night June 17-18. There was some enemy activity over the southwest coast of England on a slight scale.

3. Aircraft Losses Reported.

a. The British report 12 aircraft missing or destroyed. ✓

b. The extent of German losses is given as 12 ME-109's destroyed and possible damage to 13 more. ✓

4. British Air Activities, Other Theaters.

a. North African Theater. Forward troops operating in Egypt were given complete protection from Axis attacks by patrols of Hurricanes and P-40's. In this theater it is reported that 4 ME-109's were damaged or destroyed. The harbors at Benghazi, Derna, Maturba, Ardis, Gazala and Bardia on the night of June 15th were bombed.

b. Middle Eastern Theater. In this area objectives were machine gunned and bombed on a limited scale and there were some reconnaissance missions carried out.

5. Axis Air Activity From Other Territories. None reported.

6. Information received to the effect that British Air Attache in Washington has explained to the United States Government basic policies regarding secrecy together with reasons for releasing to the public information concerning radio direction finder apparatus.

THE

Distribution:

Secretary of War
State Department
Secretary of Treasury ✓
Under Secretary of War
Chief of Staff

War Plans Division
Office of Naval Intelligence
GND
G-3
Air Corps

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**Receipts of Code Cables
Received at the War Department
at 1407, June 18, 1941.**

Bucharest, filed June 18, 1941.

An order of the Roumanian government has been issued to the effect that 130 tank cars containing a variety of oil products be at once placed on sidings between Bucharest and Ploesti.

Since June 18th, Bucharest has enforced the "blackout" with unusual strictness. Many people are evacuating the city. Official permits are required for trains and buses. Commencing June 24th, the use of private motor vehicles will be cut down by drastic restrictions. On this date also gasoline ration cards come into force.

Six Italian tankers have commenced loading diesel fuel and other oils at Constantza.

RMAY

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**

June 19, 1941

I called Oscar Cox at a quarter of eight, and asked him whether they were making any progress on the English financial situation. He said that they were. I said that I was worried because I wanted to keep my word with Phillips. Cox said, "Well, don't worry about your word. You have kept it. You have given them at least \$400,000,000 worth of relief which they hadn't counted on."

I asked Cox what Hopkins' reaction was to Keynes' memorandum. He said he didn't know, but Hopkins was calling a meeting at ten o'clock this morning to get it started. I asked him what he thought of Keynes' memorandum, and he said, "Well, I think Keynes is a very annoying fellow." I said, "Well, Purvis is coming for me at 8:30 and I was going to make a suggestion, and I want to know what you think of it." I said that I am going to suggest that they form a committee composed of a representative of Hopkins, a representative of the Treasury, and a representative of the English, and that they meet at 4:30 every day and pass on all dollar commitments and see whether they have to be made in dollars from the British Treasury, or whether they can go through Lend-Lease. Oscar said, "I think that's a swell idea." He said, "I know a lot of the things that they are buying could go through Lend-Lease. For example, they have a \$15,000,000 cash order for airplanes which could just as well go through Lend-Lease." He said, "They are paying out about \$300,000,000 in cash, and I am sure a great deal of it could go through Lend-Lease."

I told Oscar that it was his letter of yesterday that started me thinking along these lines. *See letter of 1/15/41 from him.*

Then I asked him whether the English were still buying outside of the Purchasing Commission. He said, "Yes, they are." I said, "They ought to control that," and he said, "They certainly ought to control it." I said I am going to insist that all purchases clear through the Purchasing Commission, and then through this committee which will pass

- 2 -

on the orders each day just the way it was done when we had them on an allowance of \$35,000,000 a week. Oscar was very enthusiastic about my suggestion.

June 19, 1941

On my way to down this morning, I explained to Mr. Purvis my idea of a committee to meet each day and rule on whether or not England should pay cash for each individual order, or whether they should come under Lend-Lease. He was very enthusiastic.

June 19, 1941
9:07 a.m.

HMJr: Good morning, Harry.

Harry Hopkins: Good morning.

HMJr: How are you?

H: Fair.

HMJr: Well,

H: Physically better.

HMJr: Well, I'm glad to hear it. Harry, I've got a suggestion which I think would help you and me. The English as you know tell us that they are going to be out of dollars - they are talking very blue, but I'd like....

H: God damn them, they go out and order a lot of steel, I notice.

HMJr: I know. Now, what I'd like to do is this. I'd like to have a meeting every day, I'll start it in my office where we'd have somebody representing Purvis, somebody representing Phillips and the unknown man who is the comptroller of dollar exchange.

H: Yeah.

HMJr: That somebody, I hope it would be Oscar Cox and we go over the future, never mind the back stuff and they'd start out by saying we have so many dollars in the Empire....

- 2 -

H: Yeah.

HMJr: Now, we've got so many orders we want to place and I'm going to say, well, we want to sit down with your comptroller of exchange, whoever he is, and go over, every time you buy any dollars, we want to okay it.

H:9 Yeah.

HMJr: And if it can go through Lend-Lease, Mr. Cox is here representing Mr. Hopkins, but we want to know the net position of what your dollar has accounted every night and not be told two weeks from now or 30 days from now that you're busted. Now, that would be looking forward, you see?

H: Uh huh.

HMJr: And it would at least give me a chance to turn around.

H: Give you a chance to watch that dollar exchange without hearing about it after the cat's out of the bag.

HMJr: That's the idea.

H: I - that's a damn good idea.

HMJr: Now, I don't know who the dollar - the fellow that runs it and I had Purvis come to the house at 8:30 this morning and he's crazy about the idea and I said, "Who is the person?" He said, "Henry, I don't know", and he said if you ask them I think it's going to bring it to light, but he said, "I can't control it", but he said, "If you do this, then we'll know". What do you think?

- 3 -

H: It's a damn good idea.

HMJr: Well, if you like it....

H: And Oscar, of course, would be fine..

HMJr: I'd like to

H: He could, you know.....

HMJr: Pardon?

H: You trust Oscar and so do I.

HMJr: Oh, sure.

H: And he can speak for me and make commitments on my behalf right there, you see. He wont have to call me up.

HMJr: Well, if you like it, I'll start the first meeting at 3:30 today.

H: Good.

HMJr: See? And then....

H: (Laughs) I'm going to be very interested to hear about the first meeting.

HMJr: Well, if you had nothing, would you...

H: No, no, I don't want to....

HMJr: What?

H: No, no, I don't want to go, It's pure inquisitiveness.

HMJr: Oh, well I mean I'd love to have you.

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H: I couldn't help any.

HMJr: What?

H: I couldn't help any.

HMJr: You might, you - would you care to come?

H: No, I don't think so, Henry.

HMJr: Anyway, will you send Cox?

H: You bet I will. Oscar is coming over this morning to see me and.....

HMJr: And then this back stuff, we're working like hell to clean it up, see?

H: The what?

HMJr: The back stuff.

H: Well, I've asked Oscar to come over to see me this morning to see if we can't pull something out of a hat here this morning on the back stuff so that we can, all of us, stop worrying about it.

HMJr: Well, if you could it would take a terrific load off my,...

H: And I'd like to see if I can't do that before you meet this afternoon.

HMJr: Well, that would be wonderful.

H: Because I've got a long letter here from Keyne - a long winded letter from him.

- 5 -

HMJr: Well, how did you react to that?

H: To Keynes's letter?

HMJr: Yeah.

H: Not very well.

HMJr: Me neither. He sent me a copy.

H: I don't like his style and approach. My own private opinion is that except from the point of view of the British Treasury, he'd just be well off at home.

HMJr: You and me, both.

H: You see, he says he's sent here on a mission, and his mission has got to be complete.

HMJr: Yeah.

H: Well, God Almighty, seems to me you might well say, "Well what in hell is Phillips been doing here all the time"?

HMJr: That's right.

H: And

HMJr: Well,.....

H: I'm just wondering, of course, I suppose it's none of our business to.

HMJr: You mean that....

H: Here's the point about Keynes. If he hangs around here until we get mixed up in a new Lend-Lease bill, he's apt to pull some real boners with some of the people on the Hill or

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something and he'll be telling us how to write a Lend-Lease bill and people will get madder than hell around here about it.

HMJr: Well, let me make a suggestion. After all, he came over here on a cable from Winant.

H: Yeah.

HMJr: Has Winant gone back yet?

H: Yeah. I think Winant should land in England today, I think.

HMJr: Well, why don't drop a

H: A bee after Winant.

HMJr: What?

H: Yeah.

HMJr: Why don't you drop a bee....

H: At Winant, Yeah.

HMJr: And tell him that he sent him over here.....

H: And we've heard everything....

HMJr: Yeah.

H: Yeah.

HMJr: That's the way to get him back home.

H: I have a feeling that he can't accomplish much anyway. Don't you? I mean, he certainly can't do any more than Phillips can do.

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HMJr: He can't do any more than Phillips and he's all over town holding meetings. One meeting that I heard of, quite critical of the President, see, a meeting that was up at Frankfurter's and quite critical of how the President is running the country and - what?

H: Uh huh.

HMJr: So, we have enough troubles.

H: Yeah, that's right.

HMJr: We've got enough troubles.

H: Yeah.

HMJr: Winant is the fellow who can pull him back.

H: Yeah, you see now what he's doing, too. He now moves on me - writes me a letter and sends you a copy, see?

HMJr: Yeah.

H: Well, now - God damn it, if he's here for the Treasury - the British Treasury - his business is to be writing you letters and sending me copies. You see what he's going to do, he's going to move on any front he thinks he can move on.

HMJr: That's right.

H: I don't mind - I mean I don't - it doesn't bother - I think I'm over emphasizing the importance of it.

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HMJr: No, I don't think you are because when I got it, I just said, "God damn it".

H: Yeah, that's the way I felt about it.

HMJr: What?

H: That's just the way I felt about it.

HMJr: It's just too bad if he's got to wait 5 weeks.

H: I have no doubt that if I'd got a two line note or copy of a note from Phillips, which in substance would have said, well now, we're in quite a jam and wish you could help us - Personally, I undoubtedly would stir my stumps far more than getting a six page letter from Keynes, you see?

HMJr: Yeah.

H: We don't have to be motivated that way. He sort of assumes that we don't give a damn, and it just - it irritates me and I must irritate you more.

HMJr: Well, it sort of puts me in the feeling as though - well, Morgenthau really isn't

H: , Doesn't really care about it.

HMJr: That's the point and after everything that I've been through.

H: Yeah.

HMJr: And I imagine it makes you feel the same way.

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H: Yeah, it does. It does. He comes around here and I've heard somewhat the same thing about the other matter, too. They're very free with his advice and - he's one of these fellows that just knows all the answers, you see?

HMJr: That's right.

H: And I have a hunch, although, I don't know it, I have a hunch he's irritating somebody's a - Englishman.

HMJr: Well.....

H: He's got a new job, you know.

HMJr: What's that?

H: Well, he's working with the Ambassador on this over all agreement.

HMJr: Oh really.

H: Yeah.

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

H: So he may be around you on that, but that's something else from this.

HMJr: Well, as I - Winant could pull him back.

H: All right, I'll see if I can't soon as I hear...

HMJr: And you...

H: Gill has arrived, I'll see if I can't

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HMJr: And you tell Cox to be here
 at 3:30.

H: Yeah.

HMJr: And then - you like the idea.

H: Yeah, very much.

HMJr: Thank you.

H: All right. Goodbye.

June 19, 1941
9:28 a.m.

HMJr: Hello.

Jim Farley: This is

HMJr: (Laughs) How are you?

F: All right.

HMJr: Good.

F: How are you? How's your father?

HMJr: He's wonderful.

F: Is he all right?

HMJr: Both my parents are up at Bar Harbor.

F: Oh, is that so? Well, that's fine.

HMJr: Jim, I want you to go to work for me in the State of New York and head up our Defense Savings Bonds for the State.

F: Well, now what do you want me to do, and when, Henry. I haven't been able to do - I've been on this greater New York thing for 60 days and I haven't been able to do anything else, see?

HMJr: Well.....

F: And, I'm still on that.

HMJr: Well, when will that be done?

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F: Well, that's going to jam me for at least another month.

HMJr: Well, Jim, this thing of ours is a long time thing, but if we could see you and explain it to you and know that you would head it up, we'll give you an organization and everything else.

F: Well, give me a day on it, will you?

HMJr: Sure.

F: I'll call you back.

HMJr: I hope you'll do it. I spoke to the President and he said he'd like very much to have you do it.

F: Well, I'll call you back. Give me a day or so on it. I'm going - I've got to go away Monday night, I think, or Tuesday night down to Texas and that will take - I'll be down maybe a week or 10 days and then when I come back I'll have to pick up the loose ends on this other thing that I'm trying to get out of the way, I want - this ought to have been out of the way a month ago, but I've got another month on it.

HMJr: Well, without trying to crowd you, could you let me know by forenoon tomorrow.

F: Yes, I'll do that.

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HMJr: Will you?

F: Yean, I'll do that.

HMJr: By forenoon tomorrow.

F: Well, what would be -
what would you want -
what is there to it now?

HMJr: Well, what we want - what
we do with - in each State
we've gone, we've asked the
Governor to be Honorary
Chairman and then we set up
a Committee with a fellow that
will sort of head it up and we
want to go into every town
and every community and get
the people on a, without any
too high pressure methods to
invest in these defense savings
bonds and give all these people
that want to volunteer a chance
to go to work, I mean, and help
us.

F: Between you and me, I couldn't
give very much time, though,
Henry, I don't want to - I'm
not trying to dodge anything.

HMJr: Yeah.

F: Besides, you know, I've been -
since I've come up here all I've
done is public service, you see?

HMJr: I see. Well, you are so well
known in the State - you got
so many friends that

F: But I know, you have to give
it direction, you know.

HMJr: That's right.

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F: I never do anything unless....

HMJr: No, it'll take time, Jim.
It'll take time.

F: Well, let me - I'll talk to
you in the morning.

HMJr: Yeah. It's a time consumer,
it won't be just something that -
I don't want you for window
dressing.

F: Well, I know and I wouldn't want
to do it for that.

HMJr: No.

F: See?

HMJr: Yeah.

F: Well, I'll talk to you in the
morning.

HMJr: Thank you.

June 19, 1941
9:30 a.m.

GROUP MEETING

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

H.M.Jr: What has happened to Doughton?

Sullivan: Patiently waiting. I think it is just as well. They talked and talked and talked and didn't get around to vote.

H.M.Jr: Just a second. Why didn't you tell me Mrs. Bell had been operated on?

Bell: Oh, we didn't want to bother. It came all of a sudden.

H.M.Jr: Mrs. Morgenthau felt terrible. When did it happen?

Bell: She made up her mind when I was up at the

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committee meeting on Saturday, and it was all arranged when I came back so she went Friday night and was operated on Saturday morning, and she is home now. She is fine.

H.V., Jr: Why didn't you tell me?

Bell: Well, I didn't see any reason to.

H.V., Jr: Mrs. Morgenthau felt terribly. She called in and --

Bell: Well, she needn't feel badly, because there wasn't much anybody could do. She just had to stay quiet a couple of days.

H.V., Jr: But it was Saturday?

Bell: Saturday morning, yes. She made all arrangements when I was up on the Hill. I didn't know anything about it.

H.V., Jr: But she is doing nicely?

Bell: Fine, yes.

Sullivan: They are going to vote this morning on the income tax rates and the excess profits tax rates and then they are going to recess until Monday morning, so we will have time to get together on the excises.

H.V., Jr: A little louder, please.

Sullivan: So there won't be anything doing from whenever they get through voting today until Monday morning.

H.V., Jr: Now, what do you want to report? Is that all?

Sullivan: That is the whole story.

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H.M.Jr: Now, Professor Blough, when are you going to have something for me?

Blough: You mean on the --

H.M.Jr: Oh, a framework of facts for a speech, facts.

Blough: I think we will be pretty well out of the woods on that today, Mr. Secretary. I had some additional material yesterday.

H.M.Jr: When are you going to talk to Kuhn about it, and me?

Blough: I can talk with him at any time after the committee gets through. Noon, we hope.

H.M.Jr: When will that be?

Blough: This afternoon.

H.M.Jr: Mr. Kuhn is available.

Blough: Fine, excellent.

H.M.Jr: During the night I got an idea which I think is a good one, and I have gone to town on it. It was instigated by a letter which I got from Oscar in which he is complaining that we are buying some five hundred twenty-eight thousand dollars worth of steel which could go through the Lend-Lease. So I thought if I could get Purvis and the Treasury and the great mystery man who controls their dollar exchange to come here every day and sit down with us and say, "Now look, we have so much dollar exchange for the Empire on hand. Now, this is what we would like to buy today and this is what we - the commitments we have got outstanding. How much of this can you clear through Lend-Lease?" And insist for the first time, which they have never done, that all

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of it go through Arthur Purvis. And that we know, so that we are not told two weeks from now that they have no dollars and that we get some notice and if they are really going to run short, that we can put the pressure on Jesse or somebody else to see that they can run another two weeks.

I said to Purvis this morning, "If we know when this doomsday is coming -" well, I called Oscar this morning and he is crazy about the idea. He says, "That is wonderful."

I had Purvis at the house at eight-thirty and he says, "Fine." I said, "I would like to know who is the man who runs the exchange." He says, "I don't know who he is. I don't even know where he is located." And he says, "Like on so many things that you have done, I think this will focus it where it belongs."

I said, "Now, I am not interested for the moment in the dead cats which are behind us. We will do the best that we can with those, and Oscar told me that at least four hundred million dollars worth of relief has been provided for, at least, and he is coming here at eleven-thirty this morning, Oscar."

And I said, "I am interested in from now on what are we going to do to keep the English going," and I told Purvis that this fellow Keynes makes me sort of feel as though - well, I am the fellow that has sort of got him in this trouble and the interesting thing is that I had a long talk with Hopkins this morning and Hopkins says "this memorandum from Keynes sort of makes me feel as though I am not doing my work."

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He had exactly the same reaction. He says, "Why should Keynes write me a letter anyway? If he wants to write you and then you send me a copy, that is something else. But why should he write me six pages complaining because he has been around here for five weeks." He says, "I wish he would go home."

So I said, "Well, you can tell Winant that he sent him over here. Drop something in Winant's ear to send him home." He says he is going to, and he is working now with the Ambassador on the quid pro quo.

Hall: I think that was a proper letter for Hopkins.

H.V.Jr: What?

Hall: I don't see anything wrong with that letter. Hopkins is the proper official with whom he should take it up.

White: I think it is an appropriate letter.

Hall: It shouldn't have come to you, Mr. Secretary.

Viners: I thought it was a very good letter. I read it carefully. Either you want to help them or you don't. You have to tell them.

H.V.Jr: Well, I am sick and tired of having British people come over here.

Viners: Tell them and don't deal with them, then.

H.V.Jr: I haven't. I haven't seen the man. I haven't seen Phillips.

Viners: That is the trouble.

H.V.Jr: No it is not the trouble. I am sorry. After

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what I have gone through for two and a half years for them to send a person over here to put me in a position as though I wasn't trying to do everything I can, I say it is a damn outrage.

Viner: It is a very generous letter.

H.M.Jr: I say it is a damn outrage.

Viner: The letter says, "No country has ever dealt so generously with another country."

H.M.Jr: I am sick and tired of publicly holding up the British hands and then they send somebody over here and he goes to a meeting and criticizes the President of the United States for the way he is running this country. I say that man should go home. We don't need any Englishman criticizing the President of the United States how he is dealing with his Cabinet and that is what Keynes did.

Viner: I think that is totally irrelevant.

H.M.Jr: I am sorry.

White: I, too, am sorry to see you take that attitude, because I think he has a task. I think he has tried very, very diligently and very carefully to accomplish his ends. I think he has tried to be careful of everybody's feelings. He hasn't wanted to recede from a position. I have the feeling that he has behaved, so far as I know, O.K. with us and that includes this last letter he sent, in a way that I believe is above criticism.

Hopkins: Why should it have exactly the same reaction on Hopkins?